Chapter One

Introduction

1.1 Background to the Study

Poverty remains a major concern in developing nations and it is one of the distinguishing differences between the developed and the developing nations. Poverty has been described by The United Nations as a denial of choices, opportunities and a violation of human dignity that leads to lack of basic capacity for an individual to participate effectively in society [1]. In any nation where poverty is prevalent, the majority of the citizens are denied their birthright opportunities, living beggarly in their homeland. Poverty cripples citizens from effective participation in the development and advancement of their nation. Poverty has huge consequences on individuals, the household and the entire economy of any nation.

The consequences of poverty include reduced economic opportunities leading to reduced income and lower standard of living for the citizens and residents of the country. Most West African countries are facing major challenges in achieving the Sustainable Development Goal 1 of ending poverty in all ramifications. Niger, Burkina Faso, Benin, Guinea, Guinea-Bissau, Liberia, Mali, Senegal, Sierra Leone, Togo and even Nigeria are all classified under the category of nations that find it very difficult to alleviate poverty and that it will take longer years to end poverty in these countries than other developing nations [2]. Nigeria in the category of these poor nations has a decreasing trend, which means that its performance is worsening over time. So, poverty in Nigeria remains a complex societal challenge that has enormous consequences on the entire populace [2].

Investment in education as well as that of health becomes difficult due to poverty and this could have negative effects on human productivity. One of the reasons for continuous

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reduction in productivity is low investment in education and health which is a result of lack of employment opportunities and poor remuneration for employees. Additionally, difficulty in acquiring the skills and knowledge necessary to secure better-paying employment, experiences of stigmatization and exclusion from social activities, increase in crime rates, increase in the likelihood of conflict and unrest, leading to instability and insecurity in the society are all products of multidimensional poverty which is experienced in Nigeria [3].

Poverty further leads to inability to access adequate basic resources such as food, housing, and healthcare which produce malnutrition, infectious diseases, and chronic illnesses, which can probably have long-term effects on the physical and mental health of the people. In addition, impoverished families tend to have higher prevalence of such adverse factors as teen motherhood, depression, and inadequate health care, all of which lead to decreased sensitivity toward the infant, and later, poor school performance and behavior on the part of schooling children which results to increased school dropouts that leads to increased poverty rate [4].

The Sub-Sahara African countries have most of the poor persons in the world in all its dimensions including income poverty, multi-dimensional poverty, health poverty, education poverty and unemployment [3]. In Sub-Saharan Africa, large proportion of the population in the countries lack access to basic services, such as healthcare, education, and clean water and sanitation, which further exacerbates the poverty situation in the region[5]. Moreover, the COVID-19 pandemic worsened the poverty situation in Sub-Saharan countries, with millions of people pushed into extreme poverty as a result of the pandemic [6].

In Nigeria, nearly 133 million (63%) of the total population are still in multidimensional poverty as at year 2022 [7]. Poor people in Nigeria experience over one quarter of all possible

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deprivations. The sixty-three percent Nigerians who are languishing in multidimensional poverty are deprived of balanced diet, clean cooking fuel, adequate sanitation and access to healthcare [8]. The rate of poverty in Nigeria is quite alarming despite the enormous resources the country is endowed which is a reason for violence and high crime rate [9]. Despite the various government policies and supports from world organizations to alleviate poverty, poverty remains high in Nigeria. Poverty reduction has been the most difficult challenge facing Nigeria and its citizens. It is a major hurdle that must be overcome in the pursuit of sustainable development [10]. Macroeconomic reforms and various policies and strategies were adopted but poverty is still not reducing in Nigeria because of its multidimensional nature and the inability to tackle the varying causes of poverty in Nigeria. Poverty in Nigeria remains a significant challenge despite its status as one of Africa's largest economies. High levels of unemployment and underemployment exacerbate poverty by limiting income opportunities for many Nigerians.

Unemployment remains a major cause of poverty in many nations. Studies have shown a positive relationship between unemployment and poverty [3,7,10]. Unemployment and poverty are so intertwined that one can easily confuse one for the other. For an individual, unemployment leads to low consumption, low spending, low savings and investments, loss of self-confidence, involvement in all sorts of social vices, weak motivation and depression, etc. This is an indication that one problem leads to multiple problems to generate unemployment and poverty [11]. Although, it is possible for one to be employed and still be poor, this is likely to be a case of underemployment. Thus, by unemployment, it includes those who are not working to full capacity, and are not gaining sufficient income that can enable them to contribute effectively to the growth of their immediate society. Underemployment also

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reflects the failure to make use of an important factor of production which is labour, in fostering economic growth in the country. Low returns to labour as well as high unemployment rate indicates poverty.

High rate of unemployment remains one of the most critical socio-economic problems facing Nigeria. While the labour force grows, with an increasing proportion of youth, employment growth is inadequate to absorb labour market entrants. As a result, youth are especially affected by unemployment. Moreover, young people are more likely to be employed in jobs of low quality, underemployed, working long hours for low wages, engaged in dangerous work or receive only short term and/or informal employment arrangements. The inadequate employment situation of youth has a number of socio-economic, political and moral consequences. This has resulted in poverty in Nigeria which is chronic and rising [2]. Nigeria as a nation is endowed with both human and natural resources. These resources are enough to solve multifarious challenges such as poverty and unemployment. Unfortunately, the issue of poverty and unemployment in the country has gotten a level of attention from the government employing several solution methods which include the use of fiscal policy to curb the menace of unemployment and poverty in Nigeria [12].

Unemployment is a major determinant of a weak economy and a good measure of living standard in a country. Nigeria is faced with the problem of unemployment at present [13]. The rate of unemployment in Nigeria is becoming a source of worry for the government and society at large [14]. The vast increase of unemployment rate from 6.4 percent in 2010 to 33.3 percent at the end of 2020 remains unimaginable. In March 2021, the National Bureau of Statistics (NBS) reported that Nigeria's unemployment rate climbed to 33.3 percent in the fourth quarter (Q4) 2020 from 27.1 recorded in the second quarter (Q2) 2020, with only a

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slight reduction from 33.3 percent in 2021 to 32.5 percent in 2022. This significant increase of unemployment rate has greatly affected Nigerian youths and the entire working population in their quest to find gainful employment opportunities, reduce poverty and its varying consequences [15].

Fiscal policy, which is the use of taxation and government expenditure to influence the economy with the aim of achieving specific economic goals such as controlling inflation, boosting economic growth, reducing unemployment, and stabilizing the economy during economic cycles. Fiscal policy can involve raising or lowering government expenditures, adjusting tax rates, and altering borrowing levels to achieve desired outcomes. Fiscal policy has been proven to be an important instrument in curbing unemployment and poverty in many nations of the world and it should not be difficult for Nigeria. Government expenditures on manufacturing industry reduces unemployment rate in rural, urban and the whole of the Nigerian economy [16]. In addition, government spending on social and infrastructural facilities such as good road networks, energy supply and good health care centers aids national outputs and invariably reduce unemployment rate. Government expenditure in the provision of social goods that benefit a large proportion of the population is very essential in the process of curbing unemployment and poverty in Nigeria [17]. Government expenditure functions as a mechanism for economic development in any nation with its application linked to employment generation and improvement of standard of living [18]. Therefore, there may be need to increase expenditure on productive ventures that are labor intensive if ascertain that doing so will increase employment opportunities and also reduce poverty [19].

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Infrastructural deficit in Nigeria may be connected to government spending that has no reflection on the economy and has not been able to achieve the desired reduction in rate of unemployment and poverty in Nigeria. Poor status of facilities such as roads, electricity, and healthcare centers has posed significant challenges to Nigeria's economic development by hindering foreign investors and private employers from establishing industries that can employ the teaming unemployed population of the country. Addressing these infrastructure gaps requires substantial public investment, which may strain fiscal resources and limit the government's ability to pursue other policy objectives. As a result, allocation of public spending in Nigeria often lacks proper prioritization, leading to inefficiencies and wastage of resources. Improving spending efficiency and targeting investments in sectors that can drive sustainable economic growth remain critical challenges of unemployment and poverty in the country [20].

1.2 Statement of the Problem

Unemployment and poverty are prominent issues in Nigeria as they continue to be at the forefront of the biggest challenges facing the country. Nigeria is presently experiencing a high level of unemployment, which has significantly contributed to a higher level of poverty, whose effects and consequences have contributed to the very low standard of living in the country [11]. Unemployment has also become a major problem for the teeming young Nigerians, causing frustration, discouragement and reliance on family members and friends for survival. The high youth unemployment rate in Nigeria has contributed to the high rate of poverty in the country. Nigeria has 80 million young people, representing 60% of the total population of the country. Sixty-four (64) million of them are unemployed and one million six hundred thousand (1.6 million) are underemployed [14].

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Poverty and unemployment are two key socio-economic problems bedeviling the Nigerian polity. Despite the country's rich natural and material resources, unemployment and poverty still remain strong challenge in Nigeria [15]. The rate at which unemployment and poverty keep encroaching the economy of Nigeria remains undesirable. About 63% of persons living within Nigeria are multidimensionally poor. 65% of the people are Northerners, while 35% are Southerners. More than 70% of children in Nigeria suffer from at least one deprivation, whether related to health, education or living standard. This is a clear reflection of the broader trend of poverty and its effects on the larger part of the population[16]. There is no country in Africa that has the rate of poverty that is ravaging the people of Nigeria. South Africa's poverty is far lower as the World Bank's Macro Poverty Outlook for South Africa indicated that the country's poverty rate stood at approximately 18.8% in 2022. A prominent factor that contributes to the rate of poverty in South Africa is high unemployment but still not as high as that of the giant of Africa[17].

High unemployment rate has been mentioned a major reason Nigeria was tagged the world poverty capital. High rates of unemployment often lead to extreme poverty and the result has not been different in Nigeria. Unemployment typically exists among the younger population. In fact, only about 44.6% of young people have employment, meaning more than half of the population is unemployed. The level of unemployment continues to rise as many graduates who are churned out yearly from the educational institutions in the country are without jobs [18]. Among the reasons given for increasing levels of poverty and unemployment is the lack of effective government spending. The government has to always decide whether to spend more on recurrent or capital expenditures in order to reduce unemployment and poverty. Some studies have concluded that recurrent expenditures are more important to unemployment and

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poverty reduction than capital expenditures [18]. In addition, fiscal measures proxy with government recurrent expenditure plays a more vital role in alleviating poverty in Nigeria than government capital expenditure. Government recurrent expenditures include salaries and wages for government employees, administrative costs, and maintenance of infrastructure, utility bills, and other day-to-day expenses necessary to keep government functions running smoothly. Things may get better if the government pays pensioners all their entitlements including gratuities as at when due without any delay. Also, government can give stipend to the unemployed and disabled, more poverty alleviating programs can also be organized [19]. Both recurrent and capital expenditures of government can have significant impacts on unemployment and poverty in Nigeria, as in any country. When the government invests in infrastructure, education, healthcare, and other productive sectors, it can stimulate economic activity, create jobs, and attract private investment and make life better for the people.

Nigeria has remained slow in its development trajectory not only because of lack of technology but because of government spending that seems ineffective in curbing the menace of poverty. While it may be true that government sometimes may have wrong priorities by expending part of the country's resources on projects or programs that may not directly contribute to the welfare of the people which could result to increase in unemployment and poverty rate as prevalence in Nigeria, it is more evident that the government had on several occasions invested in programmes and projects with the aim of curbing the rate of unemployment and poverty. Notable among such projects and programmes is the National Poverty Eradication Programme (NAPEP), established in year 2021 with the purpose of reducing poverty through vocational training, micro-credit supports and employment creation. Also, the National Economic Empowerment Development Strategy (NEEDS), launched in

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2003 to promote economic growth, reduce poverty and improve living standard. Several youth employment initiatives have also been deployed and they include the N-Power Scheme that was launched in 2016 to address youth unemployment through skills, trainings and employment opportunities, the student loan scheme and the technical vocational education and training [19].

Various studies have been carried out on the subject of unemployment and poverty, but to the best of my knowledge, literature remain scarce that examined how government expenditures affect both unemployment and poverty in Nigeria in recent times. Also, literature that studied how unemployment independently affects poverty in Nigeria remain scarce to the best of my knowledge. Finally, literature that decomposed government expenditure into capital and recurrent expenditures to identify the effects of the two on unemployment and poverty in Nigeria also remain scarce. As the rate of unemployment and poverty keep increasing in Nigeria, it becomes imperative to have recent in-depth knowledge of the effects, the relationship, and the causal relationships between and among government expenditures, unemployment and poverty in Nigeria, and this is the basis of this study.

1. 3 Research Questions

The following research questions were addressed in this study:

i. What is the effect of government expenditure on unemployment in Nigeria?
ii. To what extent does government expenditure affects poverty in Nigeria?
iii. How does unemployment affect poverty in Nigeria?
iv. What is the causal relationship among government expenditure, unemployment and poverty in Nigeria?

1.4 Objectives of the Study

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The broad objective of the study was to examine the relationship that exist among government expenditure, unemployment and poverty in Nigeria, while the specific objectives were to:

i. examine the effect of government expenditure on unemployment in Nigeria;
ii. determine the extent to which government expenditure affects poverty in Nigeria;
iii. analyze the effect of unemployment on poverty in Nigeria; and
iv. examine the causal relationship among government expenditure, unemployment and poverty in Nigeria.

1.5 Hypotheses

The following null hypothesis were tested;

$H_0$1: There is no significant effect of government expenditure on unemployment in Nigeria.

$H_0$2: There is no significant relationship between government expenditure and poverty in Nigeria.

$H_0$3: There is no significant effect of unemployment on poverty in Nigeria.

$H_0$4: There is no causal relationship among government expenditure, unemployment and poverty in Nigeria.

1.6 Significance of the Study

This study addresses a research gap that has been frequently overlooked in previous studies on the effects of government expenditure on unemployment and the effect of unemployment on poverty in Nigeria. The study goes further to decompose government expenditure into capital and recurrent expenditures to be examined in relation to unemployment and poverty in Nigeria. The study also examines the causal relationship among government expenditure, unemployment and poverty in Nigeria, with the aim of discovering and recommending ways

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of curbing the menace of unemployment and poverty in Nigeria through government expenditure as a fiscal instrument. Effective government expenditure on welfare facilities may be an effective tool in a bid to reduce the high rate of unemployment and poverty in Nigeria. Furthermore, when more people are employed, they have reliable sources of income which enable them to provide for their immediate and extended families in a way that may reduce poverty in the society.

This study reveals which of the categories of government expenditure should be prioritized in the process of curbing the menace of unemployment and poverty in Nigeria. It will also enlighten the government on the need to rightly prioritize the projects that enhance the welfare of the citizens through provision of employment opportunities and reduction of poverty in the society. It will further educate the various economic stakeholders on the need to provide more jobs and create enabling environment for private, small and medium scale enterprises to thrive in Nigeria in order to curb the prevalence of poverty in the society. The considerable lack of clarity in literature about the effects of fiscal policy on unemployment and poverty, with specific interest in government expenditure, unemployment rate and poverty pose a significant worry for both academic researchers and policy makers.

1.7 Scope of the Study

This study examines the link between government expenditure, unemployment and poverty reduction in Nigeria throughout the period spanning from 1986 to 2022. The selection of this specific time frame is justified by the accessibility of relevant data and the establishment of Structural Adjustment Program (SAP) in 1986 in Nigeria. Nigeria has had both positive and negative post-SAP experience. Structural Adjustment Program (SAP) typically refers to a set of economic policies prescribed by international financial institutions like the World Bank

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and the International Monetary Fund (IMF) to countries facing economic crises or seeking financial assistance.

SAP policies have greatly affected government expenditure in the past including 1990 when two new hydroelectric plants were erected in Shiroro Hydro and Delta IV which increased power generation from 2700MW to 5988MW. Also, the temporary increase in social spending in 1988-1990 brought about an enhanced administration and security in 1991/1992. Though, there were few manufacturing projects that were initiated but left uncompleted due to lack of fund. They include Iwopin Paper Mill and Osogbo Machine Tools. After the introduction of SAP, it was recorded that unemployment rates began to decrease, beginning from 1988. The rural unemployment rate declined from 5% in 1986 to 3% in 1989-1992, while that of urban declined from 10% in 1986/1987 to 5% in 1990-1992 as results of the SAP-induced expansion of firms producing export goods, goods that competed with imports and those that used local inputs in their production. These policies helped in reducing the rate of unemployment and indirectly reduced the poverty level to show that SAP had significant effects on government expenditure, unemployment and poverty at that time.

The time series data pertaining to the dependent and independent variables spanning the years 1986 to 2022 were obtained from various sources, such as the Central Bank of Nigeria statistical bulletin, the World Bank database (specifically the World Development Indicators), as well as additional sources including library resources and publications from the Federal Office of Statistics.

1.8 Limitation of the Study

This study is limited to Nigeria as a country in Africa; therefore, it does not represent the entire African countries. Also, due to availability of data, this study is carried out between 1986 and 2022 which is 38 years. Finally, due to time and financial implications, the study

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makes use of secondary data from various sources, such as the Central Bank of Nigeria statistical bulletin, the World Bank database (specifically the World Development Indicators), as well as additional sources including library resources and publications from the Federal Office of Statistics on government recurrent and capital expenditure, unemployment and poverty in Nigeria.

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1.9 Operational Definition of Terms

Fiscal Policy: Fiscal policy refers to the use of government spending, taxation, and borrowing to influence the economy. Its primary goals include stabilizing economic fluctuations, promoting economic growth, controlling inflation, and reducing unemployment. It is one of the key tools governments use to manage the overall economic environment.

Government Expenditure: Government expenditure refers to the money that a government allocates to various sectors and programs within its jurisdiction. This spending covers a wide range of areas, including education, healthcare, defense, infrastructure, social welfare programs, and more. Governments typically allocate funds through budgets approved by legislative bodies, such as parliaments or congresses, and the spending is financed through various means, including taxation, borrowing, and, in some cases, revenue from government-owned enterprises. Government spending plays a crucial role in stimulating economic activity, addressing social needs, and supporting overall economic growth and development.

Government Recurrent Expenditure: Government recurrent expenditures typically refer to the regular, ongoing expenses incurred by the government to maintain its operations and provide essential services. These expenses include salaries and wages for government employees, administrative costs, and maintenance of infrastructure, utility bills, and other

day-to-day expenses necessary to keep government functions running smoothly. Examples of recurrent expenditures include healthcare, education, public safety, and social welfare programs.

Government Capital Expenditure: Government capital expenditures are investments made by the government in assets that are expected to provide benefits over multiple years. Unlike recurrent expenditures, which are ongoing expenses, capital expenditures are typically one-time or infrequent expenses aimed at acquiring or improving long-term assets. These assets can include infrastructure such as roads, bridges, and buildings, as well as equipment, machinery, and technology. Capital expenditures are essential for enhancing the productivity, efficiency, and quality of public services, and they often play a crucial role in stimulating economic growth and development.

Poverty: Poverty may have different definition but poverty in the context of this study means not having enough money to meet basic needs including food, clothing and shelter. Poverty may also be referred to as the state or condition of having little or no money, goods, or means of support. Poverty can also mean not having enough money or access to resources to enjoy a decent standard of living; be that the lack of access to healthcare, education or water and sanitation facilities etc. Addressing poverty in Nigeria requires comprehensive efforts, including investments in education, healthcare, infrastructure, and job creation initiatives, as well as effective governance and anti-corruption measure.

Unemployment: Unemployment is when an individual who is not employed and is seeking employment, cannot find work. Unemployment, the condition of one who is capable of working, actively seeking work, but unable to find any work. The concept of unemployment in this study has to do with how the number of people who should be working and actively

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generating income cannot find job and are not generating any income which makes them to be dependent on any member of their family that is employed and that is generating income.

Underemployment: Underemployment refers to a situation where individuals are employed in jobs that are insufficient in terms of hours worked, skill level, or income to fully utilize their capabilities and meet their economic needs. This phenomenon often results in individuals being employed in positions for which they are overqualified or in part-time roles despite desiring full-time work. In the context of Nigeria, underemployment is a significant issue alongside unemployment, contributing to economic challenges and poverty despite individuals being formally employed.

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Chapter Two

Literature Review

2.0 Preamble

This chapter presents the literature review of the links among government expenditure, unemployment and poverty. This review of literature is presented under the following sections, conceptual review, theoretical review, and empirical review, summary of gaps in literature, conceptual framework, and theoretical framework.

2.1 Conceptual Review

2.1.1 Fiscal Policy

Fiscal policy is the use of government spending and taxation to influence the economy. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty [1]. It involves decisions made by governments regarding how much money to spend, what to spend it on, and how to raise revenue through taxes. Fiscal policy is often used to achieve macroeconomic objectives such as economic growth, price stability, and full employment.

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Fiscal policy can be broadly categorized into two main types:

1. Expansionary Fiscal Policy: This type of fiscal policy involves increasing government expenditure and/or reducing taxes to stimulate economic activity during periods of recession or slow economic growth. Expansionary fiscal policy often injects more money into the economy with the aim of increasing the aggregate demand, leading to higher output, employment, and potentially inflation.

2. Contractionary Fiscal Policy: Contractionary fiscal policy involves use of reduced government expenditure and/or increased taxes to cool down an overheating economy or combat inflation. Contractionary fiscal policy is typically implemented when the economy is experiencing high inflation or unsustainable levels of economic growth. It reduces aggregate demand in order to lower inflationary pressures and prevent the economy from overheating [1].

2.1.2 Government Expenditure

Government expenditure refers to the money spent by a government on various activities and services, including infrastructure, defense, healthcare, education, social welfare programs, and administrative costs. These expenditures are funded through taxes, borrowing, and sometimes revenue from government-owned enterprises. They play a crucial role in shaping the economy and providing essential services to citizens. Government expenditures can be categorized into two major types based on their purpose or function. Government expenditures can be divided into two and these are capital expenditures and recurrent expenditures.

Capital expenditures, often abbreviated as CapEx, refer to funds used by a government or an organization to acquire, upgrade, or maintain physical assets such as property, buildings, machinery, or technology. Examples of capital expenditures by governments include building

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new roads, bridges, schools, or investing in infrastructure projects. Capital expenditures are investments made with the expectation of generating future benefits which include increased productivity, efficiency, or revenue. Recurrent expenditures, also known as Operating Expenses or OPEX, are ongoing costs that a government or organization incurs to maintain its day-to-day operations. Recurrent expenditures often include paying salaries of public servants, utility bills for government buildings, and maintenance costs for equipment and infrastructure, utilities, rent, supplies. Recurrent expenditures are essential for smooth running of an economy, and for sustaining the regular functioning of the organization or government agency. Empirical studies have shown the importance of government expenditures in curbing the menace of poverty [2].

Capital Expenditure

Capital expenditure refers to the funds that a government allocates for the acquisition, construction, or improvement of physical assets with long-term benefits. These assets typically contribute to the infrastructure, development, and expansion of the economy. Capital expenditure can include investments in various sectors such as transportation, education, healthcare, utilities, and technology. Examples of capital expenditures by governments include:

1. Infrastructure Projects: Every expenditure of government on infrastructural projects such as construction of roads, bridges, airports, railways, ports, dams, and other public works projects aimed at enhancing connectivity, transportation efficiency, and economic development can be regarded as government capital expenditure.

2. Education Facilities: Education facilities remain sacrosanct to the development of any nation, as such the government spend on building and renovating schools, colleges,

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universities, libraries, laboratories, and other educational infrastructure to accommodate growing student populations and improve learning environments.

3. Healthcare Facilities: Government Expenditures on healthcare facilities is another important factor that contribute to societal welfare, this includes expenditures used in upgrading hospitals, clinics, medical centers, and research facilities to enhance healthcare services, improve access to medical treatment, and support advancements in healthcare technology.

4. Utility Systems: Government capital expenditure also includes the money spent on creation of utility system such as water supply systems, sewage treatment plants, electrical grids, telecommunications networks, and other utilities to ensure reliable and efficient delivery of essential services to the population.

5. Government Buildings: Enormous expenditure of the government is usually committed to the construction or refurbishing administrative offices, courthouses, police stations, fire stations, and other government facilities to meet the needs of public administration and service delivery.

6. Technology and Innovation: Funding research and development initiatives, investing in information technology infrastructure, and supporting innovation hubs to promote technological advancements and foster economic growth require huge government expenditure.

Capital expenditures typically have a long-term impact on the economy and society, contributing to productivity gains, job creation, and improved living standards over time. Governments often finance capital projects through borrowing, issuing bonds, or utilizing dedicated funds earmarked for infrastructure development.

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Recurrent Expenditure

Recurrent expenditure, also known as operating expenses or current expenditures, refer to the ongoing costs that governments incur to maintain day-to-day operations and provide essential services. Unlike capital expenditures, which involve long-term investments in physical assets, recurrent expenditures are typically associated with the regular expenses required to sustain public services, programs, and administrative functions. Examples of recurrent expenditures include:

1. Salaries and Wages: Government is always committed to payment of salaries, wages, and benefits to government employees, including civil servants, teachers, healthcare workers, police officers, and administrative staff for the smooth running of the economy.

2. Utilities and Maintenance: There are expenses related to utilities such as electricity, water, gas, and telecommunications, as well as maintenance costs for government buildings, facilities, and equipment which are categorized under the recurrent expenditure.

3. Goods and Services: The procurement of goods and services necessary for daily operations, including office supplies, equipment rentals, cleaning services, security services, and professional services require financial commitment of the government under recurrent expenditure.

4. Transportation and Travel: There are expenditures of government associated with transportation services, fuel, vehicle maintenance, and travel allowances for government officials and employees.

5. Contractual Obligations: Payments for contracted services, outsourcing arrangements, lease agreements, and other contractual obligations entered into by the government are parts of the recurrent expenditures of government.

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6. Debt Servicing: In some countries, humongous amount of money is expended in the payments of interest and principal on government debts, including loans, bonds, and other forms of borrowing used to finance public expenditures.

7. Subsidies and Grants: Financial assistance provided to individuals, businesses, or organizations in the form of subsidies, grants, or transfers to support specific activities or address socio-economic needs is part of the recurrent expenditures of the government.

Recurrent expenditures are essential for the ongoing provision of public services, the implementation of government policies, and the maintenance of public infrastructure [3, 4].

2.1.3 Unemployment

Unemployment refers to the situation where individuals who are willing and able to work are unable to find employment opportunities. It is often considered a key indicator of the health of an economy and the labor market. Unemployed person is a person aged 16 years or older who are not working and who are looking for work. It is often measured as a percentage of the total labor force that is actively seeking employment but unable to find one [5]. Unemployment leads to any of the significant economic and social consequences, including reduced consumer spending, lower productivity, and social unrest. Governments typically use various policies and programs, such as job training initiatives, unemployment benefits, and stimulus measures, to address and mitigate the consequences of unemployment. Unemployment is a major challenge facing the socio-economic life of most developing nations. It deters the development agenda, security of lives and properties, and peaceful co-existence of a nation. The larger percentage of those affected by unemployment are the youths. Youth unemployment is a significant issue worldwide, often reflecting broader economic challenges. Youth unemployment is a problem that affects developing countries,

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including Nigeria. Factors like lack of experience, mismatched skills, and limited job opportunities contribute to this problem in most countries[5]. In Nigeria, recent research on youths and the need for their involvement in entrepreneurship activities is gaining ground seriously due to the economic downturn that increases unemployment [5]. Various factors have contributed to the high unemployment rate in Nigeria and they include poor leadership, failure to fulfill electioneering campaign promises, and Covid-19 pandemic.

Types of Unemployment

There are several types of unemployment:

1. Frictional Unemployment: This type of unemployment occurs when individuals are between jobs or transitioning from one job to another. It is usually temporary and occurs as people search for better opportunities or relocate.

2. Structural Unemployment: Structural unemployment arises from a mismatch between the skills and qualifications of workers and the requirements of available jobs. It can occur due to technological advancements, changes in industry demand, or shifts in the structure of the economy.

3. Cyclical Unemployment: Cyclical unemployment is linked to the business cycle and occurs during economic downturns or recessions when aggregate demand for goods and services falls, leading to reduced production and layoffs.

4. Seasonal Unemployment: Seasonal unemployment occurs due to fluctuations in demand for labor during certain times of the year. It is common in industries such as agriculture, tourism, and retail, where demand varies based on seasonal factors.

Unemployment can have significant social and economic consequences, including reduced consumer spending, poverty, social unrest, and a decrease in overall productivity.

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Governments and policymakers often implement various measures to address unemployment, such as job training programs, education initiatives, unemployment benefits, fiscal stimulus, and monetary policies aimed at stimulating economic growth and job creation [6, 7].

Underemployment

Underemployment refers to a situation where individuals are employed but are working in jobs that are below their skill level, education, or experience, or are working fewer hours than they desire. It encompasses various forms of employment that do not fully utilize a person's potential or qualifications. Types of underemployment include:

1. Involuntary Part-Time Employment: Workers who are employed part-time but would prefer to work full-time are considered underemployed. They may be unable to find full-time employment or have had their hours reduced due to economic conditions or employer decisions.

2. Over qualification: Individuals who hold jobs that do not require their level of education, training, or experience are said to be overqualified. This type of underemployment often occurs when individuals take lower-skilled jobs out of necessity or due to limited job opportunities in their field.

3. Skill Mismatch: Underemployment can also result from a mismatch between the skills possessed by workers and the skills demanded by available jobs. This can occur due to changes in technology, shifts in industry demand, or inadequate training and education programs.

4. Underutilization of Labor: In some cases, underemployment may refer to situations where workers are employed in positions that do not fully utilize their skills, talents, or abilities.

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This can lead to decreased job satisfaction, lower productivity, and reduced overall economic output.

Underemployment can have adverse effects on individuals, families, and the economy as a whole. It can lead to lower wages, decreased career advancement opportunities, decreased consumer spending, and reduced economic growth. Addressing underemployment often requires policies and interventions aimed at improving education and training, promoting job matching, and creating more opportunities for full and meaningful employment [8].

Consequences of High Unemployment Rate

Increased unemployment rate can have a range of negative consequences on individuals, families, communities, and the economy as a whole. These could include:

1. Financial Hardship: Unemployment leads to a loss of income for individuals and their families, resulting in financial instability, difficulty meeting basic needs such as food, housing, and healthcare, and increased reliance on government assistance programs.

2. Poverty and Inequality: Persistent unemployment can exacerbate poverty and widen income inequality, as jobless individuals and households struggle to maintain their standard of living while wealthier segments of society may continue to prosper.

3. Social and Psychological Impact: Unemployment often causes stress, anxiety, depression, and a loss of self-esteem among individuals who are unable to find work. It can also strain personal relationships, leading to family conflicts and social isolation.

4. Reduced Consumer Spending: High unemployment reduces consumer purchasing power, leading to decreased consumer spending on goods and services. This can negatively impact businesses, leading to reduced sales, layoffs, and further economic downturn.

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5. Decreased Tax Revenue: Unemployment results in lower income tax revenue for governments, as fewer people are earning taxable income. This can strain government budgets and reduce funding for essential services and programs.

6. Skills Erosion: Prolonged unemployment can lead to skills deterioration and loss of human capital among workers, making it more difficult for them to re-enter the workforce and reducing overall productivity.

7. Social Unrest and Crime: High unemployment rates can contribute to social unrest, protests, and civil unrest as disenfranchised individuals express frustration with economic conditions. Additionally, some studies suggest a correlation between unemployment and increases in crime rates. Unemployment has been indicated as a major cause of insecurity in Nigeria [5, 6, 7]

8. Long-Term Economic Scars: Persistent high unemployment can lead to long-term economic scars, including reduced potential output, slower economic growth, and diminished opportunities for future generations. Empirical findings indicate a long-run relationship between the unemployment rate, economic growth, education, female population, and urban population, a negative linkage between economic growth and unemployment, and a positive relationship among the education, female population, and urban population and unemployment.

Addressing high unemployment typically requires a combination of macroeconomic policies, such as fiscal stimulus and monetary easing, as well as targeted interventions aimed at job creation, education and training, labor market reforms, and social safety nets to support those affected by job.

2.1.4 Poverty

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Poverty refers to a state of deprivation characterized by a lack of access to basic necessities and resources required to meet minimum standards of living. It encompasses various dimensions, including income poverty, material deprivation, and social exclusion. Poverty is a complex and multidimensional phenomenon characterized by a lack of resources, capabilities, and opportunities needed to meet basic human needs and lead a dignified life. It encompasses not only low income but also limited access to education, healthcare, clean water, sanitation, food security, and other essential services [9].

Dimensions of Poverty

Poverty can manifest in various forms, including absolute poverty, where individuals cannot afford the basic necessities of life, and relative poverty, where individuals have significantly lower living standards compared to the rest of society. Poverty can be classified into various categories based on different dimensions and criteria. Here are some common classifications of poverty:

1. Income Poverty: Income poverty is the most common type of poverty, where individuals or households are considered poor if their income falls below a certain poverty line or poverty threshold set by a government or international organization. Income poverty measures focus on the ability of individuals to afford basic necessities such as food, shelter, clothing, and healthcare.

2. Absolute Poverty: Absolute poverty refers to a severe deprivation of basic human needs, where individuals and households lack the resources needed to meet minimum standards of living. Absolute poverty is also measured by comparing individuals' income or consumption

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levels to an absolute threshold, such as the international poverty line set by the World Bank and other world organizations.

3. Relative Poverty: Relative poverty compares individuals' income or living standards relative to the rest of society. In this classification, individuals are considered poor if their income falls below a certain percentage of the median income in their society. Relative poverty reflects disparities in income distribution and social inequality within a given population.

4. Multidimensional Poverty: Multidimensional poverty takes into account various dimensions of deprivation beyond income, including access to education, healthcare, housing, sanitation, clean water, nutrition, and social inclusion. This approach recognizes that poverty is a complex phenomenon with interconnected social, economic, and environmental factors.

5. Urban and Rural Poverty: Poverty can also be classified based on geographic location, with distinctions between urban poverty and rural poverty. Urban poverty typically involves challenges such as unemployment, informal employment, inadequate housing, slums, and limited access to basic services, while rural poverty may be characterized by agricultural livelihoods, landlessness, poor infrastructure, and lack of access to markets and services.

6. Chronic and Transient Poverty: Chronic poverty refers to persistent and long-term deprivation that persists over extended periods, often spanning multiple generations. Transient poverty, on the other hand, is temporary and may result from factors such as illness, unemployment, natural disasters, or economic downturns. Understanding the dynamics between chronic and transient poverty is essential for designing effective poverty reduction strategies.

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7. Child Poverty: Child poverty focuses on the well-being of children and measures their deprivation in terms of access to education, healthcare, nutrition, shelter, and protection from harm. Child poverty is a critical concern as it can have long-lasting effects on children's physical, cognitive, and socio-emotional development, perpetuating cycles of intergenerational poverty.

8. Gender Poverty: Gender poverty highlights disparities in poverty rates and experiences between men and women, as well as gender-specific factors that contribute to poverty, such as unequal access to education, employment, property rights, healthcare, and decision-making power within households and communities. Addressing gender inequalities is essential for achieving sustainable poverty reduction and inclusive development.

These classifications help policymakers, researchers, and practitioners understand the complexity of poverty and design targeted interventions to address its underlying causes and dimensions. Effective poverty reduction strategies require comprehensive approaches that address both income poverty and its multidimensional aspects, promote social inclusion and equity, and empower individuals and communities to improve their livelihoods and well-being.

Consequences of Poverty

Poverty has far-reaching consequences that affect individuals, families, communities, and societies as a whole. Here are some of the key consequences of poverty:

1. Health Problems: Poverty is associated with a higher prevalence of health problems and reduced access to healthcare services. Individuals living in poverty are more likely to suffer from malnutrition, infectious diseases, chronic illnesses, mental health disorders, and limited access to healthcare facilities and medications. Poor health outcomes can further exacerbate

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poverty by reducing productivity, increasing healthcare costs, and leading to disability or premature death.

2. Limited Education Opportunities: Poverty often limits access to quality education and educational opportunities, perpetuating cycles of intergenerational poverty. Children from impoverished backgrounds are more likely to experience lower school enrollment rates, higher dropout rates, and reduced academic achievement. Lack of education hinders individuals' ability to secure well-paying jobs and escape poverty, thus perpetuating the cycle of poverty.

3. Unemployment and Underemployment: Poverty can lead to unemployment or underemployment, as individuals lack access to stable, decent-paying jobs. Limited job opportunities, low wages, and lack of skills or education further exacerbate economic hardship and hinder individuals' ability to improve their livelihoods. Unemployment and underemployment also contribute to social exclusion, loss of self-esteem, and psychological distress among individuals and families.

4. Housing Instability and Homelessness: Poverty often results in inadequate housing conditions, overcrowding, and homelessness. Individuals and families living in poverty may struggle to afford safe and stable housing, leading to housing instability, substandard living conditions, and exposure to environmental hazards. Homelessness exacerbates social exclusion, increases vulnerability to crime and exploitation, and negatively impacts physical and mental health outcomes.

5. Food Insecurity and Malnutrition: Poverty contributes to food insecurity, where individuals lack consistent access to nutritious and affordable food. Food insecurity can lead to malnutrition, hunger, micronutrient deficiencies, and stunted growth, particularly among

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children. Chronic food insecurity undermines individuals' health, cognitive development, and overall well-being, perpetuating cycles of poverty and poor health outcomes.

6. Social Exclusion and Discrimination: Poverty often leads to social exclusion, marginalization, and discrimination based on socioeconomic status, race, ethnicity, gender, disability, or other factors. Social exclusion limits individuals' access to opportunities, resources, and social networks, further entrenching their disadvantage and hindering their ability to escape poverty.

7. Crime and Social Unrest: Poverty is associated with higher rates of crime, including property crime, violent crime, and substance abuse. Economic deprivation, lack of opportunities, and social inequalities contribute to criminal behavior and social unrest in impoverished communities. High crime rates further undermine community cohesion, exacerbate insecurity, and perpetuate cycles of poverty and violence.

8. Intergenerational Transmission of Poverty: Poverty tends to be transmitted across generations, as children growing up in impoverished households are more likely to experience similar economic disadvantages as adults. Intergenerational poverty perpetuates cycles of disadvantage, limiting opportunities for upward mobility and widening socioeconomic inequalities within society.

Addressing poverty may involve strategies that can promote economic growth inclusively and sustainably through strategic investment in education and healthcare, empowering marginalized groups, promoting gender equality, improving infrastructure, fostering good governance and institutions, and addressing systemic inequalities. International organizations, governments, civil society groups, and individuals all play a role in combating poverty through policies, programs, and initiatives aimed at promoting social and economic

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development, reducing inequality, and ensuring that everyone has the opportunity to fulfill their potential and lead a decent life [9, 10, 11].

2.2 Theoretical Review

This theoretical review aims to explore the existing theories surrounding to nexus among government expenditure, unemployment and poverty.

2.2.1 Theories of Government Expenditures

The Peacock and Wiseman Theory of Public Expenditures

The Peacock and Wiseman Theory of Public Expenditures was introduced in the prominent work titled "The Growth of Public Expenditure in the United Kingdom", published in the journal of National Institute Economic Review. The Peacock and Wiseman Theory of Public Expenditures posits that government expenditure tends to increase over time due to some factors such as societal needs and preferences, political pressures and the expected administrative costs. The Peacock and Wiseman Theory of Public Expenditures highlights the importance of being prudence as far fiscal management is concerned and the need for policymakers to carefully scrutinize and prioritize government expenditures that promote sustainable development of the economy and enhance fiscal stability[12, 13].

Assumptions of Peacock-Wiseman Theory of Public Expenditures

The Peacock-Wiseman theory argues that government expenditures grow not only in response to external shocks but also due to internal dynamics within the political and administrative system. In other words, governments try to maximize their budgets to enhance their political influence and power, and to also prevent the inability to achieve the set goals due to insufficient fund. The theory warns that even after the crisis subsides, reversing the expanded government expenditure may become a challenge. It was stated that the ability of

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governments to increase revenues at a particular period further limits their ability to fund expenditures through tax at other periods as expected.

Peacock-Wiseman further assumed the bureaucratic problems of government expenditures emphasizing that bureaucrats seek to expand their agencies' budgets to increase their own influence and resources. The theory further assumes that government expenditures tend to increase with the rate of public demand for some goods and services that can only be provided by the government or in which the government needs to contribute to their availability in the economy. Example of such goods and services include education, national defense and security which may increase during crises or political pressure. Increase in public demand for certain goods and services influences government expenditures. These assumptions collectively suggest that public expenditures are influenced not only by economic needs but also by political and bureaucratic factors within a constrained fiscal environment[12, 13].

Criticisms of Peacock-Wiseman Theory of Public Expenditures

In criticizing Peacock-Wiseman theory of public expenditures, it has been argued that not all governments aim to expand their budgets unnecessarily for political gains. There are governments that prioritize fiscal responsibility or other important goals over unnecessary budget expansion. The theory's assumption that bureaucrats always seek to maximize their budgets may oversimplify the varied motivations within bureaucracies as bureaucratic behavior can be influenced by factors beyond just budget size. The theory has also been criticized on the basis its focus is heavily on the political and bureaucratic aspects of public expenditures but may overlook considerations of efficiency and effectiveness in resource allocation[12, 13].

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It has been further argued that Peacock-Wiseman Theory may have limited ability to predict actual public expenditure patterns, which means that the theory may find it difficult to account for all factors that could influence the spending decisions of government. While acknowledging the assumption of revenue constraints, it has been further contended that Peacock-Wiseman theory of public expenditures may not adequately address how governments adapt revenue policies or seek alternative funding sources to achieve desired economic goals [14, 15].

The Classical Theory of Government Expenditures

The Classical Theory of government expenditures is primarily associated with Adam Smith, who discussed government spending in his seminal work "The Wealth of Nations," published in 1776. Smith argued that government expenditures should be limited to defense, justice, infrastructure, and other essential public goods, emphasizing minimal government intervention in the economy. His ideas laid foundational principles for classical economists who followed, such as David Ricardo and John Stuart Mill, who also contributed to the development of classical economic thought regarding government expenditures.

Assumptions of the Classical Theory of Government Expenditure

Classical economists, such as Adam Smith, David Ricardo and John Stuart Mill, argued for a laissez-faire approach to economic policy, emphasizing the importance of free markets and minimal government intervention in economic activities. They believed that markets, if left to operate freely, would allocate resources efficiently and enhance economic growth. The Classical Theory of government expenditures, rooted in classical economics, advocates for minimal government intervention in the economy and limited government spending. The theory posits that the primary role of government is to provide essential public goods and

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services, such as national defense, law enforcement, and infrastructure, which are necessary for the functioning of markets and that there should be minimal intervention of government beyond the provision of these essential services. Classical economists warned against excessive government spending, arguing that it could crowd out private investment and lead to inefficiencies in resource allocation. They believed that government borrowing to finance spending would compete with private borrowing, driving up interest rates and reducing private sector investment.

While classical economists recognized the need for some taxation to finance essential government functions, they generally advocated for low and simple tax systems. They argued that high taxes could distort incentives, discourage productive economic activity, and hinder economic growth. The Classical Theory emphasizes fiscal prudence and balanced budgets, with government expenditures kept in check to avoid excessive borrowing and debt accumulation. They believed that governments should strive to live within their means and avoid deficit spending except in cases of extreme necessity. They believe in the efficacy of market mechanisms to allocate resources efficiently and respond to changes in supply and demand. They argued that government intervention, particularly in the form of regulations and subsidies, could distort market signals and lead to inefficiencies. These assumptions reflect the classical view of a limited government role in the economy, focusing on ensuring that government activities do not disrupt the efficient functioning of the market[16, 17].

Criticism of the Classical Theory of Government Expenditures

The Classical Theory of government expenditures has faced several criticism overtimes. Critiques are of the opinion that the assumption that government budgets are balanced over time is not always true in practice as governments often run deficits, especially during

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economic downturns. Also, the assumption that markets are always efficient and that government intervention is unnecessary has been said to have overlooked the market failures such as public goods, externalities, and income inequality where government intervention is very sacrosanct. The theory has also been criticized on the basis that its focus is on static models that does not fully account for dynamic changes in the economy or the impact of government spending on long-term economic growth.

Critics argue that the theory advocates for minimal government intervention which may be insufficient in addressing age-long economic issues like poverty, unemployment, and infrastructure development. It has also been said that the theory sometimes underestimates the economic impact of government spending. Critics suggest that government expenditures can have significant multiplier effects on economic activity, which the classical model may not fully capture. Critiques are of the opinion that government decisions may be influenced by political considerations rather than purely economic factors and this is against the theory's assumption of rational behavior from both consumers and governments[17, 18, 19].

The Bowers Theory of Public Expenditures

The Bowers Theory of Public Expenditures was propounded by economist David Bower. The theory focuses on the political determinants of government spending decisions. The Bowers Theory of Public expenditure states the importance of understanding the political dynamics in making government expenditure decisions. The needs to recognize the influence of political factors on the choices of expenditure becomes imperative for policymakers and analysts to better understand the motivations behind public expenditures and their implications for public policy outcomes[20].

Assumptions of Bowers Theory of Public Expenditures

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The Bowers theory public expenditure assumes that the government plays a significant role in the economy, and that government should not be seen as a mere economic regulator but as an active participant in efficient and effective allocation of resource through its expenditures. The theory acknowledges the importance of government expenditures in the provision the necessary public goods and in order to address externalities, which the market may fail to supply or manage adequately. Another assumption of the theory is that government decision-makers are always rational in carrying out their duties and responsibilities with the aim to maximize social welfare through their spending decisions. It further presumes that government expenditures are very sacrosanct to economic growth and development of any nation and it can be designed to enhance economic efficiency and also address market failures. According to this theory, government spending ought to be seen as a tool to correct inefficiencies and improve overall welfare.

The Bowers theory of public expenditure further assumes that government expenditures must be managed in a way that respects the intertemporal budget constraint, which means that current expenditures should be balanced with future revenues to avoid unsustainable debt levels. The theory often includes the assumption that government expenditures are used to achieve redistribution goals that also helps in reducing income inequality and providing social safety nets [21].

Criticisms of Bowers Theory of Public Expenditures

The Bowers theory of public expenditures has been criticized severally beginning from its assumption that government expenditures can enhance economic efficiency which has been criticized on the basis that government interventions may sometimes lead to misallocation of resources, inefficiencies and other unintended consequences. It could occur that government

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funds are allocated to projects or programs that benefit narrow interest groups or constituencies, which could lead to the misallocation of resources and inefficiencies in government expenditure, if projects are selected based on political affiliation rather than their contribution to the national development objectives. The theory recognition for government expenditure on public goods and externalities has also been highlighted that such government spending may not fully account for the complexities and costs of accurately measuring and providing these goods. Transparency and accountability in the budgeting process become crucial in government expenditure and the civil society organizations, media, and oversight bodies have vital role to play in scrutinizing government expenditure decisions, ensuring policymakers are transparent and accountable in the use of public resources effectively[20].

Critics argue that the theory assumes governments always make rational, welfare-maximizing decisions, overlooking the influence of political considerations, special interest groups, and bureaucratic inefficiencies. Policymakers may even engage in exchanging support for each other's projects or initiatives in exchange for political favors or support that may result to lack of coherence and prioritization in government expenditure decisions, as projects may be funded based on political considerations rather than their potential impact on economic growth or social welfare. Critics have argued the assumption that government spending must align with intertemporal budget constraints. They are of the opinion that governments might prioritize short-term objectives over long-term fiscal health which can lead to unsustainable debt levels.

The theory's focus on redistribution goals can be criticized for oversimplifying the challenges of achieving equitable outcomes and addressing the trade-offs between efficiency and equity. Bowers Theory implies that government budgets in Nigeria may tend to increase

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continually over time due to political interests and the desire of policymakers to maintain or expand their power base. This could lead to a pattern of rising government expenditures without a corresponding increase in the efficiency or effectiveness of public service. Similar to other economic theories, the Bowers Theory may be criticized for its static analysis, which doesn't fully capture the dynamic impacts of government spending on economic growth and long-term development. Conclusively, the Bowers theory of public expenditures is very sacrosanct in understanding the political dynamics shaping government expenditure decisions in Nigeria by recognizing the influence of political factors on public expenditure choices and that policymakers and other stakeholders can work together to improve effectiveness, efficiency, and transparency of government expenditure to achieve the desired sustainable economic development and social welfare[21].

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2.2.2 Theories of Unemployment

Keynesian Theory of Unemployment

The Keynesian theory of unemployment, proposed by economist John Maynard Keynes, suggests that unemployment can persist in an economy even at full employment equilibrium due to insufficient aggregate demand. In other words, when total spending in an economy falls short of the level necessary to create full employment, unemployment occurs. The primary proponent of this theory, Keynes challenged classical economic views and introduced ideas that revolutionized economic thought regarding unemployment and government intervention. Keynes advocated for government intervention, such as fiscal

policy (government expenditure and taxation) and monetary policy (central bank actions), to stimulate demand and reduce unemployment during economic downturns[22, 23]. Keynesian Theory of Unemployment further stresses the need to address structural issues such as inadequate infrastructure, low productivity, and barriers to business development to improve long-term growth potential and reduce unemployment in the economy. Education and skills development programs in line with the need of the society are also stated necessary to enhance the employability of the workforce and potentially reducing structural unemployment[24, 25].

Assumptions of Keynesian Theory of Unemployment

Keynesian theory assumes that unemployment results from insufficient aggregate demand. When overall demand for goods and services is low, businesses reduce production and lay off workers, leading to unemployment. It further assumes that wages and prices are not perfectly flexible and do not adjust immediately to changes in economic conditions. This rigidity can prevent the labor market from clearing, leading to persistent unemployment. Keynesian theory is of the opinion that government intervention is necessary to manage aggregate demand. This can be through fiscal policies, such as increasing government spending or cutting taxes, to boost demand and reduce unemployment.

Keynesian economics highlights the role of investment in driving economic activity. Fluctuations in investment can lead to variations in aggregate demand and consequently affect employment levels. In addition, the theory assumes that changes in government spending or investment can have a multiplied effect on overall economic activity. For instance, increased government spending can lead to higher income and consumption, further stimulating demand and reducing unemployment. Lastly, Keynesian theory assumes that

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business and consumer confidence can influence economic activity. Low confidence can lead to reduced investment and spending, exacerbating unemployment. These assumptions form the basis for Keynesian policies aimed at mitigating unemployment through active government intervention and managing aggregate demand [24, 25].

Criticism of Keynesian Theory of Unemployment

Critics argue that Keynesian theory focuses too much on short-term fluctuations and may not address long-term structural unemployment. It tends to prioritize demand management, which may not solve issues related to skills mismatches or structural changes in the economy. Keynesian policies have been said to aim at reducing unemployment through increased government spending or monetary stimulus which can lead to inflationary pressures. This trade-off between unemployment and inflation, known as the Phillips Curve, can complicate economic management. The theory is further criticized for its total reliance on government intervention. Critics argue that excessive government spending and regulation can lead to inefficiencies that can crowd out private investment and increase public debt [26, 27].

When the government increases spending, it may lead to higher interest rates, which can reduce private investment which is known as crowding out effect. This can offset the benefits of increased public spending. Also, there are concerns about the effectiveness of fiscal policy in practice. Critics question whether government spending can always effectively stimulate demand and whether it can be implemented quickly enough to address economic downturns[28].

The theory assumes that wages are sticky and do not adjust quickly. Critics argue that in some cases, wages can be more flexible than Keynesian theory suggests, and this flexibility could help in adjusting to economic changes more effectively. Keynesian theory places significant emphasis on managing expectations and confidence. However, critics argue that

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expectations are often unpredictable and can be influenced by a wide range of factors beyond government policy. In Conclusion, Keynesian Theory of Unemployment in the Nigerian context suggests a combination of fiscal, monetary, and structural policies aimed at the country's specific economic challenges and objectives to curb the menace of unemployment[29, 30].

The Classical Theory of Unemployment

The Classical theory of unemployment, often associated with classical economists like Adam Smith David Ricardo and Jean-Baptiste Say, posits that unemployment is primarily caused by factors such as real wage inflexibility, labor market imperfections, and government intervention. The Classical theory of unemployment emphasizes the role of market forces, wage flexibility, and minimal government intervention in achieving full employment in an economy. This theory emphasizes that unemployment occurs due to rigidities in the labor market, such as wage rates that are too high, and argues that the market will self-correct if these rigidities are removed. Say's Law, formulated by Jean-Baptiste Say, is a key component of this theory, suggesting that supply creates its own demand and thus unemployment is typically viewed as a short-term problem that resolves itself over time [31].

Assumptions of the Classical Theory of Unemployment

The classical theory of unemployment assumes that labor market operates under perfect competition, where numerous buyers and sellers exist, and no single participant has the power to influence wages or employment levels. Therefore, workers and employers make rational decisions based on available information. Workers seek to maximize their utility, and employers aim to maximize profits. The theory further assumes that wages and prices are flexible and can adjust to changes in supply and demand. This flexibility allows the labor

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market to clear, meaning that any excess supply of labor (unemployment) is temporary and will resolve as wages adjust. So, the economy tends toward full employment where all resources, including labor, are utilized efficiently. Unemployment is seen as a result of temporary disequilibria rather than a persistent issue [32].

The classical theory of unemployment opined that those who are unemployed choose not to work at the prevailing wage rate, and there is no involuntary unemployment where individuals are willing to work but cannot find jobs. Supply creates its own demand. In other words, production of goods and services creates an equivalent level of demand for those goods and services, so general overproduction or persistent unemployment should not occur in the long run. These assumptions underpin the Classical Theory's view that the labor market naturally adjusts to ensure that everyone who wants to work can find a job at the prevailing wage.[31, 32,]

Criticisms of Classical Theory of Unemployment

The Classical Theory of Unemployment has faced several criticism including the assumption of perfect competition, which is rarely the case in real-world labor markets. Market imperfections like monopolies or monopsonies have what it takes to distort wage-setting and employment levels. Also, the assumption that labor markets clear in the long run but may not adequately address short-term economic fluctuations and structural unemployment. Critics argue that wages and prices are not as flexible as the theory assumes. In reality, wages can be sticky downward due to contracts, minimum wage laws, and resistance from workers, which can lead to prolonged periods of unemployment [30, 31].

Say's Law, which suggests that supply creates its own demand, has also been challenged by Keynesian economics. Critics argue that insufficient aggregate demand can lead to persistent

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unemployment and economic downturns. The Classical Theory assumes that all unemployment is voluntary, which disregards involuntary unemployment where people are willing to work at prevailing wage rates but cannot find jobs due to economic conditions [32]. Conclusively, the Classical theory of unemployment implies a focus on market flexibility, minimal government intervention, supply-side policies, and fostering an environment conducive to entrepreneurship and long-term growth as desired in nations like Nigeria [33, 34].

The Equilibrium Theory of Unemployment

The Equilibrium Theory of Unemployment, also known as the Natural Rate of Unemployment theory was propounded by Robert Lucas Jr. and closely associated with econosmist Edmund Phelps in the 1960s. The theory suggests that there exists a level of unemployment in every economy that is inherent and unavoidable, even when the economy is operating at full potential. It states that there is a level of unemployment that every economy naturally gravitates towards due to factors such as job search and wage rigidity. The equilibrium Theory of Unemployment contrasts with the Keynesian view that attributes unemployment to insufficient demand. The Equilibrium Theory of Unemployment gives a framework for understanding the various factors contributing to unemployment in the economy, emphasizing the importance of both supply and demand-side policies in achieving long-term stability[35, 36].

Assumptions of the Equilibrium Theory of Unemployment

The number one assumption of the Equilibrium theory states that there exists a natural rate of unemployment that is determined by factors that include friction in the labor market, the process involved in searching for new job, and structural changes. The theory states that the rate of unemployment is never zero in any economy and that the non-zero rate of

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unemployment reflects the equilibrium level where the labor market is balanced. The equilibrium theory further posits that employees and employers are assumed to have perfect and sufficient information about job opportunities and candidate suitability and that this perfect information assumption enhances the speed and efficiency of job matching. Due to the assumption that there is need for more time and efforts in searching for new job, the equilibrium theory further states that there are frictions in the labor market that prevent immediate matching of potential employees with the jobs that are available at a particular time[36].

Another assumption of the equilibrium theory states that wages are not flexible, that is wages are stick in the short term. This rigidity or stickiness means that wages do not adjust instantly to clear the labor market and that this inability to adjust instantly often lead to what is regarded as temporary mismatches between labour supply and labour demand. The equilibrium theory of unemployment further assumes that there exist expectations about inflation and economic conditions and that these expectations play an important role in the process of setting wage for the employees. This means that as workers and employers adjust their expectations as a result of past experiences, this adjustment in expectation has a way of influencing the equilibrium unemployment rate. Lastly, the equilibrium theory assumes that the labour market is dynamic and that firms and employees constantly adjust to economic conditions, which always converge to a natural rate of unemployment [37, 38].

Criticisms of Equilibrium Theory of Unemployment

Critics argue that the concept of a natural rate of unemployment of the equilibrium theory of unemployment oversimplifies the complexities of labor markets and that it can overlook the impact of fluctuations in demand for goods and services, government policy interventions

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and technological changes. The assumption that wage is rigid or sticky is challenged by real-world evidence of flexible wages in some sectors. Critics have argued that contrary to the theory's assumptions, wages can and do adjust to clear labour markets in response to economic conditions. It has also been argued that the theory's assumption of perfect information is often unrealistic and that in practice, job search processes are complicated by imperfect information and varying levels of skill among workers, which often lead to higher unemployment rates in the economy. The theory is criticized for underestimating the role of aggregate demand in influencing unemployment. Keynesian economists, for instance, argue that fluctuations in aggregate demand can lead to unemployment that is not fully explained by the natural rate [37].

Critics point out that the equilibrium theory may not fully account for structural unemployment caused by mismatches between worker skills and job requirements or by long-term changes in industries. The theory is often criticized for not adequately addressing the effects of monetary and fiscal policies on unemployment. Some argue that policy measures can significantly influence unemployment levels beyond the natural rate. It has also been said that the theory may not fully account for the impact of economic shocks, such as financial crises or sudden changes in global trade, which can cause deviations from the equilibrium unemployment rate. These criticisms suggest that while the equilibrium theory provides useful insights, it may not fully capture the complexities and dynamics of real-world labor markets. The equilibrium theory emphasizes the need for policies that could foster and stabilize conducive environment for investment in a way that create job opportunities and curb cyclical unemployment in nations like Nigeria [38, 39].

2.2.3 Theories of Poverty

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Having this topic centered on poverty makes it imperative to look at some of the poverty theories related to this topic. These theories include:

The Classical Theory of Poverty

The Classical Theory of Poverty, often associated with classical economists such as Adam Smith, David Ricardo and Thomas Malthus, posits that poverty results from the structural inefficiencies and market failures within an economy. Adam Smith, in his seminal work 'The Wealth of Nations' laid foundational ideas that influenced classical thought on economic development and poverty, emphasizing the importance of free markets, division of labor, and competition in generating wealth. According to this perspective, poverty is viewed as a consequence of factors such as inadequate capital accumulation, insufficient labor productivity, and other economic conditions that could bring wealth creation and equitable distribution of resources [40].

The classical theory of poverty posits that poverty is primarily a result of individual factors such as lack of skills, education, and motivation rather than systemic or structural issues. The theory suggests that individuals are primarily responsible for their own economic well-being, emphasizing that for any individual to be rich or poor depends on that individual's actions and inactions. This can lead to policies and attitudes that focus on personal responsibility rather than addressing systemic barriers become very sacrosanct in order to help more people escape poverty. The classical theory of poverty emphasizes the need to improve education and skills in order to help individuals escape poverty by increasing their employability and earning potential through increased self-esteem and responsibility[40, 41].

Assumptions of Classical Theory of Poverty

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The Classical Theory of Poverty assumes that markets are perfectly competitive, which means that there are plenty buyers and sellers and there is no single entity that has the power to influence prices of goods and services or the condition of the market significantly. The theory further assumes the existence of free market where supply and demand operate without the interference of government as the most efficient way to allocate resources and create wealth. It also opined that poverty can often be alleviated through economic growth and increased capital accumulation, leading to higher productivity and improved living standards over time[41].

The theory is of the opinion that people are rational in their behaviours and actions, and that individuals and firms usually act rationally in order to maximize their utility or profits based on available resources which include information. Another assumption of the classical theory of poverty is the existence of diminishing returns to labor and capital, which means that as more resources are added, there is a decrease in the incremental output from each additional unit of input. The theory finally assumes fixed rate of factors of production, positing that the number of resources like land, labor, and capital is usually fixed or grows only slowly, impacting economic output and wealth distribution. The assumptions of the classical theory of poverty provide the necessary understanding on how poverty might arise from economic inefficiencies and how it could potentially be addressed through market mechanisms and economic growth [42].

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Criticisms of Classical Theory of Poverty

The classical theory of poverty has faced any criticisms as its assumption of perfectly competitive markets has been criticized to be unrealistic, stating that market failures such as

monopolies, externalities, and information asymmetries exist in most economy and they often lead to inefficiencies and worsen poverty. The theory has been criticized based on its assumption that overlooks income and wealth inequality that exist in many nations which can be associated to economic growth. Critics argue that while economic growth might increase overall wealth, it can also widen the gap between the rich and the poor, leaving many in poverty while the output of the economy is increasing. Another criticism of the theory is that the theory does not fully account for structural barriers like systemic discrimination, lack of access to education, and healthcare, which can perpetuate poverty regardless of market conditions. Critics argue that the classical theory overlooks the role of systemic factors such as discrimination, unequal access to resources, and economic structures in perpetuating poverty.

In addition, critics have contested the assumption that individuals and firms always act rationally. Critics emphasize that both firms and individuals do not always think rationally. It has been further stated that the classical theories may not adequately address the issues that surrounds globalization and that of international trade, which can have both positive and negative impacts on poverty in unpredictable ways. Lastly, it has also been said that the classical theory of poverty seems to have downplayed the role of government and government interventions in addressing poverty. It is stated that policies such as social safety nets and other welfare programs remain crucial in the process of alleviating poverty and enhancing economic stability. Generally, critics have highlighted the need for a more detailed understanding of poverty in a way that incorporates the imperfections in the market, social factors, and the role of government intervention[42, 43, 44].

Cycle of Poverty Theory/ Poverty Trap Theory

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The Cycle of Poverty Theory also known as the poverty trap theory is often attributed to economist and sociologist Paul Samuelson, who posits that poverty tends to perpetuate itself across generations due to various interconnected factors. This theory suggests that poverty tends to be passed down from generation to generation due to factors like limited access to quality education, healthcare, and employment opportunities, which creates a poverty cycle that is difficult to break. The theory stressed that children born into poverty are more likely to experience poor nutrition, inadequate education, limited access to healthcare, and other disadvantages that make it difficult for them to escape poverty as adults. This perpetuates a cycle where poverty is passed down from one generation to another generation[45].

The cycle is generally characterized by a situation where individuals born into poverty face barriers to improving their economic status, leading them to remain in poverty throughout their lives and pass similar conditions onto their descendants. This perpetuates a continuous cycle of economic deprivation [46].

Assumptions of the Cycle of Poverty Theory

According to the cycle of poverty theory, poverty is assumed to be passed down from one generation to the next generation as children born into poverty are likely to inherit disadvantageous conditions that perpetuate their backward economic status. Poverty tends to perpetuate itself across generations due to a range of factors that include limited access to resources, low income, and poor education, which hinder economic mobility and development. The theory assumes that individuals in poverty usually have very limited access to essential resources such as education, healthcare, and capital, which are crucial for breaking out of poverty compared with their counterparts from wealthy background. The theory further assumes that poverty bring about lower educational attainment that often

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affects individuals' ability to secure well-paying employment that can enhance their economic status and lifestyle. The theory also assumes that people in poverty face limited economic opportunities compared with those from well-to-do family. The reduced opportunities could be in form of fewer job prospects and lower wages, which restrict their ability to escape poverty even as they try to[43].

In addition, the poverty trap theory further assumes that the prevalence of poverty in a family often leads to poor access to healthcare facilities, poor health and inadequate nutrition as the family usually cannot afford balanced diet, which can affect individuals' ability to work, learn, and improve their economic situation. The theory assumes that poor people are usually the victims of the systemic social and economic barriers that include discriminations and inequalities that further entrench poverty and limit the poor's opportunities to move upward. These assumptions form the basis for understanding how poverty can become a persistent and self-reinforcing condition that make it very difficult for individuals and families to break free from economic backwardness and deprivation[44, 45].

Criticisms of the Cycle of Poverty Theory

The Cycle of Poverty Theory has faced several criticisms including that the theory seems to have concluded on the future of people, suggesting that individuals born into poverty are doomed to remain poor all the days of their lives regardless of their efforts to graduate from poverty trap and the circumstances that may come in their favour. This perspective of the cycle of poverty theory seems to have underestimated the personal efforts of people and the potential people to move from low level to higher level in life. Critics further argue that the theory seems to have underemphasize broader structural and systemic factors like economic policies, social inequality, and institutional failures that play significant roles in perpetuating

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poverty in most nations. It has also been said that the cycle of poverty theory may not fully put globalization and technological advancement into consideration how such developments can affect poverty dynamics and create ample opportunities for people to escape poverty[43, 44]. Furthermore, critics have identified that the cycle of poverty theory put more focus on economic factors that perpetuate poverty without sufficiently considering the other dimensions of poverty like social factors, psychological factors, and the cultural aspects that have great effects on people's ability to escape poverty. Another shortcoming of the theory as stated by critics is that the cycle of poverty theory fails to sufficiently account for the variations and differences in individual experiences. It is necessary to clarify that not all individuals born into poverty remain impoverished, and some may overcome these challenges through various means and become great in life. Critics have identified insufficient acknowledgement of the impact of targeted policies and interventions of government such as social safety nets, and community support and the critical roles that such interventions can play in breaking the cycle of poverty. These criticisms highlight the need for a more nuanced understanding of poverty that considers a range of factors and acknowledges the potential for breaking free from poverty through various interventions and individual efforts[44, 45].

In conclusion, the cycle of poverty theory emphasizes that individuals and families are often trapped in poverty which makes them face significant barriers to improving their economic situation, including lack of education and skills, limited access to credit and capital, discrimination, and social exclusion.

Structural Theory of Poverty

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This theory is associated with sociologists and economists like Oscar Lewis, who introduced the concept of a "culture of poverty," and Amartya Sen, who emphasized the importance of social and economic structures in understanding poverty. The Structural Theory of Poverty suggests that poverty is not as a result of the failures of people or their poor decisions, but rather as a result of systemic failures within a particular society. The theory emphasize that poverty is primarily a result of societal and structural factors, such as economic systems, policies, and power dynamics that create economic inequality, discrimination, lack of access to education and healthcare services that often contribute to the prevalence and persistence of poverty from one generation to another generation and not because of individual characteristics or behaviors of the people. This theory suggests that poverty is primarily the result of economic and social structures that create inequality and limit opportunities for certain groups of people, such as discrimination in employment or inadequate access to education and healthcare[46, 47].

Assumptions of Structural Theory of Poverty

The structural Theory of Poverty assumes that poverty is a result of systemic inequalities within economic and social structures of society or nation rather than the failures, attitude or behaviours of the people of that society. The theory further posits that economic system which include the labor markets and wealth distribution policies are structured in ways that can perpetuate poverty through mechanisms such as low wages, employment instability, and unemployment. The social factors such as discrimination against some social sects and lack of equal access to education and healthcare services which often contribute to the persistence of poverty in many societies[47].

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The structural theory of poverty further states that poverty is often passed down from one generation to other generations as a result of lack of resources and opportunities that are available to those who are born into poverty. The theory further emphasize that government institutions and other organizations do play an important role in either worsening or alleviating poverty through policies and practices. There is restriction of social and economic mobility for most poor people due to some structural barriers that makes it difficult for the people to improve their economic situation and wellbeing. These assumptions reveal poverty is not caused by individual attitude or behavior alone but by structural and systemic failure that reduces the ability of many people to prosper and that addressing poverty requires changes in system and structure of the economy rather than focusing on individual characteristics alone[48].

Criticisms of the Structural Theory of Poverty

The theory has critiqued for its deterministic nature, implying that individuals in poverty cannot to change their circumstances or condition irrespective of how much they try. The study highlights how such determinism might overlook the potential for personal and community-driven change, which can sometimes lead to significant socio-economic improvements. Some scholars argue that the Structural Theory may overlook the importance of individual agency and resilience. Critiques have resisted the structural theories for often disregarding how people navigate and adapt within their constrained environments. They are of the opinion that understanding poverty requires examining both the structural constraints and personal strategies that are necessary for overcoming poverty. Critics argue that while structural theories identify systemic issues, they may fall short in terms of actionable policy

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solutions. They further point out that successful poverty alleviation requires both structural reforms and practical, targeted policies that address specific local needs.

Recent critiques emphasize the importance of cultural and behavioral aspects that structural theories might downplay. It is further argued that integrating cultural factors and behavioral insights with structural analysis can provide a more nuanced understanding of poverty. Recent studies highlight that poverty is experienced differently across various contexts, suggesting that structural theories need to account for these differences. They emphasize the need for more localized and context-specific analyses to understand and address poverty effectively. These criticisms have highlighted the need to incorporate both structural and individual factors when analyzing and proffering solutions to poverty[49, 50]. Structural Theory of Poverty to the Nigerian context can provide significant insights into the systemic factors that contribute to poverty and also guide more effective policy making and implementation[51, 52, 53, 54, 55].

The Cumulative and Cyclical Interdependence Theory of Poverty

The Cumulative and Cyclical Interdependencies Theory of Poverty is associated with economists such as Gunnar Myrdal, Amartya Sen and Michael Lipton works on circular and cumulative causation, offers insights into how poverty, inequality, and underdevelopment can influence and perpetuate themselves over time through self-reinforcing cycles. The theory posits that poverty is both cumulative and cyclical as a result of interdependent factors that reinforce each other, which has been explored by various scholars in recently[56,57]. The theory of Cumulative and Cyclical Interdependencies is of the opinion that poverty and economic development are often affected by complex and interconnected factors that reinforce each other over time. Cumulative interdependencies refer to the idea that initial

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advantages or disadvantages can lead to self-reinforcing dynamics, amplifying the initial conditions. This Theory emphasizes that individuals born into poverty may face barriers to education and healthcare, limiting their opportunities for economic advancement. This lack of opportunity can perpetuate poverty across generations, creating a poverty-cycle that is difficult to break if there is no conscious intervention[58].

Assumptions of the Cumulative Cyclical Interdependence Theory

The Cumulative Cyclical Interdependence theory assumes that economic and social processes reinforce each other in a cycle of cumulative causation. Once a nation or society begins to encounter disadvantages in economic or social activities, such experience may further lead to a series of interdependent negative outcomes like higher unemployment, lower investments, and poorer education, poor health status that could worsen poverty and inequality in that society. Research on developing countries reveals that regions with poor infrastructure and low initial development are still struggling to attract investment which has led to continuous underdevelopment [59]. The theory states that there exists deep interconnection between income and employment as economic factors and education, health, as social factors. A decline in one area affects the others which lead to the creation of a downward spiral of poverty. A study has revealed how health crises in sub-Saharan Africa negatively impact economic growth, which in turn reduces government capacity to invest in healthcare, perpetuating a cycle of poverty and poor health [60]. The theory posits that economic processes can either create virtuous circles where growth reinforces further growth, or vicious circles where poverty leads to more poverty. In regions or societies trapped in poverty, there exist lack of investment in education, infrastructure, or health which perpetuates a downward spiral. For instance, in Nigeria, poverty and insecurity have been

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shown to reinforce each other in a vicious cycle, where insecurity reduces investments, deepening poverty, which in turn worsens insecurity [61]. Research on urban-rural divide also reveals how rural regions fall into vicious cycles of underdevelopment due to brain drain and poor access to markets [62].

Previous institutional weaknesses and inequalities experienced by regions do have long-lasting effects that perpetuate poverty over time. Colonial exploitations, Poor governance, and corruption have contributed to the cumulative disadvantage experienced in most developing nations, making it difficult for them to escape poverty [63]. Economic inequality tends to widen over time because those with more resources have better access to opportunities like education, healthcare, and political power. The theory assumes that without intervention, inequality deepens, with the rich getting richer and the poor getting poorer [64]. Economic development in one region can have negative spillover effects on another, draining resources from poorer areas, this is often referred to as backwash effects. The theory assumes that prosperous areas often absorb skilled labor and investments from less developed areas, further widening regional inequality. This explains why the best brains in Nigeria often leave the country for the more developed nations and states like Lagos also draw talents and resources away from rural areas which has greatly widen the gap between rural and urban regions[65]. Government Intervention: The theory assumes that there is strong need for government intervention in order to eliminate the cycle of cumulative causation. Government's proactiveness in making policies that redistribute resources or promote equitable development is very sacrosanct curbing the menace of poverty and inequality [66].

Criticisms of Cumulative Cyclical Interdependence Theory

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The Cumulative and Cyclical Interdependence has faced several criticisms which include that some regions or groups are able to break out of poverty due to entrepreneurial innovation, local resources, or external factors such as foreign aid or investment, which the theory underplays. Certain areas in sub-Saharan Africa have seen improvements in poverty reduction through local entrepreneurship and technology adaptation, contradicting the notion of inevitable vicious cycles [67]. Critics argue that implying that once a region or group is caught in a cycle of poverty, it is almost impossible to escape without external intervention seems too deterministic. This undermines the agency of local actors, communities, and individuals who can influence their own economic futures through local innovation, political reform, or grassroots movements. Studies on microfinance and local economic initiatives in rural India show that communities can take agency and reverse cycles of poverty, challenging the deterministic nature of the theory [68].

The theory was developed during the mid-20th century, and critics argue that it may not fully apply to globalized economies in which international trade, technology, and capital flows can disrupt local cycles of poverty. Critics emphasize that globalization can bring new opportunities that the theory doesn't account for, such as remittances, foreign direct investment, or access to global markets. Study reveals that countries like Bangladesh have seen significant poverty reduction due to globalization and integration into global supply chains, demonstrating that global factors can disrupt local cumulative causation cycles [69]. The focus of the theory on negative feedback mechanisms (e.g., poverty leading to lower education, which reinforces poverty), has been criticized to neglect positive feedback loops that can arise through self-improvement, local policy reforms, or international assistance. Critics state that positive factors, like improved education or healthcare, can catalyze growth,

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which the theory underplays. Research in Latin America shows that investment in education and healthcare has helped break cycles of poverty, suggesting that cumulative causation can work in positive ways as well [70].

Another criticism is that the theory doesn't adequately account for external shocks, such as technological advancements, climate change, or international aid, which can disrupt both positive and negative cycles of cumulative causation. This makes the theory less useful in predicting outcomes in dynamic environments where unforeseen events play a major role. The COVID-19 pandemic drastically changed economic dynamics across the globe, creating both new challenges and opportunities for breaking poverty cycles, which were not predicted by theories of cumulative causation[71]. Critics argue that the theory often assumes that the government and policy intervention are the only solutions to break vicious cycles, but it underestimates the role of private sector innovations and market-driven solutions. In many cases, market forces have been effective in alleviating poverty without the need for massive government interventions[72]. The theory tends to focus heavily on economic and structural factors, often neglecting cultural and social capital, such as community networks, family ties, and local leadership, which can also influence poverty cycles. Social factors can either exacerbate or alleviate poverty, but these dynamics are often overlooked in the theory's economic focus. Research on social capital in rural Brazil shows that community networks and cooperation have been vital in mitigating the effects of poverty, even in regions with limited government intervention[73].

Conclusively, critics have said that the theory often relies on regional or national-level analysis, which can obscure variations within regions or among specific groups. It may miss more localized dynamics where smaller communities or individuals break out of poverty

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despite broader regional underdevelopment. This can make the theory less precise for targeting specific interventions. Within underdeveloped regions of Nigeria, certain localities have managed to reduce poverty through community-driven initiatives, suggesting that localized dynamics can counter broader trends of cumulative disadvantage [74]. Applying the Cumulative and Cyclical Interdependencies Theory to Nigerian economy highlights how multiple factors interact to perpetuate poverty. Economic instability, high inflation, inadequate infrastructure, poor education, corruption, and health crises all contribute to a cycle that is difficult to break. Addressing these issues requires a multifaceted approach that targets these interdependencies to disrupt the cycle and foster sustainable economic development [75, 76].

2.2.4 Theories on Government Expenditures, Unemployment and Poverty

Keynesian Theory

Keynesian theory, formulated by the British economist John Maynard Keynes during the Great Depression, proposes that government intervention in the economy, particularly through fiscal policy, can effectively manage aggregate demand and stabilize economic fluctuations. In the context of government expenditures, Keynes argued that during periods of economic downturn, when private sector spending is insufficient to maintain full employment, the government should increase its spending to stimulate demand and boost economic activity. Within the framework of Keynesian economics, government expenditures play a crucial role in influencing aggregate demand, employment levels, and overall economic performance. By injecting funds into the economy through infrastructure projects, social welfare programs, or direct public investments, the government can create job opportunities, increase consumer spending, and stimulate business investment. This, in turn,

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leads to higher output, lower unemployment rates, and ultimately contributes to economic growth [77, 78, 79].

Assumptions of Keynesian Theory of Poverty

Keynesian theory posits that active government intervention is very necessary in order to address poverty. It emphasizes that government should employ fiscal policies like increased public spending and social welfare programs to stimulate demand and alleviate poverty. Keynesian theory assumes that poverty can arise due to a lack of aggregate demand in the economy, which leads to unemployment and reduced economic activity. It reiterates the importance of demand in reducing poverty, especially in developing countries where low consumer spending hamper job creation. The theory further assumes that wages are rigid downward, especially in times of economic downturns. This leads to unemployment because businesses cannot lower wages to sustain employment, increasing poverty [80,81].

In addition, the theory further opines that poverty often results from involuntary unemployment, that is, people are willing to work but they cannot find jobs due to insufficient demand for labor. It has been revealed that structural unemployment and cyclical economic downturns increase poverty rates. The focus on short-term economic measures is crucial in Keynesian thought. Addressing poverty involves immediate interventions, such as stimulus spending, rather than waiting for long-term market adjustments. Keynesian theory assumes that government spending has a multiplier effect, which can boost economic activity and reduce poverty by creating jobs and increasing incomes. This assumption remains relevant as governments implement stimulus packages during economic crises [82, 83].

Criticisms of Keynesian Theory of Poverty

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Keynesian theory has been criticized on several grounds including that the theory is less effective in developing economies like Nigeria, where the informal sector dominates, and institutional weaknesses prevail. The assumption that increased public spending will boost demand and reduce poverty does not account for inefficiencies in government, corruption, and mismanagement. Critics are of the opinion that Keynesian theory place too much emphasis on government intervention to stimulate demand. It is argued that increased government spending can also lead to inefficiencies, waste, and crowding out of the private sector. In developing countries like Nigeria, poorly managed government interventions can worsen fiscal deficits and lead to debt crises. Keynesian economics advocates for increased government spending to boost demand and employment, but critics highlight that this can lead to inflationary pressures, particularly in developing economies with supply constraints [84, 85].

Keynesian has been further criticized on the ground that the theory focuses more on short-term solutions to economic problems of unemployment and demand shortages. But it neglects long-term structural issues that cause poverty, such as structural reforms, education, and innovation that can be more effective in addressing poverty for longer period than temporary government spending [86, 87]. Another criticism is that Keynesian stimulus in developing countries often relies on external borrowing, which can create unsustainable debt levels. In Nigeria, stimulus packages and public spending programs have often been funded through borrowing, which can lead to debt servicing issues that divert resources from poverty alleviation programs in the long run. Critics argue that large-scale government borrowing and spending, as encouraged by Keynesian theory, can crowd out private investment by raising interest rates or diverting resources away from more efficient private-sector projects [88, 89]. In

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Nigeria, this has been particularly problematic, as public sector expansion sometimes stifles private sector growth and innovation. Critics argue that Keynesian policies that focus on demand-side interventions may not be sufficient to address the root causes of poverty, which are often structural in nature. Issues like poor education, inadequate healthcare, and systemic corruption are key drivers of poverty in Nigeria, and Keynesian policies may not effectively tackle these deep-seated problems [90,91.92].

Despite the criticisms, Keynesian theory remains applicable to situations in Nigeria as it emphasizes the importance of short-term government interventions during economic crises to reduce poverty. Nigeria's use of fiscal stimulus measures, such as emergency spending packages during the COVID-19 pandemic, is a clear application of this principle. These interventions are meant to quickly stimulate demand and provide immediate relief to vulnerable populations. The COVID-19 Economic Recovery Plan involved short-term stimulus measures, such as tax reliefs, direct cash transfers, and food aid to reduce the economic impact on poor households [93, 94, 95, 96].

Wagner's Law of Public Expenditure

Wagner's law was propounded by German economist Adolph Wagner in the 19th century. Wagner posits that there is a positive relationship between economic development and the size of the government sector. It was argued by Wagner that as a nation's economy grows over time, the relative share of government expenditures in GDP tends to increase. As countries undergo industrialization, urbanization, and demographic changes, there is a growing demand for government intervention to address market failures, income inequality, and social disparities. This increase is driven by the rising demand for public goods and services, such as education, healthcare, infrastructure, and social welfare programs, as

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societies become more affluent and complex. Government expenditures are viewed as a reflection of the needs of the society in Wagner Law [97, 98, 99].

Assumptions of Wagner's Theory

Wagner's theory assumes that as a country's economy expands, the role of the state in providing public goods and services increases. This is based on the idea that more developed economies require more complex and extensive government intervention [99]. Wagner's theory assumes that the public sector becomes more efficient and necessary as society becomes more advanced, necessitating higher public expenditure[100]. Wagner's theory presumes that demographic and social changes, such as urbanization and increased public demand for welfare, drive increased state expenditure [101]. The theory assumes that the government plays a crucial role in stabilizing the economy and addressing market failures, leading to increased public expenditure [102].

Criticisms of Wagner's Law

One of the key criticisms of Wagner's Law is the ambiguity of causality. The theory suggests that economic growth leads to increased public expenditure, while some economists like the Keynesians are of the opinion that increased government spending may actually drive economic growth. A recent study has also questioned the unidirectional causality proposed by Wagner's Law using South Africa's economy. It was indicated that the relationship between government expenditure and economic growth can be complex [103]. Critics have reiterated that Wagner's law was originally formulated in the context of developed European economies and that it may not be applicable developing economies like Nigeria or other African nations, where governments often face fiscal constraints. A recent study emphasizes the importance of external factors like debt and political instability in determining public

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expenditure rather than just economic growth [104]. Critics have revealed that in modern economies, many services that were previously provided by governments are now outsourced to private entities. A recent suggests that the increasing efficiency of the private sector and globalization make the assumptions of Wagner's Law less relevant, as public expenditure might not grow at the same rate as income [105].

Wagner's Law assumes a steady, continuous increase in government spending as income grows, but this does not account for modern fiscal policies, especially those related to austerity and debt management. A Study emphasizes how periods of austerity contradict Wagner's prediction. Governments, particularly in the Eurozone, have significantly cut public spending despite economic recovery, challenging the automatic increase in spending suggested by Wagner's Law [106]. Technological improvements in public service delivery have reduced the need for increasing public expenditure in some sectors. Wagner law remains applicable to Nigerian situation argue that advancements in technology allow governments to deliver services more efficiently, potentially decoupling the relationship between economic growth and public expenditure[107,108,109,110,111].

2.3 Review of Empirical Studies

Having the necessary understanding of literature on the effects of government expenditures and unemployment on poverty in Nigeria is very sacrosanct. The knowledge of literature of this topic will enable the government, the economic stakeholders and the entire citizens to comprehend the roles that government expenditures, both recurrent and capital expenditures as well as unemployment play in the process of achieving the much-needed poverty solutions in the country and in the world [113, 114].

2.3.1 Studies on Government Expenditures and Unemployment

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A study on the impact of government expenditure components on unemployment within BRICS countries with evidence from Okun's law aggregate and disaggregated approaches using three different econometric methods in conducting analysis, shows that government expenditure is relevant and significant in determining changes in the unemployment rate [115]. An ARDL investigation also show that as government expenditure increases, unemployment decreases and that both government expenditure and taxes have major impacts on unemployment. It was further revealed that as government expenditure increases, production increases and unemployment reduce. This is in line with Okun's law that states that production hurts unemployment, as production increases, unemployment decreases [116].

An examination of the short term and long-term effects of government spending and tax revenue on unemployment in Ethiopia employed annual time-series data and ARDL approach to co-integration to investigate the long run and short-run determinants of unemployment. The results from regression analysis revealed that Government expenditure has negative impact on unemployment of Ethiopia. Co-integration technique establishes a relationship between fiscal policy and unemployment and it was further revealed that government expenditure as a fiscal policy, and unemployment have a negative and statistically significant short-term relationship [117]. Another assessment on government expenditure and unemployment nexus in Nigeria using time series data was analyzed using the OLS technique. The test results show a significant and a negative relationship between government expenditure and unemployment [118].

A further exploration on the effect of fiscal policy on unemployment reduction in Sub Saharan Africa with emphasis on Ghana and Nigeria using secondary data for both countries and the Philips-Perron Unit root test revealed that the variables were all stationary at first

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difference which confirms that there is no unit root in the variables. The Johansen Cointegration test suggested that a short run relationship exist between government expenditure and unemployment reduction in both Nigeria and Ghana. To confirm the long run relationship, the Vector Error Correction model was adopted. The result of the Vector Error Correction Mechanism revealed that fiscal policy has no significant long run effect on unemployment reduction in Nigeria. Government expenditure has a significant long run effect on unemployment reduction in Ghana. The result also revealed that Capital Expenditure and Recurrent Expenditure have significant effect on Unemployment reduction in Ghana [119].

An examination on the impact of government expenditure on unemployment in various income groups of Organization of Islamic Cooperation (OIC) countries, using dynamic common correlated effects (DCCE), and Pooled mean group (PMG) to verify the robustness of the findings. The findings show that public expenditure is negatively and significantly correlated with unemployment in higher-income and overall OIC economies. Also, investment in human capital reduces unemployment in higher-income and overall OIC countries while increases unemployment in lower-income OIC economies [120]. Another study on the determinants of unemployment in developing countries used Augmented Dickey-Fuller (ADF) test and The Generalized Method of Moments (GMM) model. The result show that government expenditure on education has a negative impact on unemployment while population and external debt have a positive impact on unemployment [121].

Looking at the impact of government expenditure and credit facilities on unemployment rate in Nigeria, a study utilized ARDL bounds testing approach to cointegration to analyze the data and Autoregressive Distributed Lag (ARDL) model and Error Correction Model (ECM)

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to address the main objectives of the study revealed that capital expenditure and credit to private sector has a negative and significant impact on unemployment rate while recurrent expenditure and credit to private sector have a positive and significant impact on unemployment rate. The estimated long run coefficient showed that capital expenditure and recurrent expenditure have negative relationship with unemployment rate. The result also showed that capital expenditure is statistically significant while recurrent expenditure is not statistically significant. The result also showed that credit to private sector has a positive and significant impact on unemployment rate [122].

In addition, a research work on the impact of military expenditure on unemployment in Bangladesh, examined the cointegration among unemployment, military expenditure, and foreign direct investment. The study also employed the ARDL bounds testing approach to investigate the cointegration among the variables using time series annual data from the period of 1990-2018. This research found a long run relationship among the variables. An increase in military expenditure significantly reduces unemployment in the short run, however, no significant long-run relationship is found [123]. Another study on symmetric and asymmetric effects of military expenditure on the unemployment rate in South Africa using quarterly data from 1994Q1 and 2019Q4 adopted the autoregressive distributed lag (ARDL) and nonlinear autoregressive distributed lag (NARDL) frameworks and accounted for structural breaks in the military expenditure-unemployment nexus. The ARDL results revealed that military expenditure reduces unemployment in the long run for models with and without structural break but aggravates it in the short-run without a structural break. For the nonlinear ARDL results, irrespective of whether we account for a structural break or not, a

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positive change in military spending increases unemployment while a negative change in military spending reduces unemployment, especially in the long run [124].

A further look on unemployment risk and state-dependent government expenditure multipliers revealed that the effects of government spending are state-dependent. An increase in government purchases raises aggregate demand, tightens the labor market and reduces unemployment. The concavity of the job-finding probability with respect to market tightness implies that an increase in government expenditure reduces unemployment risk more in the former case than in the latter, giving rise to countercyclical multipliers [125]. Another study investigated government expenditure and inequality in Nigeria employed bounds testing autoregressive distributed lag approach of cointegration to assess the impact they have on income inequality. Findings revealed that, in the long run, capital expenditure has a negative but insignificant effect on income inequality, whereas recurrent expenditure has a positive and significant impact on income inequality [126]. A study on government executive, legislative and judiciary expenditure and economic development utilized regression analysis to discover that judiciary expenditure is insignificantly and negatively related to unemployment rate [127].

In exploring the worrisome trend of unemployment amid rising government expenditures in Nigeria, a study examined the short and long run relationship between government expenditure composition and unemployment in Nigeria using static regression and Error Correction Models (ECM). In the short run, the findings of the study show that increasing the relative share of federal government capital expenditure in aggregate spending could reduce the rate of unemployment in Nigeria [128]. Another assessment on the relationship between government expenditure in Nigeria and some variables of interest (Recurrent expenditure, Capital expenditure, Money supply and Gross capital formation) using simple regression

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analysis reveals among others, that total government expenditure have important positive impact on Nigeria's economy (Measured in terms of Per Capita Income) in the period covered by the study, Capital expenditure has a positive prediction on the size of per capita income in Nigeria and recurrent expenditure has a negative prediction on per capita income [129].

An examination on the effect of government social expenditure on unemployment in Nigeria used secondary data and Ordinary Least Square (OLS) regression method. The results revealed that government recurrent expenditure does not have significant impact on unemployment in Nigeria, whereas capital expenditure does. Also, the overall statistic shows that recurrent and capital expenditure on health and education have significant impact on unemployment in Nigeria. From the results, the study therefore concludes that government expenditure on health and education and other social and community activities on both recurrent and capital nature meant to contribute to unemployment reduction Nigeria failed to do so [130]. A further examination was carried out on the effects of government expenditure on unemployment in India using panel data analysis. The findings show that a cut in expenditure can be an important fiscal tool to fight unemployment. It was further observed that unemployment was higher among states with a more educated population, which also suggests a revisiting of the education policy in the country. States ruled by left parties have higher unemployment rate. Higher income states as well as states with higher growth rate tend to have lower unemployment rate [131].

Conversely, an evaluation on whether the distinction between discretionary and nondiscretionary items of government expenditure have different effects on unemployment used the Johansen cointegration test for the long-run equilibrium relationship among the

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variables and the vector error correction model (VECM) to explore the dynamic short and long-run effects. It was revealed that increasing government expenditure causes an increase in the unemployment rate in the long-run. Both discretionary expenditures and nondiscretionary expenditures increase the growth of unemployment by approximately the same coefficient. The worsening impact of discretionary expenditures on unemployment is highly attributed to the compensation of employees and the government subsidies. Investment expenditure has an insignificant effect because of its minor percentage in government expenses [132].

Another study in India examined the relationship between the size of government expenditure and unemployment and the existence of the relationship in states of India using panel data analysis. The study divided government expenditure into development, non-development, and aggregate expenditures, while the types of unemployment under consideration are usual status and current weekly status. The study observed that development and non-development expenditures increase both the types of unemployment though the impact of the latter is higher. It was further observed that unemployment was higher among states with a more educated population, which also suggests a revisiting of the education policy in the country. States ruled by left parties have higher unemployment rate. Higher income states as well as states with higher growth rate tend to have lower unemployment rate [133].

A further investigation on government expenditure on agriculture and its impact on unemployment reduction in Nigeria from 1999 – 2015 using time series data shows that an 84.3% change in the unemployment rate in Nigeria is as a result of the changes in government capital and recurrent expenditure as well as economic growth. Also, a strong

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linear dependency existing between unemployment and government expenditure. It was further revealed that government expenditure does not have reducing effect on unemployment in Nigeria. A further examination on the nexus among public expenditure allocated to education, educational attainment at secondary level and unemployment rate in India for the period 1987–2017, employed autoregressive distributed lags (ARDL) bound testing approach to find the long-run relationship among the variables and vector error correction model for causal linkages indicate that educational attainment proxied by gross enrolment ratio at secondary level of education negatively affects unemployment rate in long run as well as in short run. However, public expenditure on education is ineffective in influencing both educational attainment and unemployment rate [134].

A study focused on unemployment and household spending in rural and urban India with evidence from panel data applied difference-in-difference and quartile regressions to a high-frequency panel data from a nationally representative survey of 1, 75,000 households in 2019 to estimate the impact of a job loss on household consumption expenditure – for urban and rural households, and households across different expenditure levels. It was found that the loss of employment of an earning member leads to a significant immediate decline in household consumption expenditure. The decline is larger for urban households and households in the lowest and the highest income declines. Expenditure on health and education also goes down significantly with increase in unemployment, especially in urban areas[135]. A further study on the response of unemployment and government spending shocks in the peripheral Euro-area countries, using structural near-VAR methodology found that fiscal multipliers vary across countries and the results are consistent with the prediction of the standard New Keynesian model only in Italy and Greece. Instead, in Ireland, Portugal and

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Spain increases in government spending are recessionary. Thus, it was found that Keynesian results of fiscal policy seem to prevail in high public-debt countries, whereas non-Keynesian outcomes seem to characterize high private-debt countries [136].

An examination on the causes and the underlying consequences of unemployment in the province of Balochistan suggested that curbing the menace of unemployment must be prioritized by the government at all levels through numerous areas of attention and action that unemployment can be resolved [137]. An empirical study on government's role to promote MSMEs growth in Indonesia using secondary data after the 2008 global financial crisis recorded quarterly from 2009 to 2019 Q3 were analyzed using the Ordinary Least Square (OLS) regression model. The results showed that government expenditure has a positive and significant contribution to small-and medium-sized enterprises, but the effect was not significant for micro-businesses. The investment sector was also discovered to have a positive and significant effect on MSMEs [138].

An evaluation on the role of SMEs in tackling unemployment in Nigeria with particular emphasis on the sustainability of the employment generated by SMEs. The study employed the Dynamic Ordinary Least Square (DOLS), Fully Modified Ordinary Least Square (FMOLS) and Canonical Cointegrating Regression (CCR) methods to achieve the objective of this study. The results confirmed the existence of a long-run relationship among the dependent and explanatory variables of the study [139]. A reviewed paper on youth empowerment as a mean to reduce unemployment In Nigeria, aimed to keep the general public informed of the overview of youth empowerment from inception of democratic rule, approaches geared towards reduction of unemployment, problems encountered in youth

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empowerment programs from successive government and suggest possible strategies of empowering the youth in Nigeria [140].

A study on the relationship between unemployment and insecurity in Nigeria using historical and descriptive statistic. The study reveals that joblessness triggers frustration, anger and provides individuals with more time to commit crime, thereby fueling insecurity. Looking at some of the most recent youth economic empowerment initiatives such as the Subsidy Reinvestment and Empowerment Program (SURE-P) and Youth Enterprise with Innovation in Nigeria (YOUWIN), the study found a link between unemployment and insecurity in Nigeria [141]. Examining the cause of unemployment in Port Harcourt City and its effects on human security, a study adopted the triangulation method of data gathering techniques and unraveled that as unemployment increases, the degree of insecurity becomes unimaginable in Port Harcourt City. It was revealed that insecurity is associated with joblessness of young people which makes them engage in unethical activities like cybercrime, youth restiveness, cultism, armed robbery, electoral violence, kidnap for ransom, and oil theft, among others [142]. An investigation on the nature and causes of youth unemployment in Nigeria using Vector Autoregressive (VAR) model and Panel Autoregressive Distributed (PARDL) model to analyze the short-run and long-run significance of the determinants of youth unemployment, output level, macroeconomic uncertainties and labour market flexibility. It was revealed that the nature of youth unemployment in Nigeria is non-cyclical, partly frictional, but largely structural. This may explain why youth unemployment is increasing in Nigeria despite government remedial efforts; as government focused on frictional youth unemployment remedial policies and dispelled the potential of youth unemployment being structural in nature [143].

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A cursor look on the impact of population growth, poverty and unemployment on economic growth in Nigeria using Auto Regressive Distributed Lag (ARDL). The study employed an econometric procedure; unit root test which involved the use of Augmented Dickey Fuller test (ADF) and Phillip-Perron test (PP). The ECT speed of adjustment to the normal equilibrium confirms their long run relationship of the variables. It was found that poverty and unemployment have negative impact on GDP [144]. An examination on the relationship between leadership failure and acute youth unemployment in Nigeria. A cross-sectional method was adopted and data was collected via a survey of three hundred (300) respondents in south-south geopolitical zone of Nigeria using non-probability sampling technique. Data collected were analyzed using correlation and linear regression analysis. The results of the study revealed that there is significant relationship between leadership failure and acute youth unemployment. As predicted, the study also showed that leadership failure exerts a positive and statistically significant impact on acute youth unemployment in Nigeria [145].

In the same vein, a study on the electioneering campaign promises of the Buhari administration in examination of the relationship between poor governance, massive unemployment, and brain drain in Nigeria from 2015 to 2020, adopted the relative deprivation of frustration-aggression theory to x-ray the concepts of poor governance and massive unemployment, resulting to human capital flight. The study identified poor governance and massive unemployment as the cause of brain drain during the administration [146].

An assessment on the short-term challenges of COVID-19 pandemic on the youth unemployment crisis in Nigeria. For this study, data from National Bureau of Statistics (NBS) study and other published data from literature was analyzed to determine the challenges of

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COVID-19 pandemic on youth unemployment in Nigeria. From the analysis carried out, the effect of COVID-19 pandemic on unemployment via difference-in-difference assessment shows that the Nigeria's unemployment rate ranked 30.1 percent in the fourth quarter of 2020. The study reveals that the unemployment rate among young people that is, ages 15-34years is 30.1%, up from 26.7%. The study also finds that 64% of the considerably increased inflows from employment into unemployment were due to the COVID-19 shutdown measures. It has been also established in the study that as at the fourth quarter of 2020, youth unemployment rate rose to 1% indicating that about 22,764,614 million Nigerian youths remain unemployed [147].

In appraising the literatures, it can be concluded that majority of the studies find government intervention through increased government expenditures very sacrosanct in the quest to curb the menace of unemployment and in most nations.

2.3.2 Studies on Unemployment and Poverty

An examination of the impact of unemployment on poverty reduction in the provinces of Indonesia using periodic data and fixed effect model of the panel data analysis is estimated. The result showed that unemployment has a significant positive effect on poverty in provinces of Indonesia. Meanwhile, the real GRDP had a significant negative effect on poverty in Indonesia [148]. A study on why unemployment and poverty still happening in Borneo Island, Indonesia used analytical approach through panel analysis based on the panel common effect in 2015-2019 in 5 regions (West, Central, South, East, and North Borneo Island). The findings state that unemployment has a positive and insignificant effect on poverty[149]. A further examination on poverty, unemployment, inequality and development in Indonesia, their causes and what has been done by the government to overcome them used

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library research method, to revealed a high positive relationship between unemployment and poverty rate [149].

An investigation on the effect of education and unemployment on poverty in East Java Province partially and simultaneously employed secondary and multiple linear regression. The results showed that unemployment had a negative and significant effect on poverty, while education and unemployment variables had a positive and significant effect on poverty. It was further revealed that education and unemployment affect poverty by 96.6% [150]. Another study explains the relationship between poverty and unemployment in West Sumatra districts using panel data, analyzed with a simultaneous equations model of two stages least square. The results of the study found that poverty had a negative and significant effect on unemployment, unemployment and education had a negative and significant effect on poverty. Health had a positive and significant influence on poverty, education and the population had a positive and significant influence on unemployment [151].

Examining the relationship between poverty and unemployment in Niger state, Nigeria, a study utilized descriptive statistics and a logistics regression model to analyze the 102 cross-sectional data randomly collected from the three geopolitical regions in the state. The result thus shows the existence of a proportionate relationship between poverty and unemployment, following the pattern of previous studies[152]. A further analysis on the problems of unemployment and poverty in Cross River State, Nigeria, employed the descriptive method of analysis to show the trends of unemployment and poverty that exists in the state. The findings show that high rate of unemployment and poverty still persists and leaves much to be desired of the government at both the state and federal levels[153]. In Indonesia, study show that the unemployment rate variable positively affects the poverty rate, poverty gap, and

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poverty severity. It was further revealed that population growth positively affected poverty severity. The economic growth variable has a positive effect on the poverty rate. Income inequality has a positive effect on the poverty gap and poverty severity[154].

In examining how poverty is heavily influenced by education, employment issues, and health problems a study employed quantitative approach to study the variables that include the percentage of the highest education attained at the High School level, unemployment rate, minimum wage, and the life expectancy and the percentage of poverty in five districts. The analysis technique used is the technique of panel data analysis. The results of the study showed that partially education and unemployment variables affect poverty significantly [155]. Another study on the effect of education and unemployment on poverty in Jambi Province employed quantitative methods to analyze the data and it was revealed that education and unemployment simultaneously affect poverty[156]. An examination of the implication of unemployment and inflation on poverty level in Nigeria. The variables were subjected to unit root test and they were all stationary at first difference. Using the Johansen test, the variables were found to be co-integrated at 5% level of significance. Vector Auto Regressive (VAR) Model was used to determine the short-run relationship between the variables and the fourth lag was selected based on the lag selection criterion proportion of the variations in poverty, inflation and unemployment rate attributed to their respective lag values. Granger causality test was carried out from the VAR model, and the result indicated that there is a bi-causality between inflation and poverty, two-way causality between unemployment rate and poverty and one-way causality between unemployment rate and inflation rate [157].

A comparative assessment of women unemployment and poverty in European Union using scientists' approach shows that there is different link between unemployment and poverty.

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Unemployment has been highlighted as one of the main causes for poverty. It is revealed that there is a strong direct relationship between women unemployment rate and women at risk of poverty. The result further shows that women unemployment rate is lower than that of men, though, the risk of poverty rate for women outweighs that of men [158]. A further study on the impact of youth unemployment on the Zambian economy employed a secondary research approach by reviewing research findings that have been drawn. Findings show that youth unemployment remains a universal challenge that happens in some developed nations like UK. It was further revealed that there is a direct connection between youth unemployment and poverty[159].

An insight into the non-linear relationship between unemployment and poverty in Pakistan utilizes data from 1984 to 2016, employing a nonlinear ARDL co-integration approach. The result shows that poverty responds asymmetrically due to positive or negative shocks in unemployment. It was suggested that applying linear models on poverty modelling may mislead the inference[160]. A further examination on the potential trade-offs between poverty alleviation and unemployment reduction using a vector autoregressive framework (which is applied to Brazil and Chile), cross-country regressions, and simulations with a structural macro model linked to a household survey. Impulse response functions to output and wage shocks indicate no short-run tradeoff between unemployment and poverty. By contrast, the regression results which control for a variety of determinants of poverty rates across countries, suggest that such a trade-off may indeed exist [162].

Conversely, in assessing the impacts of unemployment on alternative poverty rates, a study used March Current Population Survey data to estimate state-level cross-section/time-series models of the effects of the unemployment rate on alternative poverty rates. The estimated

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effects turn critically on the measurement approaches, both for the total sample population and for four population sub-groups. For several alternative poverty rate measures, the unemployment rate has no significant impact on poverty [163]. A further investigation on the effect of unemployment and inflation on economic growth in Nigeria using annual time series data to examine the model coefficient using ordinary least square technique. Findings indicate that the coefficient of unemployment has a negative and significant effect on economic growth in Nigeria; while inflation exerts a positive effect. The nature of unemployment and inflation characterizing the Nigerian economy are structural and cost-push respectively; hence the need by the government and relevant agencies to formulate policies that will encourage self-employment and also reduce the cost of doing business so as to achieve a high, rapid and sustainable economic growth [164].

In the same vein, a study submitted that the dependence of the people on a failed and unaccountable public education system leaves them without the skills needed for productive employment which leads to the suppression of medium-size firms, forcing low-income youth to accept poorly paid, insecure employment in the informal sector, and constraining opportunities for educated youth, particularly young women, who remain outside the workforce [165].

Looking further into the causal relationship between unemployment and growth with reference to Nigeria, a study adopted Autoregressive Distributed Lag Model, having subjected the data from World Bank Development Indicators and Central Bank of Nigeria online bulletin to stationarity test and Bound Test using Peasaran and Shin Bounds. It was revealed that unemployment is a major challenge facing the socio-economic life of most developing nations. Unemployment deters the development agenda, security of lives and

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properties, and peaceful co-existence of a nation [166]. A further examination on the impact of youth unemployment on economic growth in Nigeria. The study methodology deployed time series data was regressed using the Auto Regressive Distributed Lag (ARDL) and Error Correction Mechanism ECM to assess the implication of youth unemployment on the economic growth of Nigeria which revealed that youth unemployment has negative consequences on economic growth and development [167].

Another study in Jordan a study used the auto-regressive distributed lag (ARDL) model to investigate the relationship between the unemployment rate and the other variables. Also, the study employs the ARDL bootstrap cointegration approach to examine the correlation and long-run relationship among the variables. The empirical finding indicated a long-run relationship between the unemployment rate, economic growth, education, female population, and urban population in Jordan. The finding shows a negative linkage between economic growth and unemployment [168].

Examining the role of entrepreneurial education in youth employment, and schemes that boost youth entrepreneurship, a study used primary data of 220 youth entrepreneurs in Lagos was gathered with stratified random sampling and analyzed using SPSS and Excel. The study found that lack of access to finance and financial risks were found to be significant demotivators for youths against starting up a business. Education was seen to support the entrepreneurial careers of the respondents. The study also shows that difficulty in attracting funding was a significant problem affecting youth entrepreneurship [169]. Another study provides an insight into the lives of survivalist entrepreneurs in Cape Town, South Africa, for the purpose of revealing the reasons why they are unable to significantly grow and add substantially to the economy. A qualitative approach by way of personal interviews was used

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to gain an in-depth understanding of the participants' stories. The findings suggest that survivalist entrepreneurs are able to assist in the socioeconomic development of an economy if appropriate support is given to them by government or through some public-private growth initiatives that comes through increased government expenditure [170].

2.3.3 Studies on Government Expenditures and Poverty

An examination on the quality of government expenditure and its effects to poverty for underdeveloped areas in Indonesia used the Partial Least Squares Structural Equation Model. The findings state that government expenditure has significant effect on poverty rate in underdeveloped areas of Indonesia. Another study on the relationship between the government expenditure and poverty in North Sumatera Province, Indonesia, using Granger Causality test shows a one-way relation from government expenditure to poverty in North Sumatera Province. Findings show that government expenditure has managed to reduce poverty in North Sumatera Province during 1980 – 2015 in Indonesia [171].

Looking at the effect of regional financial independence and government expenditure on poverty, a study utilized secondary data and multiple regression analysis to show that government spending has a significant effect on poverty and that regional financial independence and government spending have a significant effect on economic growth [172].

In the same vein, a further study on the impact of government expenditure on poverty reduction in Nigeria, used annual time series data and Auto-Regressive Distributed Lag (ARDL) approach. The result of the study revealed that economic service recurrent expenditure, social and community recurrent expenditure and transfer recurrent expenditure reduces poverty while transfer capital expenditure and administrative recurrent expenditure escalate poverty [173].

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An analysis on the impact of government expenditure in alleviating regional poverty in Egypt employed panel data set for 27 Egyptian governorates from 2010 to 2018 was employed. The two-way fixed effect regression model was used to apply the differences between regions over time. The results show that only government social expenditure significantly reduces poverty at the national level. The study further revealed that government expenditure on health, education and social have significant negative impacts on poverty [174]. Another study investigated the association between government expenditure and poverty reduction in Nigeria from 2000 to 2022, employing a panel dataset and the Ordinary Least Squares (OLS) regression method. The findings reveal that an increase in government education expenditure has a statistically significant and negative effect on poverty reduction, both in the short and long run. Conversely, government health expenditure demonstrates a significant negative impact only in the short run, losing its effectiveness in the long run. On the other hand, government capital expenditure exhibits a significant negative influence on poverty reduction in both the short run and long run. These results emphasize the critical importance of prioritizing investments in education and infrastructure to achieve a sustained poverty reduction [175].

A paper investigated the linkage between disaggregated government expenditures and poverty using the most recent poverty monitoring survey in Senegal. Unlike most previous studies, this study was based on fuzzy set theory in the aim to find a suitable, complete and reliable way of measuring poverty, to overcome the limitations of the one-dimensional framework, and better assess the impact of prior government expenditures. High heterogeneity in poverty appears from the decomposition of the overall poverty by location and by household head's characteristics. The results from the model, elucidate that previous

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government expenditure on infrastructure, social development and women entrepreneurship yielded some positive impacts on poverty [176].

In addition, a study examined the impact of government social expenditure on poverty reduction in Nigeria for the period 1981-2020 with time series data obtained from the Central Bank of Nigeria Statistical Bulletin. Poverty (household consumption expenditure) was specified as a function of social capital expenditure, social recurrent expenditure, Inflation rate, and Unemployment. The Augmented Dickey-Fuller unit root test shows that all the time series data were stationary at first difference (I(1)). The result of the Johansen cointegration proves evidence of long run relationship among the variables. The result of the Fully Modified OLS indicates that government capital expenditure on social goods and services has significant impact on poverty reduction in Nigeria; government recurrent expenditure on social goods and services has significant impact on poverty reduction in Nigeria. The Granger causality result shows that there is a uni-directional causality relationship running from government capital spending on social goods to poverty reduction. There is a unidirectional causality relationship running from government recurrent spending on social goods to poverty reduction. This implies that social government expenditure has the potency of reducing poverty if resources are effectively monitored and productively spent for the purpose they are meant for [177].

A study on the effect of government expenditure on poverty in Indonesia analyzed a panel data set of 33 provinces from 2005 to 2017 to examine the effect of different types of government expenditure on income inequality and poverty in Indonesia. Using the fixed effect, random effect, and Seemingly Unrelated Regression (SURE) system, it was found that social aid, subsidy and grant expenditure have an insignificant effect on reducing poverty in

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Indonesia. In addition, infrastructure expenditure is also negatively and significantly correlated with poverty in Indonesia, and the impact is more significant in rural than urban areas [178]. Another examination on how social expenditure is related to poverty, income inequality and GDP growth employed OLS and 2SLS regression models using a panel data set for 22 Member States of the European Union to find that total public social expenditure is negatively related to poverty and inequality, but not related to GDP growth. The results vary substantially between the different social expenditure schemes, which makes more accurate targeting possible [179].

Focusing on the role of government sectorial expenditure on poverty alleviation using a secondary data covering from 2000 to 2017, a study employed ordinary least squares technique and the regression result indicates that government expenditure on agriculture, building and construction, education and health do not have any significant impact on poverty alleviation in Nigeria [180]. An analysis on the impact of government infrastructure expenditure on economic growth and poverty employed panel data regression to show that expenditure on public works sector has a negative and insignificant impact on poverty, the expenditure on public housing sector has a positive and insignificant impact on poverty, while expenditure on transportation sector has a negative and insignificant impact on poverty [181].

Examining the correlation between public health expenditure, governance quality, and poverty alleviation in developing countries, another study employed panel data estimated via a random-effects (RE) model and robustness check using instrumental variables (IV) (two-stage least-squares [2SLS]) and first-difference generalized method of moments (GMM) to show that public health expenditure has a significant effect on reducing the poverty rate, and

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that countries with better governance tend to reduce poverty than countries with poor governance. It was further revealed that increasing public health expenditure by one percentage point may reduce poverty by 0.48 percentage points in countries with good governance supposing the governance quality influences public health spending. Conversely, in countries with poor governance, the poverty headcount ratio may decline by 1.375 percentage points when public health spending increases by one percentage point [182]. A further examination on the distributional effects of government spending shocks in developing economies by constructing unanticipated government spending shocks for 103 developing countries from 1990 to 2015 and study their effects on income distribution. The study found that unanticipated fiscal consolidations lead to an increase in poverty. Also, fiscal expansions lower poverty and inequality [183].

A look into the determinants of regional poverty in Uganda used the Greer–Thornback methodology to compute poverty lines and poverty indexes. The logistic regression was used to analyze the key determinants of poverty and five models were fitted (one national and four regional). Northern Uganda was found to be the poorest region; it has the largest depth of poverty and worst inequality. It is characterized by the poor having large mean household sizes, least education, least mean household income, least expenditure on health, lowest chance of child survival and highest concentration in the rural areas. Educational level of household head, household size and migration status were found to be significant determinants of poverty at multivariate levels [184].

In appraising the literatures on the government expenditure and poverty, it can be concluded that there is no general consensus on the relationship between the two variables. While some studies reveal a positive relationship, others show a negative relationship between these

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variables. This calls for a need to have another cursory look into the relationship between the variables and the effects of government expenditure on poverty in more recent periods in Nigeria.

2.3.4 Studies on Causal Relationships among Government Expenditure, Unemployment and Poverty.

An analysis on the effect of financial deepening, government expenditure, and unemployment on poverty in Indonesia used panel data regression with fixed effect model. The results indicate that government expenditure has a negative and significant effect on poverty, and that unemployment has a positive and significant effect on poverty [185]. A study also concentrated on the effect of government defense expenditure on unemployment and poverty in Nigeria between 1980 and 2017. The defense expenditures were disaggregated into capital and recurrent components. The outcome of the unit root tests showed that capital defense expenditure, unemployment rate and poverty rate were stationary after first difference while recurrent was stationary at level. It was revealed that inconsistency in the federal government defense expenditures (capital and recurrent components) have led to a rise in both the unemployment rate and poverty rate in Nigeria [186].

Another investigation on the effects of government expenditure on unemployment and poverty in Nigeria disaggregated government expenditure into capital and recurrent functional components (economic service, administration, social service and transfer) measured at the federal level in order to isolate their individual effects on unemployment and poverty level for the period 1980-2017 using ARDL methodology. The results validate the fact that poverty is inherent in Nigeria and reveal significant heterogeneity in the effects of different components of public spending on unemployment and poverty. It was revealed that

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unemployment does not have any significant impact on poverty. This implies that reduction in unemployment rate may not be a channel through which government expenditure could impact on poverty. The findings show that while administrative and transfer components of capital expenditure could be used to reduce poverty both in the short and long run periods, capital expenditure on economic services and social services has no direct significant impact on poverty but rather could be used to reduce unemployment. Estimated results also show that none of the functional recurrent expenditure components has significant relationship with poverty in the short and long run periods [187].

In Indonesia, an investigation on the regional government expenditure effectiveness in reducing poverty and unemployment rate used panel data, analyzed using econometric models with simultaneous equation system. It was found that private investment has a significant influence in reducing poverty rate, whereas government capital expenditure has a significant influence in increasing private investment. Moreover, investment has a significant influence in improving gross domestic product in industrial sector as well as other sectors. Population has a positive relationship with poverty, indicating that regional government should support the planned family policy [189].

A further look into the relationship between government expenditure and poverty linked to the regional economic activity and labor absorption employed quantitative research method and time series data analyzed using the path analysis to estimate statistical parameters indicating relationship between variables. The result shows that poverty significantly affects government expenditure. Poverty also had an impact on government expenditure through the provision of employment. It was submitted that investment opportunity can increase economic activity and create jobs based on the prominent regional product such as

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agriculture, plantation and mining sectors. Hence, investment can increase employment and indirectly reduce poverty [190].

A further investigation devised a hybrid model to reduce the rate of poverty and unemployment in South Africa. The study adopted a quantitative approach and secondary data. Major findings disclosed that the poverty rate in South Africa is at 49.2% while 64.2% of South African blacks remain poor. The study revealed that the unemployment rate is at 30.1% in the first quarter of 2020 while provinces such as Eastern Cape (40.5%) and the Free State (38.4%) have the highest share of unemployment in the country. The meta-analysis conducted revealed that improvement is needed in areas such as legislation and labour laws, entrepreneurial development, youth development policies, common vision and leadership, sectorial development, business climate, acquisition of skills and education, engagement management, and strategic management [191].

A further examination on the empirical nexus between poverty and unemployment on economic growth in Nigeria used Auto-Regressive Distributed Lag (ARDL), Bound cointegration testing, and Error Correction Methods (ECM) to investigate the link between unemployment, poverty rate, and economic growth in Nigeria. Post estimation tests such as the Jarque-Bera test, Breusch-Pagan, ARCH test, and Ramsey reset test were also adopted in order to validate the research finding. The diagnostic tests further disclosed that the estimated model follows the Ordinary Least Square technique assumptions to attain efficiency and consistency of the model employed. The Jarque-Bera test suggests that residuals for both models are normally distributed, and the Breusch-Godfrey Serial Correlation (LM) test indicates that the hypothesis of no autocorrelation cannot be rejected. Interestingly, the

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ARDL and ECM results show that unemployment and poverty significantly impact economic growth both in the short and long run [192].

Looking at the determinants of multidimensional poverty in Nigeria: a state level analysis utilized the analysis of variance (ANOVA) and ordinary least squares (OLS) techniques to show significant variations in multidimensional poverty between the south-south, south-east, south-west, north-east, north-west and the north-central regions. The OLS results show that total fertility rate, underage pregnancy and region of residence have significant positive effects on multidimensional poverty while education and health have significant negative effects. The study concludes that decline in total fertility rate will reduce the population growth and burden of poor households and translate into decline in multidimensional poverty [193].

Looking at the consequences of poverty in the society, a study concluded that the burden of gambling problems is felt more strongly among people who experience poverty. The review explores the scope of the academic literature on the confluence of poverty and gambling problems. It was indicated that gambling problems are associated with several poverty measures including employment/unemployment, housing instability, homelessness, low income, and neighborhood disadvantage. Also, there is an interplay of gambling problems with social and health issues. Those experiencing both gambling and poverty are faced with varying challenges that necessitate surveillance and treatment of the vulnerable population [194].

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2.4 Theoretical Framework

Cumulative and Cyclical Interdependencies Theory of Poverty

The Cumulative Cyclical Interdependence theory assumes that economic and social processes reinforce each other in a cycle of cumulative causation. Once a nation or society begins to encounter disadvantages in economic or social activities, such experience may further lead to a series of interdependent negative outcomes like higher unemployment, lower income, lower investments, and poorer education, poor health status that could worsen poverty and inequality in that society. Research on developing countries reveals that regions with poor infrastructure and low initial development are still struggling to attract investment which has led to continuous underdevelopment [59]. The theory states that there exists deep interconnection between income and employment as economic factors and education, health, as social factors. A decline in one area affects the others which lead to the creation of a downward spiral of poverty that leads to the circular diagram of the relationship among government expenditure, unemployment and poverty. This is illustrated in the figure (2.1) below.

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2.5 Conceptual Model

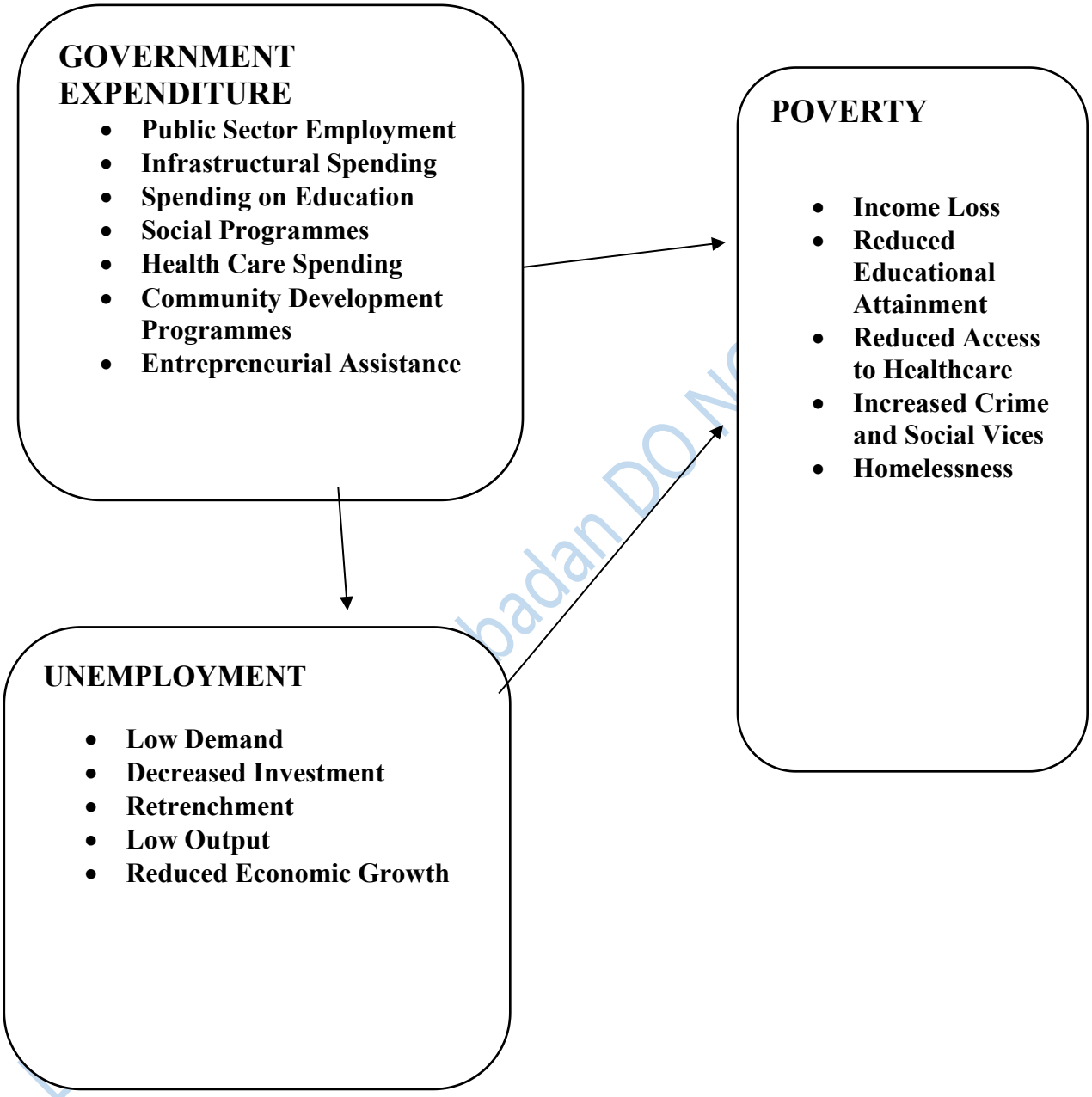


Figure 2.1: Model Showing the Relationship among Government Expenditure, Unemployment and Poverty
Source: Author's Conceptualization, 2025.

The diagram above shows the relationship that exist among government expenditure unemployment, and poverty as the variables of this study. The connection with the arrows show the possible relational effects of government expenditure on unemployment, government expenditure on poverty and that of unemployment on poverty. What the framework tries to establish is that an increase in government expenditure through public sector employment, spending on infrastructure, education, social programmes, and health care, as well as the expenditure on community development programmes, and entrepreneurial assistance is expected to reduce unemployment by increasing demand, investment, employment, output, and economic growth. While any situation of low or ineffective government expenditure may bring about low demand, low investment, retrenchment, low output, and reduced economic growth. Poverty is expected to be affected by low or ineffective government expenditure and unemployment, causing income loss, homelessness, reduced educational attainment, reduced access to healthcare and increased crime and social vices.

2.6 Summary of Gaps in Literature Reviewed

The literatures reviewed provide detailed overview of relevant concepts and findings on government expenditure, unemployment and poverty. However, there are identified gaps that warrant further studies on this topic. Firstly, most studies on the relationship between unemployment and government expenditure looked at the expenditures in the specific sectors of the economy such as government expenditure on health, education and defense and their impacts on unemployment, while this study look at the aggregate government expenditure of the economy and its effects on unemployment. Secondly, from the literature, most of the studies that disaggregated government expenditure were studies on specific sectors of the

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economy such has government expenditure on education, health and defense, agriculture etc, this study disaggregates whole government expenditure in Nigeria into capital and recurrent expenditure. Thirdly, most of the literatures looked at the relationship between only two of the variables of this study, while others examined them in combination with other variables outside of this study, but this study aims to investigate the exact tripartite relationship among the three variables of government expenditure, unemployment and poverty. Fourthly, most of the studies were carried out at different periods of time and in different countries or regions which makes it difficult to achieve concrete conclusion on the reviewed studies. This is a more recent study that concentrates on Nigeria as country.

In conclusion, there is limited evidence of studies on the connections among government expenditure, unemployment and poverty in Nigeria in recent time. That is, how the recent increase in government expenditure affects unemployment in Nigeria, how the changes in unemployment rate affect poverty in recent time in Nigeria and lastly, what is the recent nexus among government expenditure, unemployment and poverty.

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Chapter Three

Methodology

This chapter of the study focuses on the research methodology employed to examine the nexus among government expenditure, unemployment and poverty in Nigeria. The chapter describes the specification of empirical models, a-priori expectations, data sources, estimation techniques, diagnostic tests and data measurements.

3.1 Model Specification

The empirical models in this section are developed for each specific objective in chapter one.

3.1.1 Model for Investigating the Effects of Government Expenditure on Unemployment.

Following the Cumulative and Cyclical Interdependencies theoretical model developed in the previous chapter and the empirical model that establishes the effects of government expenditure variables on unemployment. These studies express government expenditure variables as determinants of unemployment rate[1, 2, 3, 4, 5].

It is further argued that government expenditure as an instrument regulates factors that influence economic activities in a way that curb the menace of unemployment.

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Thus, the model is specified as:

$$UMP_t = CAPEX_t, RECEX_t, GDP_t, POP_t \ldots\ldots (3.1)$$

Hence, the model with the inclusion of control variables is specified as follow:

$$UMP_t = \beta_0 + \beta_1 CAPEX_t + \beta_2 RECEX_t + \beta_3 GDP_t + \beta_4 POP_t + \mu_t \ldots\ldots (3.2)$$

Where:

β_0: Intercept term representing the base level of unemployment when government expenditure and control variables are zero.

β_1: The coefficient of government capital expenditure that specifies the effects of capital expenditure on unemployment rate.

β_2: The coefficient of government recurrent expenditure, which specifies the effect of government recurrent expenditure on unemployment rate.

According to the theory β_1 and β_2 are expected to be negative i.e an increase in capital expenditure or recurrent expenditure should reduce unemployment rate.

β_3: The coefficient of gross domestic product GDP specifying as a control variable, the effects of GDP on unemployment rate.

β_4: coefficient of total population specifying as a control variable, the effects of population on unemployment rate.

μ_t: The error term capturing the unobserved factors influencing unemployment in Nigeria.

t: Time

3.1.2 Model for Investigating the Effects of Government Expenditure on Poverty

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Following the Cumulative and Cyclical Interdependencies theoretical model developed in the previous chapter and the empirical studies that establish the effects of government expenditure variables on poverty [6, 7, 8, 9, 10, 11]. These studies express government expenditure variables as determinants of unemployment rate. It is further argued that government expenditure as an instrument regulates factors that influence economic activities in a way that curb the menace of poverty.

Thus, the model is specified as:

$$POV_t = CAPEX_t, RECEX_t, GDP_t, POP_t \ldots\ldots (3.3)$$

Hence, the model with the inclusion of control variables is specified as follow:

$$POV_t = \beta_0 + \beta_1 CAPEX_t + \beta_2 RECEX_t + \beta_3 GDP_t + \beta_4 POP_t + \mu_t \ldots\ldots (3.4)$$

Where:

β_0: Intercept term that represents the base level of poverty when government expenditure and the control variables are zero.

β_1: The coefficient of government capital expenditure that specifies the effects of government capital expenditure on poverty rate.

β_2: The coefficient of government recurrent expenditure, which specifies the effect of government recurrent expenditure on poverty rate.

According to the theory β_1 and β_2 are expected to be negative i.e an increase in capital expenditure or recurrent expenditure should reduce poverty rate.

β_3: coefficient of GDP growth rate specifying as a control variable, the effects of GDP growth rate on poverty.

β_4: coefficient of population, specifying as a control variable, the effects of population on poverty

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μ_t: The error term capturing the unobserved factors influencing unemployment.

t : Time

3.1.3 Model for Investigating the Effects of Unemployment on Poverty in Nigeria.

Following the Cumulative and Cyclical Interdependence theoretical model developed in the previous chapter and the empirical studies that establishes the effects of unemployment variables on poverty [12,13,14,15,16]. These studies express unemployment variables as determinants of poverty rate. It is further argued that reducing unemployment can an instrument that can be used to drastically reduce poverty.

Thus, the model is specified as:

$$POV_t = UMP_t, GDP_t, POP_t, EXR_t \ldots\ldots (3.5)$$

Hence, the cumulative and cyclical interdependence econometrics model with the inclusion of control variables is specified as follow:

$$POV_t = \beta_0 + \beta_1 UMP_t + \beta_2 GDP_t + \beta_3 POP_t + \beta_4 EXR_t + \mu_t \ldots\ldots (3.6)$$

β_0: Intercept term that represents the base level of poverty when unemployment and the control variables are zero.

β_1: The coefficient of unemployment rate that specifies the effects of unemployment rate on poverty.

According to the theory β_1 is expected to be positive i.e an increase in unemployment rate should increase poverty rate.

β_2: coefficient of gross domestic product (GDP) specifying as a control variable, the effects of GDP on poverty.

β_3: coefficient of population, specifying as a control variable, the effects of population on poverty.

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β_4: coefficient of exchange rate specifying as a control variable, the effects of exchange rate on poverty.

μ_t: The error term capturing the unobserved factors influencing unemployment.

t: Time

3.1.4 Model for Investigating the Causal Relationship among Poverty, Unemployment, Government Capital Expenditures and Government Recurrent Expenditures in Nigeria.

Following the cumulative and cyclical interdependence theory developed in the previous chapter and the empirical studies that establishes causal relationship among poverty, unemployment, government capital expenditures and government recurrent expenditures in Nigeria, the fourth model in this study are models that examines the causal relationship among poverty, unemployment, government capital expenditures and government recurrent expenditures in Nigeria [17, 18, 19, 20, 21, 22]. The studies argue that poverty, unemployment rate, and government expenditures have significant effects on one another. In order to achieve the objective four of this study, it is assumed that any adjustment in any of the variables can bring about a significant adjustment in other variables. Poverty is also likely to be influenced by unemployment and government expenditures. While government expenditures both capital and recurrent can also be influenced by unemployment and poverty rates as the government adjust the spending in order to address societal needs. The causal relationship among the variables can be expressed econometrically as shown below:

$$POV_t = \beta_0 + \beta_1 UMP_t + \beta_2 CAPEX_t + \beta_3 RECEX_t + \mu_{1t} \ldots\ldots (3.7)$$

β_0: Intercept term that represents the base level of poverty when unemployment, capital expenditures and recurrent expenditures are zero.

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$\beta_{1:}$ The coefficient of unemployment rate that specifies the effects of unemployment rate on poverty.

According to cumulative and cyclical interdependence theory β_1 is expected to be positive i.e an increase in unemployment rate should increase poverty rate.

β_2: coefficient of capital expenditure, specifying the effect of government capital expenditure on poverty.

β_3: coefficient of government recurrent expenditure, specifying the effect of government recurrent expenditure on poverty.

According to cumulative and cyclical interdependence theory β_2 and β_3 are expected to be negative i.e an increase in government capital expenditure and government recurrent expenditure should reduce poverty rate.

$\mu_{1t:}$ The first error term capturing the unobserved factors influencing poverty.

t: Time

$$UMP_t = \propto_0 + \propto_1 POV_t + \propto_2 CAPEX_t + \propto_3 RECEX_t + \mu_{2t} \ldots\ldots (3.8)$$

$\alpha_{0:}$ Intercept term that represents the base level of unemployment when poverty level, government capital expenditures and government recurrent expenditures are zero.

$\alpha_{1:}$ The coefficient of poverty that specifies the effects of poverty on unemployment.

According to cumulative and cyclical interdependence theory α_1 is expected to be positive i.e an increase poverty should increase unemployment rate.

α_2: coefficient of capital expenditure, specifying the effect of government capital expenditure on unemployment rate.

α_3: coefficient of recurrent expenditure, specifying the effect of government recurrent expenditure on unemployment rate.

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According to cumulative and cyclical interdependence theory α_2 and α_3 are expected to be negative i.e an increase in government capital expenditure and government recurrent expenditure should reduce unemployment rate.

$\mu_{2t:}$ The second error term capturing the unobserved factors influencing unemployment.

t: Time

$$CAPEX_t = \gamma_0 + \gamma_1 UMP_t + \gamma_2 POV_t + \mu_{3t} \ldots\ldots\ldots\ldots\ldots (3.9)$$

γ_0 : Intercept term that represents the base level of government capital expenditure when unemployment and poverty level are zero.

γ_1 : The coefficient of unemployment that specifies the effects of unemployment on government capital expenditure.

γ_2 : The coefficient of poverty that specifies the effects of poverty on government capital expenditure.

According to cumulative and cyclical interdependence theory γ_1 and γ_2 are expected to be negative i.e an increase in unemployment and poverty should reduce government capital expenditure.

$\mu_{3t:}$ The third error term capturing the unobserved factors influencing capital expenditure.

t: Time

$$RECEX_t = \varphi_0 + \varphi_1 UMP_t + \varphi_2 POV_t + \mu_{4t} \ldots\ldots\ldots\ldots\ldots (3.10)$$

φ_0 : Intercept term that represents the base level of government recurrent expenditure when unemployment and poverty level are zero.

φ_1 : The coefficient of unemployment that specifies the effects of unemployment on government recurrent expenditure.

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φ_2 : The coefficient of poverty that specifies the effects of poverty on government recurrent expenditure.

According to cumulative and cyclical interdependence theory φ_1 and φ_2 are expected to be negative i.e an increase in unemployment and poverty should reduce government recurrent expenditure.

μ_{4t}: The fourth error term capturing the unobserved factors influencing government recurrent expenditure.

t: Time

3.2 A priori Expectation.

Looking at the relationship between the variables, it is expected that higher government expenditure could potentially reduce unemployment and poverty through increased spending on social programs, infrastructure, and job creation initiatives. Government has a social responsibility to provide legislation to alleviate poverty and to back up such legislation financially, though both the private sector and the public sector have roles to play, government efforts would need to be more in a developing nation if poverty is to be drastically reduced, they should not only reach the majority of people but provide the necessary infrastructures needed, thus higher government expenditure is expected to lead to lower levels of poverty [1]. In addition, human investment is paramount in reducing poverty especially in a highly populated economy, investment in human resources mainly via education and training will enhance skills and technology required to earn an higher income, increase standard of living and make labour more marketable, thus higher investment in human investment expected to bring about a reduction in unemployment which further leads to a reduction in poverty.

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Poverty may be a function of unemployment, because it is assumed that unemployment breeds poverty, when people are unemployed, they do not earn income and are bound to be deprived of providing for themselves and their family the basic necessities of life thus higher rates of unemployment may lead to higher levels of poverty. There might also be expectations regarding how changes in government expenditure have historically correlated with changes in unemployment rates and poverty levels in Nigeria. Lastly, varying expectations could be on the sectors of government expenditure (e.g., education, healthcare, and infrastructure). A higher expenditure in education might be expected to impact poverty and unemployment differently than expenditure in infrastructure [23].

3.3 Method of Data Estimation

Pre-Estimation Tests

The following pre-estimation test were carried out:

1. Unit Root Test
2. Cointegration Test

Unit Root Test

Unit root tests are statistical technique used to determine if a time-series is stationary or contains a unit root, which implies that it is not stationary. There are many types of units root test, the Unit Root test employed for this study is Augmented Dickey-Fuller (ADF) [24, 25, 26].

Augmented Dickey-Fuller (ADF)

The Augmented Dickey-Fuller (ADF) Test is an extended version of the basic Dickey-Fuller test, used to determine whether a time series has a unit root, implying non-stationarity. It tests the null hypothesis that a unit root is present against the alternative hypothesis that the time series is stationary. ADF test checks for stationarity by estimating the general ADF

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regression. The ADF test includes lagged differences of the dependent variable to account for autocorrelation, which improves the accuracy of the test in the presence of serial correlation.[27, 28.]

The general ADF Model is given as:

$$\Delta Y_t = \alpha_0 + p^1 Y_{t-1} + \alpha_2 T + \sum k_{i-1} + \propto_1 \Delta Y_{t-1} + \mu_t \ldots\ldots . (3.11)$$

ADF test includes lagged differences of the dependent variable to account for autocorrelation, which helps to improve the accuracy of the test in the presence of serial correlation.

Assumptions of Augmented Dickey-Fuller (ADF) Test

1. Null Hypothesis (H_0): If the coefficient is equal to zero, it means the series contains unit root, that is, it is non-stationary.

2. Alternatives Hypothesis: If the coefficient is less than zero, it means the series contains no unit root, that is, it is stationary.

3. White noise errors: The error term μ_t is assumed to be white noise, which means it has a mean of zero, constant variance and no autocorrelation.

4. Linear Time Trend: Depending on the specification of the test, the model can include a constant, a constant and trend, or neither, based on the time series' characteristics.

5. Linear length selections: The appropriate number of lags needs to be selected to ensure that the residuals are not autocorrelated, which can be determined using criteria such as the Akaike Information[28, 29.]

Cointegration Test

The Bound Test is particularly useful in situations where traditional cointegration tests (like the Engle-Granger or Johansen tests) are not applicable due to mixed integration orders of

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variables. The Bound Test checks whether there is a statistically significant long-run relationship among variables in an ARDL model. It uses an F-test to examine the joint significance of the lagged level variables. The Bound Test is commonly used in econometrics, particularly in the context of the Autoregressive Distributed Lag (ARDL) model, to test for the existence of a long-run relationship (cointegration) between variables. It is often used when the variables in question are a mix of stationary (I(0)) and non-stationary (I(1)) time series, but none are I(2) or higher [29, 30].

Assumptions of Bound Test

1. Model Specification: The model should be correctly specified, incorporating all relevant variables, lags, and structural breaks if necessary.

2. Variable Integration: The variables should be either I(0) (stationary) or I(1) (non-stationary), but not I(2). This assumption is crucial because the test is invalid if any variable is I(2) or higher.

3. Error Term: The error term in the underlying ARDL model should be serially uncorrelated and homoscedastic. If this assumption is violated, it can lead to biased results.

4. Sample Size: The Bound Test is sensitive to sample size. For small samples, the critical values of the F-statistic may differ from those used in large samples, which can affect the test's results.

5. No Perfect Collinearity: Bound Test assumes that there should be no perfect linear relationship among the explanatory variables [29, 30].

Estimation Technique

As a result of the unit root test carried out, it becomes imperative to employ Autoregressive Distributed Lag (ARDL) in this study.

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Autoregressive Distributed Lag (ARDL)

Autoregressive Distributed Lag (ARDL) model is a popular econometric model used for analyzing the relationship between variables in both the short and long run. ARDL technique is preferable when dealing with variables that are integrated of different order, I(0), or I(1) or combination of the both I(0) and I(1). ARDL is robust when there is a single long run relationship between the underlying variables in the sample size [31].

Hence, the general ARDL model is given as;

$$Y_t = \beta_0 + \sum_{i=1}^{p} \alpha_i Y_{t-1} + \sum_{j=1}^{k} \sum_{l=0}^{qj} \beta_{j,l} X_{j,t} \quad \text{..... (3.12)}$$

$_i$

Assumptions of Autoregressive Distributed Lag (ARDL)

1. Stationarity: The dependent variable Y and independent variables X should be either integrated of order 0, that is, I(0) or in order of 1, that is, I(1), but no variable should be I(2). In other words, ARDL models are robust to mixed levels of integration (I(0) and I(1)) but not for I(2).

2. No Perfect Multicollinearity: The independent variables should not be perfectly correlated, which means that there should be no exact linear relationship among the explanatory variables.

3. No Autocorrelation in Residuals: The error terms should not be serially correlated.

4. Homoscedasticity: The variance of the error terms should be constant over time.

5. Long-run Relationship: For valid inferences about long-run relationships, the variables must be co-integrated. The Bound Test is commonly used to check for co-integration in the ARDL framework. The ARDL approach uses Bound Testing to check for the existence of a

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long-run relationship. This test is simple and effective for identifying co-integration, even when the variables are of mixed integration orders I(0) and I(1).

6. Normality of Residuals: The residuals from the ARDL model should be normally distributed for valid statistical inference [31].

3.3.1 Empirical Model 1

The first model in this study examines the effects of government expenditure on unemployment in Nigeria. According to Keynesian theory, government expenditure can serve as an important instrument in reducing unemployment rate. In order to achieve the first objective of this study, it is assumed that unemployment is influenced by government expenditure which can be divided into both capital expenditure (CAPEX) and recurrent expenditure (RECEX), and also the control variables that include Gross Domestic Product (GDP), Exchange Rate and Population. The above variables can be expressed mathematically as shown below:

$$UMP = CAPEX, RECEX, GDP, POP \ldots\ldots (3.13)$$

The econometric transformation of the mathematical form of equation 3.10 is given below:

$$UMP_t = \beta_0 + \beta_1 CAPEX_t + \beta_2 RECEX_t + \beta_3 GDP_t + \beta_4 POP_t + \mu_t \ldots\ldots (3.14)$$

The ARDL transformation of the econometric model in equation 3.11 is given below:

$$\Delta UMP_t = \beta_0 + \sum_{i=1}^{n} \beta_1 \Delta lnUMP_{t-1} + \sum_{i=1}^{n} \beta_2 \Delta lnCAPEX_{t-1} + \sum_{i=1}^{n} \beta_3 \Delta lnRECEX_{t-1} + \sum_{i=1}^{n} \beta_4 \Delta lnGDP_{t-1} + \sum_{i=1}^{n} \beta_5 \Delta lnPOP_{t-i} + \alpha_1 lnUMP_{t-i} + \alpha_2 lnCAPEX_{t-i} + \alpha_3 lnRECEX_{t-i} + \alpha_4 lnGDP_{t-i} + \alpha_5 lnPOP_{t-i} + \mu_t \ldots\ldots (3.15)$$

This model is adapted from relevant and related studies [1, 2, 3, 4, 5].

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In terms of a-priori theoretical expectation about the signs and size of the exogenous variables of the parameters estimates β_1, β_2, β_3 are expected to have a negative relationship with poverty rate, while β_4 is expected to have positive sign.

3.3.2 Empirical Model 2

The second model in this study examines the effects of government expenditure on poverty in Nigeria. According to Cumulative and Cyclical Interdependencies Theory of Poverty, government expenditure can serve as an important instrument in curbing the menace of poverty. In order to achieve the second objective of this study, it is assumed that poverty is influenced by government expenditure which can be divided into both capital expenditure (CAPEX) and recurrent expenditure (RECEX), and also the control variables which are GDP and population. The above variables can be expressed mathematically as shown below:

$$POV = CAPEX, RECEX, GDP, POP \ldots\ldots (3.16)$$

The econometric transformation of the mathematical form of equation 3.13 is given below:

$$POV_t = \beta_0 + \beta_1 CAPEX_t + \beta_2 RECEX_t + \beta_3 GDP_t + \beta_4 POP_t + \mu_t \ldots\ldots (3.17)$$

The ARDL transformation of the econometric model in equation 3.14 is given below:

$$\Delta POV_t = \beta_0 + \sum_{i=1}^{n} \beta_1 \Delta lnCAPEX_{t-i} + \sum_{i=1}^{n} \beta_2 \Delta lnRECEX_{t-i} + \sum_{i=1}^{n} \beta_3 \Delta lnGDP_{t-i} + \sum_{i=1}^{n} \beta_4 \Delta lnPOP_{t-i} + \alpha_1 lnCAPEX_{t-i} + \alpha_2 lnRECEX_{t-i} + \alpha_3 lnGDP_{t-i} + \alpha_4 lnPOP_{t-i} + \mu_t \ldots\ldots (3.18)$$

This model is adapted from relevant and related studies [8, 9, 10, 11].

In terms of a priori theoretical expectation about the signs and size if the exogenous variables of the parameters estimated, β_1, β_2, β_3, and β_4 are expected to have a negative relationship with poverty rate.

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3.3.3 Empirical Model 3

The third model in this study examines the effect of unemployment on poverty in Nigeria. According cumulative and cyclical interdependence theory, reducing unemployment rate can serve as an important instrument in curbing the menace of poverty. In order to achieve the third objective of this study, it is assumed that poverty is influenced by unemployment rate and other control variables which are GDP, population, and exchange rate. The above variables can be expressed mathematically as shown below:

$$POV = UMP, GDP, POP, EXR \ldots\ldots (3.19)$$

The econometric transformation of the mathematical form of equation 3.14 is given below:

$$POV_t = \beta_0 + \beta_1 UMP_t + \beta_2 GDP_t + \beta_3 POP_t + \beta_4 EXR_t + \mu_t \ldots\ldots (3.20)$$

The ARDL transformation of the econometric model in equation 3.17 is given below:

$$\Delta POV_t = \beta_0 + \sum_{i=1}^{n} \beta_1 \Delta lnUMP_{t-i} + \sum_{i=1}^{n} \beta_2 \Delta lnGDP_{t-i} + \sum_{i=1}^{n} \beta_3 \Delta lnPOP_{t-i} + \sum_{i=1}^{n} \beta_4 \Delta lnEXR_{t-i} + \propto_1 lnUMP_{t-i} + \propto_2 lnGDP_{t-i} + \propto_3 lnPOP_{t-i} + \propto_4 lnEXR_{t-i} + \mu_t \ldots\ldots (3.21)$$

This model is adapted from relevant and related studies. [12, 13, 14, 15, 16.]

In terms of a priori theoretical expectation about the signs and size if the exogenous variables of the parameters estimated, β_1, and β_4, are expected to have positive relationship with poverty rate, while β_2, β_3, should have negative signs.

3.3.4. Empirical Model 4

The fourth model in this study are models that examines the causal relationship among poverty, unemployment, capital expenditures and recurrent expenditures in Nigeria. According cumulative and cyclical interdependence theory, increasing government

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expenditures and reduction of unemployment rate can serve as an important instrument in curbing the menace of poverty. In order to achieve the fourth objective of this study, it is assumed that unemployment could be influenced by government expenditures and poverty level. Poverty is also likely to be influenced by unemployment and government expenditures. While government expenditures both capital and recurrent can also be influenced by unemployment and poverty rates as the government adjust the spending in order to address societal needs. The relationship among variables is analyzed using Toda-Yamamoto (TY) test. The causal relationship among the variables can be expressed econometrically as shown below:

$$POV_t = \beta_0 + \beta_1 UMP_t + \beta_2 CAPEX_t + \beta_3 RECEX_t + \mu_{1t} \ldots\ldots\ldots\ldots\ldots (3.22)$$

$$UMP_t = \propto_0 + \propto_1 POV_t + \propto_2 CAPEX_t + \propto_3 RECEX_t + \mu_{2t} \ldots\ldots\ldots\ldots\ldots (3.23)$$

$$CAPEX_t = \gamma_0 + \gamma_1 UMP_t + \gamma_2 POV_t + \mu_{3t} \ldots\ldots\ldots\ldots\ldots (3.24)$$

$$RECEX_t = \varphi_0 + \varphi_1 UMP_t + \varphi_2 POV_t + \mu_{4t} \ldots\ldots\ldots\ldots\ldots (3.25)$$

Toda-Yamamoto (TY) Test

The Toda-Yamamoto (TY) test was developed by Hiro Y. Toda and Taku Yamamoto in the 1990s. It is an econometric approach used to investigate Granger causality between time series variables in the presence of potential non-stationarity and cointegration. It is a modified version of the traditional Granger causality test and is particularly useful because it can be applied regardless of whether the variables are stationary, integrated of the same order, or cointegrated [32, 33].

Assumptions of Toda-Yamamoto (TY) Test

1. Variables non-stationarity: The test can handle series that are integrated of different orders, such as I(0), I(1), or higher, without needing to pre-transform them into stationary series.

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2. Correct VAR order: The model requires estimating a VAR with the correct lag length. After this, an additional lag corresponding to the maximum order of integration is added to the model.

3. Cointegration Test Not Required: Unlike other causality tests that require testing for cointegration, the TY test skips this step, making it applicable even when the cointegration relationship is unknown or non-existent [32, 33].

3.4 Sources and Measurement of Data

The dataset underpinning this study spans from 1986-2022 for Nigeria. The data employed include the number of people living below 1.9 US dollar in a day used as a measure of poverty, government capital expenditure, government recurrent expenditure, unemployment rate, GDP growth rate, exchange rate and population growth rate. Data for this research was quantitatively sourced from Central Bank of Nigeria Statistical Bulletin (2022) and World Development Indicators (2022).

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Table 3.1 Sources of Data and Variable Measurements

Variables	Description	Measurement	Data Source
POV	Poverty means not having enough money or access to resources to enjoy a decent standard of living, which may include lack of health care, education or water and sanitation facilities	Number of people living below 1.9 USD per day	WDI, 2022
CAPEX	Government capital expenditures are spending or investments made by the government on capital projects or assets that are expected to yield benefits over multiple years.	Government capital expenditures	CBN, 2022
RECEX	Recurrent expenditures are regular spending or expenses of government meant to maintain operations and provide essential services.	Government recurrent expenditures	CBN, 2022
UMP	Unemployment is situation whereby individuals who are willing and able to work, actively seeking for job but cannot find.	Unemployment rate	WDI, 2022
EXR	Exchange rate is the rate at which a country's currency is being exchanged for another country's currency. The value of the Nigerian Naira against foreign currencies.	Official exchange rate (LCU per US$, period average)	WDI, 2022
POP	Population is the total number of people living in a particular geographical location at a particular period of time.	Population growth (annual %)	WDI, 2022
GDP	Gross domestic product is the total amount of goods and services produced within a particular geographical location of a country.	GDP Growth Rate (annual %)	WDI, 2022

Source: Author's Computation, 2025.

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Chapter Four

Results and Discussion of Finding

In this chapter, the study presents the details of data presentations, estimation, and the results of the empirical investigation of the links among government expenditures, unemployment and poverty in Nigeria. Also, it addresses the long-run and short-run relationship among government expenditures, unemployment and poverty in Nigeria. The study further addresses the causal relationship among government expenditure, unemployment and poverty in Nigeria. This is divided into descriptive analysis which shows the measure of central tendency which include the mean, median as well as measures of variation, it also takes into consideration the same trend analysis which shows the trend of the time series data used from 1986 to 2022 and econometric analysis which focuses on test for unit root, co-integration test using autoregressive distributed lagged model.

4.1 Data Presentation

The data used for analyzing the relationship among government expenditure, unemployment and poverty in Nigeria is presented in the appendix.

4.2 Presentation of Results

4.2.1 Summary of Statistics

The summary of the preliminary analysis shows the mean, standard deviation, skewness and the peak of the variables employed for analyzing the relationship among government expenditures, unemployment and poverty in Nigeria is presented in table 4.1.

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Table 4.1 Descriptive Statistics

	Pov	*Ump*	*RecEx*	*CapEx*	*Pop*	*GDP*	*EXR*
Mean	54.014	4.007	6.418	2.942	2.598	4.163	4.192
Median	54.760	3.771	6.939	2.404	2.486	4.200	4.834
Maximum	66.900	5.712	8.873	9.084	2.764	15.330	6.054
Minimum	40.100	3.556	2.041	0.637	2.380	-2.040	0.559
Std. Dev.	6.859	0.532	2.051	1.907	0.107	3.854	1.468
Skewness	-0.195	1.982	-0.534	1.132	-0.184	0.515	0.791
Kurtosis	2.546	5.745	2.008	4.114	2.206	3.459	2.529
Jarque-Bera	0.553	35.869	3.278	9.821	1.179	1.964	4.204
Probability	0.758	0.000	0.194	0.007	0.554	0.374	0.122
Sum	1998.5	148.266	237.471	108.813	96.110	154.030	155.100
SumSq. Dev.	1693.8	10.197	151.533	130.981	0.365	534.812	77.595
Observations	37	37	37	37	37	37	37

Source: **Author's Computation, 2025.**

The mean is the average value of the variables over 37 observations. The mean poverty rate of 54.01 reveals that the average annual poverty is 54.01 indicating a critically high poverty rate. The standard deviation measures how spread out the values are. The moderate standard deviation of 6.86 suggests that while the rate fluctuates, it consistently remains at a high level. The maximum and minimum values show the range (spread) of the data which indicates that poverty ranges from 40.1% (minimum) to 66.9% (maximum) indicating high rate of poverty overtime in Nigeria. The Skewness measures asymmetry in the distribution. The positive Skewness coefficient of -0.195 shows that the distribution of poverty rates is skewed to the left with a longer tail on the negative side, meaning values are concentrated above the mean with a few higher outliers. Kurtosis measures whether the data has heavy tails (outliers) or is flat. The positive kurtosis value which is 2.54 is close to normal distribution. The positive kurtosis value less than 3 suggests that the distribution of poverty rates is more flatted or platykurtic than a normal distribution, indicating the presence of few extreme values or outliers. The Jarque-Bera test checks for normality in the distribution. The relatively low Jarque-Bera test statistic of 0.553 and the high associated probability value of 0.758 suggest

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that the distribution of poverty rates in Nigeria may not significantly depart from a normal distribution. It accepts the null hypothesis because the data is normally distributed.

For unemployment rate, the mean value reveals that the average unemployment rate is approximately 4.07%. The standard deviation measures how spread out the values are. The maximum and minimum unemployment rate shows noticeable variability. The observed rate ranges from 3.55% (minimum) to 5.71% (maximum). The minimum unemployment rate of 3.55% reflects the lowest observed value, indicating periods of improved job creation employment opportunities in Nigerians. The standard deviation of 0.49% indicates a moderate variability. A higher standard deviation suggest greater volatility, indicating fluctuations or instability in Nigeria's unemployment rate. In contrast, a lower standard deviation would imply more consistent or stable rate of unemployment. The positive Skewness coefficient of 1.93 shows that the distribution of unemployment rate is positively skewed, with a longer tail on the right side, indicating a concentration of lower unemployment rates with extreme higher values. The positive kurtosis value of 5.75 is leptokurtic (heavy tails), indicating extreme unemployment values. The positive kurtosis value which is above 3 suggests that the distribution of unemployment rate is heavier tailed or leptokurtic than a normal distribution, indicating the presence of more extreme values or outliers. The unemployment rate shows significant skewness and kurtosis, suggesting periods of sharp unemployment spikes. The Jarque-Bera test checks for normality in the distribution. The relatively low Jarque-Bera test statistic of 35.87 and the high associated probability value of 0.00 suggest the unemployment data is not normally distributed.

In explaining the recurrent expenditure, the mean value of 6.41 reveals that the average government recurrent expenditure in Nigeria is about 6.41, suggesting consistent government

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spending overtime. The maximum and minimum values show the range (spread) of the data which indicates that government recurrent expenditure ranges from 2.04% (minimum) to 8.87% (maximum). The minimum government recurrent expenditure of 2.04% reflects the lowest observed value, indicating periods of reduced government recurrent expenditure Nigerians while the maximum 8.87% shows periods of high government recurrent spending. The standard deviation of 2.05% indicates a relatively moderate variation in government recurrent expenditure in Nigeria. The negative Skewness coefficient of -0.53 shows that the distribution of poverty rates is skewed to the left with a longer tail on the left side, meaning values are concentrated above the mean. Recurrent expenditure remains relatively stable, with low standard deviation and skewness. The positive kurtosis value of 2.00 is less than 3 suggesting that the distribution of government recurrent expenditure is more flatted or platykurtic than a normal distribution, indicating the presence of few extreme values or outliers. The relatively low Jarque-Bera test statistic of 3.28 and the high associated probability value of 0.19 suggest that the distribution of government recurrent expenditure in Nigeria may not significantly depart from a normal distribution.

The average capital expenditure of 2.94 reflects that the government investment in infrastructure and capital projects is lower than government recurrent expenditure overtime. 1.814 to 3.285 shows that Capital expenditure varies, indicating fluctuations in government investment. The maximum and minimum values of government capital expenditure ranges from 1.81% (minimum) to 3.29% (maximum). The minimum government capital expenditure of 1.81% and the maximum of 3.29% show that capital expenditure varies, indicating fluctuations in government investment. The standard deviation of 0.49% indicates that capital expenditure has noticeable variability. The negative Skewness coefficient of -

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0.12 shows a nearly symmetrical distribution of government capital expenditure is skewed to the left with a longer tail on the left side, meaning values are concentrated above the mean. The positive kurtosis value which is above 3 suggesting that the distribution of unemployment rate is heavier tailed or leptokurtic than a normal distribution, indicating the presence of more extreme values or outliers The relatively low Jarque-Bera test statistic of 9.8 and the high associated probability value of 0.00 suggest that the distribution of capital expenditure in Nigeria significantly depart from a normal distribution. Variability in government capital expenditure suggests fluctuations in government capital spending, which might impact growth.

In examining the control variables, the mean value of population growth rate reveals that the average population growth rate is approximately 2.60%. The maximum and minimum population growth rate shows little variability. The observed rate ranges from 2.38% (minimum) to 3.76% (maximum) show a level of consistence in the growth rate of population in Nigeria. The standard deviation of 0.10% indicates a relatively low dispersion around the mean of population growth rate. A lower standard deviation implies more consistent or stable rate of population growth. The positive skewness coefficient of -0.18 shows that the distribution of poverty rates is skewed to the left with a longer tail on the negative side, meaning values are concentrated above the mean with a few higher outliers. The positive kurtosis value of 2.10 is less than 3 suggesting that the distribution of population growth rate is more flatted or platykurtic than a normal distribution, indicating the presence of few extreme values or outliers. The relatively low Jarque-Bera test statistic of 1.17 and the high associated probability value of 0.552 suggest that the distribution of population growth rates in Nigeria may not significantly depart from a normal distribution.

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The 4.16 mean value of GDP growth rate reveals the average annual GDP growth rate of about 4.16%, showing modest economic growth. The maximum and minimum population growth rate shows little variability. The observed rate ranges from 1.46% (minimum) to 12.36% (maximum) show a large range depicting both slow and strong economic growth. The standard deviation of 3.33% indicates a high variability in GDP growth rates showing periods of volatility. A lower standard deviation implies more consistent or stable rate of GDP growth. The positive skewness coefficient of 1.44 is highly positively skewed, with extreme high GDP growth rates. It shows that the distribution of GDP growth rate is skewed to the right with a longer tail on the positive side, meaning values are concentrated below the mean. The positive kurtosis value of 5.54 is more than 3 suggesting that the distribution of GDP growth rate is more leptokurtic, reflecting high GDP growth extremes. A relatively low Jarque-Bera test statistic of 8.64 and the associated probability value of 0.01 suggest that the distribution of GDP growth rates in Nigeria significantly depart from a normal distribution. While the average GDP growth is modest at 4.16%, high variability and non-normal distribution reveals economic volatility.

The 4.19 mean value of exchange rate shows that the average exchange rate is about 4.19%. The observed minimum and maximum ranges from 2.40% (minimum) to 5.56% (maximum) showing a significant spread in exchange rates, likely reflecting currency volatility overtime. The standard deviation of 1.47% reveals a low variability in exchange rate showing periods of volatility and a more consistent or stable exchange rate. The negative skewness coefficient of -0.79 is highly negatively skewed, with extreme high low rate of exchange. It shows that the distribution of exchange rate is skewed to the left with a longer tail on the negative side, meaning values are concentrated above the mean. The positive kurtosis value of 2.53 is less

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than 3, suggesting that the distribution of exchange rate is more flatted or platykurtic than a normal distribution, indicating the presence of few extreme values or outliers. A relatively low Jarque-Bera test statistic of 4.20 and the high associated probability value of 0.12 suggest that the distribution of government recurrent expenditure in Nigeria may not significantly depart from a normal distribution. Having the exchange rate positively skewed reflects periods of depreciation or instability in Nigeria over the period considered.

4.2.2 Correlation Analysis

The correlation analyses of the variables are presented in Table 4.2. The coefficients show that the level of association between the variables used to explain the existing relationship among government expenditures, unemployment and poverty in Nigeria.

From Table 4.2, the results show that unemployment, recurrent expenditure correlated negatively with poverty while capital expenditure is positively correlated. As to the control variables, GDP growth rate and population are positively correlated with poverty, while only exchange rate is negatively correlated with poverty. Looking at unemployment, the results show that capital expenditure, GDP growth rate and population are negatively correlated while recurrent expenditure and exchange rate are positively correlated. The correlation relationship of the main and control variables differs among themselves. Their correlation coefficients are moderate, therefore suggesting absence of multicollinearity problem. Consequently, these results are just preliminary analysis subject to confirmation using the appropriate estimation method to reveal the parameter signs and magnitude of the variables.

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Table 4.2: Correlation Matrix

	POV	*UMP*	*Cap Ex*	*Rec Ex*	*GDP*	*EXR*	*POP*
POV	1.000						
UMP	-0.448	1.000					
CapEx	0.437	-0.326	1.000				
RecEx	-0.093	0.473	-0.635	1.000			
GDP	0.204	-0.459	-0.139	0.078	1.000		
EXR	-0.431	0.998	-0.318	0.474	-0.480	1.000	
POP	0.318	-0.649	-0.127	-0.004	0.586	-0.660	1.000

Source: Author's Computation, 2025

4.3 Pre-Estimation Tests (Unit Root Test)

This section presents the unit root test results as it examines the stationarity level of the variables. It is used to check for the presence of a unit root i.e. if the variables are not stationary at levels. This test is carried out using the Augmented Dickey Fuller (ADF) and Phillips-Peron (PP) tests. This is the first test carried out before the co-integration analysis and it is known as the pre-estimation test. The conventional methods used in this study were Augmented Dickey Fuller (ADF) and Phillips-Peron (PP) to test the stationarity level at levels and at first differences. Table 4.3 shows the results of the conventional unit root test methods.

Furthermore, the a priori expectation when using the ADF and PP test is that a variable is stationary when the value of the ADF and PP test statistics are greater than the critical value at 5%. From the results reported in Table 4.3, unemployment rate, government recurrent expenditure, GDP growth rate and Exchange rate were found not to accept the null hypothesis "they have unit root test" at 5% level. This implies that unemployment rate, government recurrent expenditure, GDP growth, and exchange rate are stationary at levels. Thus, their series are integrated at order zero i.e, I(0). However, the series of poverty, government capital expenditure and population growth are not stationary at levels but they are integrated at order one i.e., I(1). Therefore, poverty, government capital expenditure and

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population growth were found not to reject the null hypothesis "no stationary" at level but after several iterations based on the number of lag length and differencing, the series were found to reject the null hypothesis at first difference. This indicates that the first difference of these series were stationary.

Table 4.3: Unit Root Test Results {Trend and Intercept}

Variables	Augmented Dickey Fuller (ADF)		Phillips-Peron (PP)		I(d)
	Levels	1stDifference	Levels	1stDifference	
POV	-1.069	-3.194	-0.390	-3.143	I(1)
UMP	-4.973	-------	-1.973	-------	I(0)
CAPEX	-1.227	-9.237	-2.039	-9.201	I(1)
RECEX	-2.808	-------	-5.760	-------	I(0)
GDP	-4.0371	-------	-3.950	-------	I(0)
POP	-1.1617	-3.169	-0.465	-3.115	I(1)
EXR	-2.8672	-------	-3.191	-------	I(0)

Source: Author's Computation, 2025

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4.4 Presentation of Empirical Results

Empirical results of the effect of Governments Expenditures on Unemployment

4.4.1 Cointegration Test Result

The study tests the long-run relationship between unemployment and government expenditures (capital expenditures and recurrent expenditures), and other controlling variables using autoregressive distributed lag (ARDL) bound cointegration test in the stated hypotheses before estimating both short-run and the long-run parameters. For the first model showing the relationship among government expenditures, unemployment and other controlling variables, the ARDL bound test is employed because it is suitable for variables at different order of integration. The F-statistic estimate for testing the existence of long-run relationship among government expenditures, unemployment and other controlling variables in Nigeria is presented in Table 4.4.

Table 4.4: Long-run Cointegration between Government Expenditures and Unemployment

Test Statistics	Value	K
F-statistics(ump|capex, recex, gdpg, pop)	6.218	4

Critical Value Bounds		
Significance	**I0 Bound**	**I1 Bound**
10%	2.2	3.09
5%	2.56	3.49
2.5%	2.88	3.87
1%	3.29	4.37

Source: **Author's Computation, 2025**

If the F-value is less than the I(0), we cannot reject the null hypothesis that there is no long run relationship and co-integration does not exist. Hence, we estimate the Autoregressive Distributed Lag (ARDL) model. If F-value is greater than I(1), we reject the null hypothesis and conclude that long run relationship and co-integration exist. Hence, we estimate Error Correction Model (ECM). If F-value is between I(0) and I(1), test is considered inconclusive. From the table, the F-statistic which is valued to be 6.218 is higher than the I(1) value which is 3.49. Hence, we reject the null hypothesis and conclude that there is long run relationship between the dependent variable (Unemployment) and the independent variables.

Results of Short–run and Long-run Estimates

Effects of Government Expenditure on Unemployment

The discussion here is to examine the relationship between government expenditures and unemployment in Nigeria. It examines both the short-run and long-run relationship estimates of government recurrent and capital expenditure and other controlling variables in Nigeria using the estimated ARDL approach described in the previous chapter. The estimated ARDL

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model is a composite of short-run and long-run estimates of the interrelationship among the considered series in this study. The clear evidence of our empirical estimates from government expenditures variables (recurrent expenditure and capital expenditure), GDP and population are presented in Table 4.5.

The short-run estimation results show the error correction mechanism which measures the speed or degree of adjustment. It is the rate of adjustment at which the dependent variable adjusts as a result of the changes in the independent variables. The short run analysis shows the dynamic pattern in the model and to ensure that dynamics of the model have not been constrained by inappropriate lag length specification. The ARDL test automatically choose the lag length on all variables as the model was set at three to ensure sufficient degree of the freedom based on automatic selection of Akaike Information Criterion. The short run estimates of the relationship between government expenditures and unemployment are presented in Table 4.5. The coefficient of the ECT is found to be negative and statistically significant at the conventional level. The ECT value (-0.967) implied that the model corrects its short-run disequilibrium by 96.7% speed of adjustment in order to return to the long run equilibrium.

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Table 4.5: Results of Estimated ARDL Model of Unemployment

Dependent Variable: Unemployment (UMP) **Selected Model:** ARDL (3, 2, 1, 1, 1, 1)

Sample: 1986-2022 **Included observations**: 37

Short-Run Estimates				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ΔUMP(-1)	2.146	0.296	7.249	0
ΔUMP(-2)	0.207	0.333	0.621	0.543
ΔUMP(-3))	1.328	0.411	3.233	0.005
ΔRECEX)	-0.304	0.113	-2.697	0.016
ΔCAPEX)	0.002	0.037	0.065	0.949
ΔGDP	-0.028	0.009	-3.115	0.007
ΔGDP(-1)	0.026	0.013	1.986	0.065
ΔGDP(-2))	0.026	0.012	2.098	0.052
ΔGDP (-3))	0.049	0.010	4.795	0.000
Δ(POP	2.878	1.249	2.304	0.035
Δ(POP(-1)	-3.714	1.607	-2.312	0.035
Δ(POP(-2)	3.729	1.429	2.610	0.019
CointEq(-1	-0.967	0.138	-6.997	0
Long Run Estimates				
RECEX	0.064	0.036	1.765	0.097
CAPEX	0.002	0.037	0.065	0.949
GDP	-0.046	0.034	-1.327	0.202
POP	-0.750	1.257	-0.597	0.559
C	5.642	3.115	1.811	0.088
R-squared	0.872	F-stat		6.218
Adjusted R-squared	0.806	Durbin-Watson stat		2.078
Diagnostic Tests				
Serial Correlation	0.303 (0.744)	Normality Test		1.367
Functional Form	1.367 (0.505)	Heteroskedasticity Test		0.849 (0.627)

Source: Author's Computation, 2025

The coefficient of the short-run lag one change in unemployment indicates a strong positive and significant short-term relationship. A 1% increase in unemployment in the previous

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period leads to a 2.14% increase in the current period. The coefficient of the short-run lag two change in unemployment is positive but not statistically significant. The coefficient of the short-run lag three change in unemployment is significant at 1%, showing a persistent positive effect of unemployment from earlier periods. The short-run parameter estimate of recurrent expenditure was found to have negative short-run effect on unemployment significant at 1%. The parameter of -0.304 % indicates that a 1% increase in recurrent expenditure leads to a significant decrease of 0.304% in unemployment. This suggests that recurrent expenditure does reduce unemployment in the short-run. The short run parameter of capital expenditure was found to have positive insignificant effect on unemployment. The parameter of 0.002% indicates that a 1% increase in capital expenditure leads to an insignificant increase of 0.002% in unemployment. The short run estimate of GDP has negative effect on unemployment and significant at 10% level. The coefficient value of -0.028 suggests that a 1% increase in GDP reduces unemployment by 0.028% in the short run. This suggests that economic growth reduces unemployment in the immediate term. As to population, it's current and first lag coefficient represent the effects of current and lagged values of population on unemployment. Population growth at current level has positive effect on unemployment and significant at 10% level. The parameter 2.88% reveals that a 1% increase in population growth raises unemployment by 2.88%.

The long-run estimates from table 4.5 indicate that recurrent expenditure has positive long run effect but weakly significant at 10% level. The coefficient 0.06% shows that a 1% increase in recurrent expenditure raises unemployment by 0.06% in the long-run. Government capital expenditure has positive but insignificant long run effect on unemployment. Capital expenditure shows no significant long-run impact on unemployment.

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1% changes in government recurrent expenditure and government capital expenditure results to changes in unemployment rate by 0.06% and 0.002% correspondingly. As to the control variables, GDP growth has negative but insignificant long run effect on unemployment. This suggests that GDP growth does not significantly reduce unemployment in the long run. In the same vein, population growth has negative and insignificant effect on unemployment, meaning that population growth may have no meaningful long-run relationship with unemployment.

The coefficient of determination (Adjusted-R^2) is high (80.6%) indicating that about 80.6% of the total variation in unemployment rate was explained by government recurrent expenditure, government capital expenditure, GDP and population. It simply indicated that the variation changes in unemployment were explained by 80.6% variation in government expenditures and other controlling variables. The overall test using F-statistics (6.218) is statistically significant at 5% level of significance, revealing that model is well specified and statistically significant. The Durbin Watson statistic (2.078) shows that there is no autocorrelation in the model. The Normality Test (1.367) reveals that the residuals are normally distributed, while the Heteroskedasticity Test (0.849) shows no evidence of heteroskedasticity.

Diagnostic Test

The estimated ARDL model tested for heteroskedasticity, serial correlation, functional form misspecification, parameter stability and normality. The results from these tests are also shown in table 4.5. The estimated ARDL model revealed that the model passed the serial correlation, normality test, and heteroskedasticity test. It means that the error terms are normally distributed with the same variances and they are not serially correlated. Also, the

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Ramsey RESET test was satisfactory for the ARDL model indicating that the model is well distributed. Also, the cumulative sum (CUSUM) as shown in figures 4.4 is steady.

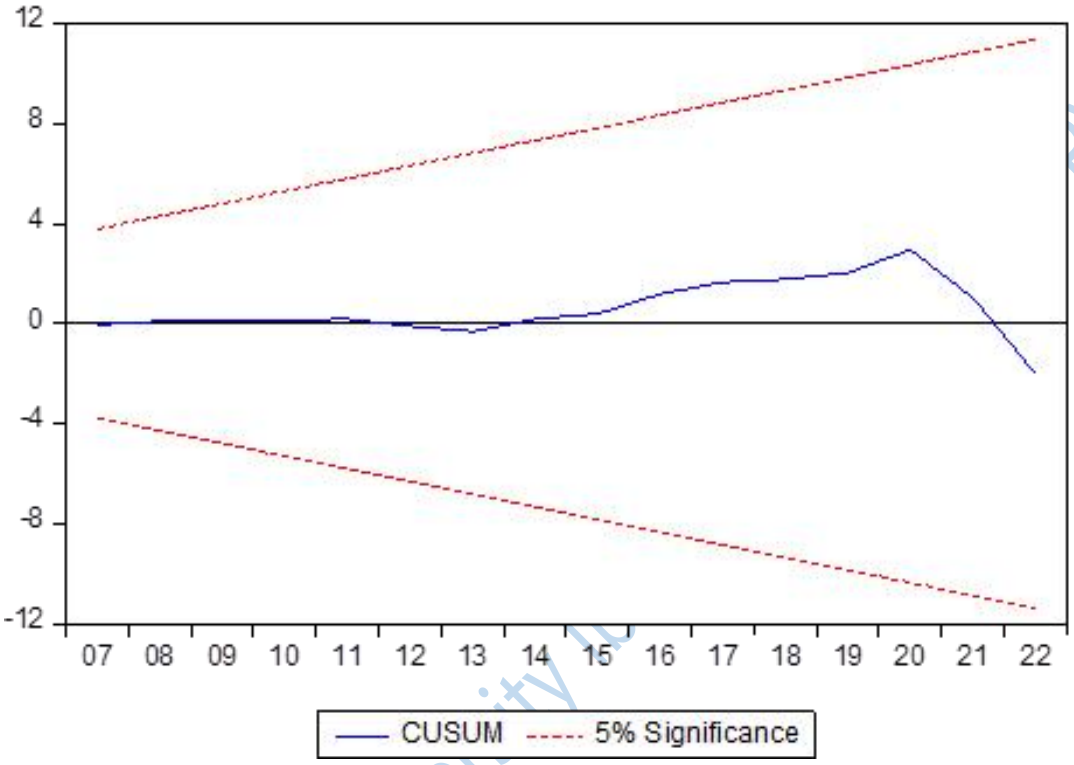


Figure 4.1: Cumulative sum

4.4.2 Empirical Results of the Effect of Government Expenditure on Poverty.

Cointegration Test Result

The study tests the long-run relationship between poverty, government expenditures (capital expenditures and recurrent expenditures), and other controlling variables using autoregressive distributed lag (ARDL) bound cointegration test in the stated hypotheses before estimating both short-run and the long-run parameters. For the second model showing the relationship among government expenditures, poverty and other controlling variables, the ARDL bound test is employed because it is suitable for variables at different order of integration. The F-statistic estimate for testing the existence of long-run relationship among

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government expenditures, poverty and other controlling variables in Nigeria is presented in Table 4.6

Table 4.6 showed that the estimated F-statistics of the normalized equation (Farb= 4.773) is greater than the lower and upper critical bound at 5% significant level. This implies that the null hypothesis of no long-run relationship is rejected at 5% significant level. The implications of the above estimation is that government expenditure and the control variables (such as GDP and population) and poverty, all have equilibrium condition that keep them together in the long-run. This, there exists a long-run relationship between government expenditure and poverty in Nigeria.

Table 4.6: Long-Run Cointegration between Government Expenditures and Poverty.

Test Statistics	**Value**	**K**
F-statistics(pov|capex, recex, gdpg, pop)	4.774	4
Critical Value Bounds		
Significance	**I0 Bound**	**I1 Bound**
10%	2.2	3.09
5%	2.56	3.49
2.5%	2.88	3.87
1%	3.29	4.37

Source: Author's Computation, 2025

The F-statistic which is valued to be 4.77 is higher than the I(1) value which is 3.49. Hence, we reject the null hypothesis and conclude that there is long run relationship between the dependent variable (poverty) and the independent variables (capital expenditure and recurrent expenditure)

Results of Short-run and Long-run Estimates

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The discussion of this subsection answers the null hypothesis that government expenditure has no significant effect on poverty in Nigeria. This examines both the short-run and long-run estimates of the interrelationship among the series in this study. The clear evidence of the empirical estimates from government expenditure variables (capital expenditure and recurrent expenditure), GDP and population growth are presented in the table 4.7.

The short-run estimation results show the error correction mechanism which measures the speed or degree of adjustment. It is the rate of adjustment at which the dependent variable changes due to changes in the independent variables. The short run analysis shows the dynamic pattern in the model and to ensure that dynamics of the model have not been constrained by inappropriate lag length specification. The ARDL test automatically choose the lag on all variables as the model was set at three to ensure sufficient degree of freedom based on automatic selection of Akaike Information Criterion. The short-run estimates of the relationship between government expenditure and poverty is presented in Table 4.7. The coefficient of the ECT is found to be negative and statistically significant at the conventional level. The ECT value (-0.799) implies that the model corrects its short-run disequilibrium by 79.9% speed of adjustment in order to return to the long-run equilibrium.

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Table 4.7: Results of Estimated ARDL Model of Poverty
Dependent Variable: Poverty (pov) **Selected Model:** ARDL (4, 3, 4, 4, 4)
Sample: 1986-2022 **Included observations**: 37

Short-run Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Δ(POV(-1))	0.766	0.159	4.786	0.001
Δ(POV(-2))	0.326	0.129	2.532	0.032
Δ(POV(-3))	0.202	0.101	2.004	0.076
Δ(RECEX)	-0.451	0.128	-3.530	0.006
Δ(RECEX(-1))	-0.963	0.199	-4.818	0.000
Δ(RECEX(-2))	-0.509	0.138	-3.701	0.004
Δ(CAPEX)	0.030	0.017	1.691	0.125
Δ(CAPEX(-1))	-0.066	0.016	-4.004	0.003
Δ(CAPEX(-2))	0.038	0.019	1.997	0.076
Δ(CAPEX(-3))	0.024	0.016	1.493	0.169
Δ(GDP)	0.020	0.006	3.561	0.006
Δ(GDP (-1))	0.000	0.006	0.028	0.978
Δ(GDP(-2))	0.002	0.007	0.306	0.766
Δ(GDP(-3))	0.021	0.008	2.724	0.023
Δ(POP)	1.402	0.962	1.457	0.179
Δ(POP(-1))	-3.665	1.246	-2.942	0.016
Δ(POP(2))	-1.300	1.093	-1.189	0.265
Δ(POP(-3))	-3.926	0.990	-3.966	0.003
CointEq(-1)*	-0.799	0.119	-6.675	0.000

Long-run Estimates

RECEX	1.152	0.078	14.811	0
CAPEX	0.137	0.039	3.535	0.006
GDP	0.013	0.028	0.472	0.648
POP	1.631	0.695	2.347	0.044
C	17.776	1.632	10.889	0

R-squared	0.906	**F-stat**	4.773
Adjusted R-squared	0.786	**Durbin-Watson stat**	2.646

Diagnostic Tests

Serial Correlation	3.478 (0.089)	**Normality Test**	1.367
Functional Form	(1.367)0.504	**Heteroskedasticity Test**	0.464 (0.934)

Source: Author's Computation, 2025

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The coefficient of the short-run lag one change in poverty indicates a strong positive and significant short-run relationship. A 1% increase in poverty in the previous period leads to a 0.77% increase in the current period. The coefficient of the short-run lag two change in poverty is positive and statistically significant at 5%. A 1% increase in poverty two periods back lead to a 0.33% increase in poverty at the current period. The coefficient of the short-run lag three change in poverty is positive and statistically significant at 10%. A 1% increase in poverty at the three periods back lead to a 0.2% increase in poverty at the current period. All these show a persistent positive effect of poverty from earlier periods, suggesting that past poverty levels strongly impact current poverty level. The short-run parameter estimate of recurrent expenditure was found to have negative effect on poverty and significant at 1%. A 1% increase in recurrent expenditure reduces poverty by 0.45%, possibly through improved distributive strategy. Lag one and two of recurrent expenditure also has negative effect on poverty at 1% level of significance. A 1% increase in government recurrent expenditure in previous year one and two bring about 0.96% and 0.50% increase in poverty respectively. Capital expenditure has insignificant short-run effect on poverty. This counterintuitive result may reflect inefficiency or delays in the impact of capital expenditure or the fact that majority of capital expenses are on imported materials that simply create income and improves the welfare of people in other countries. The short run estimate of GDP has positive effect on poverty and significant at 1% level. In magnitude, a 1% increase in GDP increases poverty by 0.02%. This unexpected result may suggest that growth in GDP does not immediately translate to poverty reduction due to unequal distribution of income and wealth. As to population, it's current and first lag coefficients represent the effects of current and

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lagged values of population on poverty. Population growth at current level has positive insignificant effect on poverty.

In explaining the long-run relationships, it is revealed that there is a positive relationship between poverty and government recurrent expenditures, significant at 1% level. In magnitude term, a 1% increase in government recurrent expenditure will bring about a 1.15% increase in poverty at the long-run. Looking at the government capital expenditure, the result also reveals that there is a positive effect on poverty, significant at 1% level. In magnitude term, a 1% increase in government capital expenditure will bring about a 0.137% increase in poverty in the long run. This finding may suggest inefficiencies or a failure to target poverty reduction effectively using government expenditures. GDP has an insignificant long-run effect on poverty. This implies that economic growth does not structurally reduce poverty, possibly due to inequality or lack of inclusive policies by the government of Nigeria. Population growth has positive effects on poverty, significant at 1% level. Looking at the magnitude term, a 1% increase in population growth will lead to a 1.63% increase in poverty. This highlights the negative impact of high population growth on poverty reduction. Finally, the constant coefficient (17.77) reflects the baseline poverty level in the model. It shows that there is a growth rate of 17.77% in poverty that is accounted for by all other factors affecting poverty that are not captured in the model.

The coefficient of determination (Adjusted-R^2) is high (78.60%) indicating that about 78.60% of the total variation in poverty rate was explained by government recurrent expenditure, government capital expenditure, GDP and population. It simply indicated that the variation in poverty was explained by 78.60% variation in government expenditures and the controlling variables. The overall test using F-statistics (4.773) is statistically significant

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at 5% level of significance, revealing that model is well specified and statistically significant. The Durbin Watson statistic (2.646) shows that there is no serial autocorrelation in the model.

Diagnostic Test

The estimated ARDL model tested for heteroskedasticity, serial correlation, functional form misspecification, parameter stability and normality. The results from these tests are also shown in table 4.7. The estimated ARDL model revealed that the model passed the serial correlation, normality test, and heteroskedasticity test. It means that the error terms are normally distributed with the same variances and they are not serially correlated. Also, the Ramsey RESET test was satisfactory for the ARDL model indicating that the model is well distributed. Lastly, the cumulative sum of square (CUSUMSQ) as shown in figures 4.5 is steady.

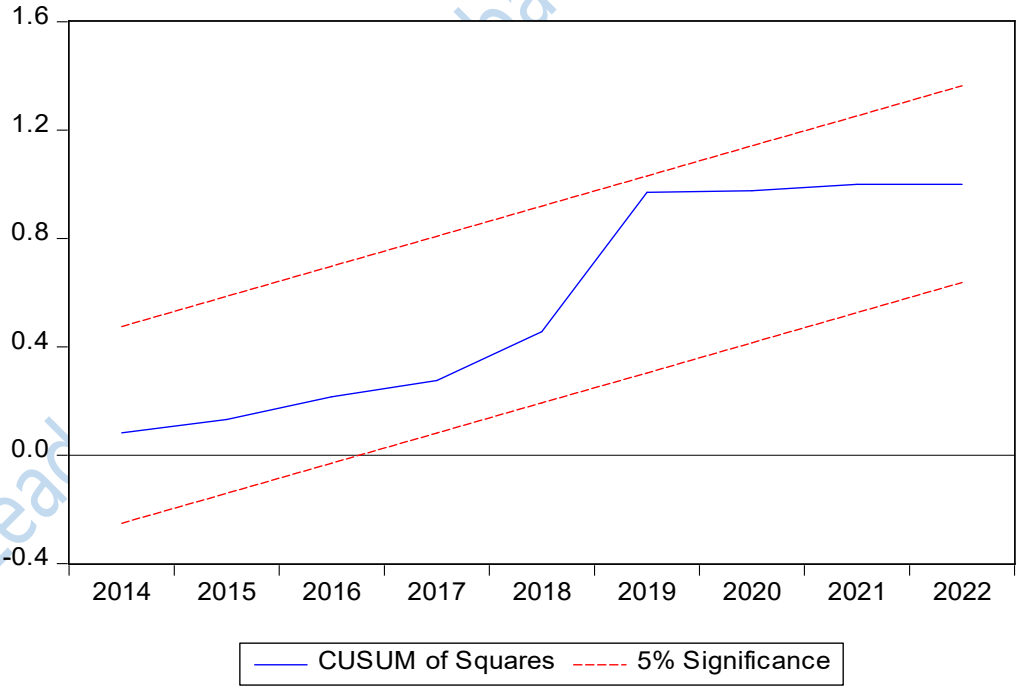


Figure 4.2: Cumulative sum of squares

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4.4.3 Empirical Results of the Effect of Unemployment on Poverty.

Cointegration Test Result

The study tests the long-run relationship between poverty, unemployment and other controlling variables using autoregressive distributed lag (ARDL) bound cointegration test in the stated hypotheses before estimating both short-run and the long-run parameters. For the third model showing the relationship among unemployment, poverty and other controlling variables, the ARDL bound test is employed because it is suitable for variables at different order of integration. The F-statistic estimate for testing the existence of long-run relationship among unemployment, poverty and other controlling variables in Nigeria is presented in Table 4.8

Table 4.7 shows that the estimated F-statistics of the normalized equation (Farb= 29.826) is greater than the lower and upper critical bound at 5% significant level. This implies that the null hypothesis of no long-run relationship is rejected at 5% significant level. The implications of the above estimation is that unemployment and the control variables (such as GDP, population and exchange rate) and poverty, all have equilibrium condition that keep them together in the long-run. This means that there exists a long-run relationship between unemployment and poverty in Nigeria.

Table 4.8: Long-run Cointegration between Unemployment and Poverty.

Test Statistics	Value	K
F-statistics(pov|unmp, gdpg, pop, exr)	29.826	4

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.2	3.09
5%	2.56	3.49
2.5%	2.88	3.87

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1%	3.29	4.37

Source: **Author's Computation, 2025.**

The F-statistic which is valued to be 29.82 is higher than the I(1) value which is 3.49. Hence, we reject the null hypothesis and conclude that there is long run relationship between unemployment and poverty in Nigeria.

Results of Short-run and Long-run Estimates

The discussion of this subsection answers the null hypothesis that unemployment has no significant effect on poverty in Nigeria. This examines both the short-run and long-run estimates of the interrelationship among the series in this study. The clear evidence of the empirical estimates from unemployment rate, GDP, population and exchange rate are presented in the table 4.9.

The short-run estimation results show the error correction mechanism which measures the speed or degree of adjustment. It is the rate of adjustment at which the dependent variable changes due to changes in the independent variables. The short run analysis shows the dynamic pattern in the model and to ensure that dynamics of the model have not been constrained by inappropriate lag length specification. The ARDL test automatically choose the lag on all variables as the model was set at three to ensure sufficient degree of freedom based on automatic selection of Akaike Information Criterion. The short-run estimates of the relationship between unemployment and poverty is presented in Table 4.9. The coefficient of the ECT is found to be negative and statistically significant at the conventional level. The ECT value (-0.32897) implies that the model corrects its short-run disequilibrium by 32.89% speed of adjustment in order to return to the long-run equilibrium.

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Table 4.9: Results of Estimated ARDL Model of Poverty

Dependent Variable: Poverty (pov) **Selected Model:** ARDL (1, 0, 4, 3, 2)

Sample: 1986-2022 **Included observations**: 37

Short-Run Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Δ(POV(-1))	-0.510	0.348	-1.464	0.1813
Δ(POV(-2))	0.137	0.235	0.582	0.577
Δ(POV(-3))	0.546	0.262	2.083	0.071
Δ(UNMP)	8.982	6.405	0.140	0.891
Δ(UMP(-1))	-1.903	1.091	-1.749	0.118
Δ(UMP(-2))	5.063	1.672	0.335	0.746
Δ(UMP(-3))	2.196	1.984	1.106	0.301
Δ(GDP)	-0.002	0.005	-0.322	0.751
Δ(GDP(-1))	0.028	0.006	4.487	0.000
Δ(GDP(-2))	0.016	0.006	2.782	0.012
Δ(GDP(-3))	0.013	0.004	2.924	0.009
Δ(POP)	-0.854	0.599	-1.426	0.170
Δ(POP(-1))	-1.903	0.758	-2.511	0.022
Δ(POP(-2))	-2.001	0.712	-2.811	0.011
Δ(EXR	0.054	0.056	0.949	0.355
Δ(EXR(-1))	-0.393	0.073	-5.413	0
CointEq(-1)*	-0.329	0.022	-15.121	0

Long Run Estimates

UMP	-0.248	0.181	-1.369	0.188
GDP	-0.184	0.048	-3.809	0.001
POP	5.850	1.291	4.532	0.000
EXR	1.452	0.080	18.009	0
C	10.747	3.540	3.036	0.007

R-squared	0.841	F-stat	29.826
Adjusted R-squared	0.779	Durbin-Watson stat	2.345

Diagnostic Tests

Serial Correlation	(0.089) 0.641	Normality Test	1.784(0.409)
Functional Form	(10.971) 0.688	Heteroskedasticity Test	0.640 (0.799)

Source: **Author's Computation, 2025**

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The short-run parameter estimates shows that lag three of poverty has positive and significant impact on the current poverty level. Unemployment has positive but insignificant effect on poverty in the short run. The current rate of GDP was found to have an insignificant negative effect on poverty. While the lag one, two and three have positive impacts on poverty, significant at 1%, 5% and 1% level respectively, raising concerns about the quality of economic growth. Population has negative and insignificant effect on poverty. Lag one and two of population also has negative effects and significant at 5% level, meaning that increase in population in previous years increases the current rate of poverty in Nigeria. Lastly, exchange rate is found to have an insignificant positive effect on poverty in the short run.

Looking at the long-run estimates, it is revealed that unemployment does not have a significant long-run effect on poverty in this model. GDP has negative impact on poverty in the long-run, significant at 1% level. The coefficient (-0.18) shows that a 1% increase in GDP reduces poverty by 0.18% in the long run. This indicates that, although growth does not reduce poverty immediately, it has a cumulative long-term benefit. Population growth has positive effect on poverty and it is significant at 1% level. The coefficient (5.85) expresses that a 1% increase in population increases poverty by 5.85% in the long run. This highlights that unchecked population growth significantly worsens poverty over time. Exchange rate also has a positive effect on poverty at the long-run, significant at 1% level. The coefficient (1.45) indicates that a 1% increase in the exchange rate (currency depreciation) raises poverty by 1.45% in the long run. This suggests persistent negative effects of exchange rate instability on poverty. Lastly, the constant coefficient (10.75) shows the baseline poverty level when all other variables are zero. It shows that there is a growth rate of 10.75% in

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poverty that is accounted for by all other factors affecting poverty that are not captured in the model.

The coefficient of determination (Adjusted-R^2) is high (77.9%) indicating that about 77.9% of the total variation in poverty rate was explained by unemployment rate, GDP, population and exchange rate. It simply indicates that the variation in poverty was explained by 77.9% variations in unemployment and other controlling variables. The overall test using F-statistics (29.826) is highly statistically significant, revealing that the model is well specified and statistically significant. The Durbin Watson statistic (2.344) indicates that there is no autocorrelation in the model.

Diagnostic Test

The estimated ARDL model tested for heteroskedasticity, serial correlation, functional form misspecification, parameter stability and normality. The results from these tests are also shown in table 4.8. The estimated ARDL model revealed that the model passed the serial correlation, normality test, and heteroskedasticity test. It means that the error terms are normally distributed with the same variances and they are not serially correlated. Also, the Ramsey RESET test was satisfactory for the ARDL model indicating that the model is well distributed. Lastly, the cumulative sum and the cumulative sum of square (CUSUMSQ) are satisfactory as shown in figures 4.6a and 4.6b.

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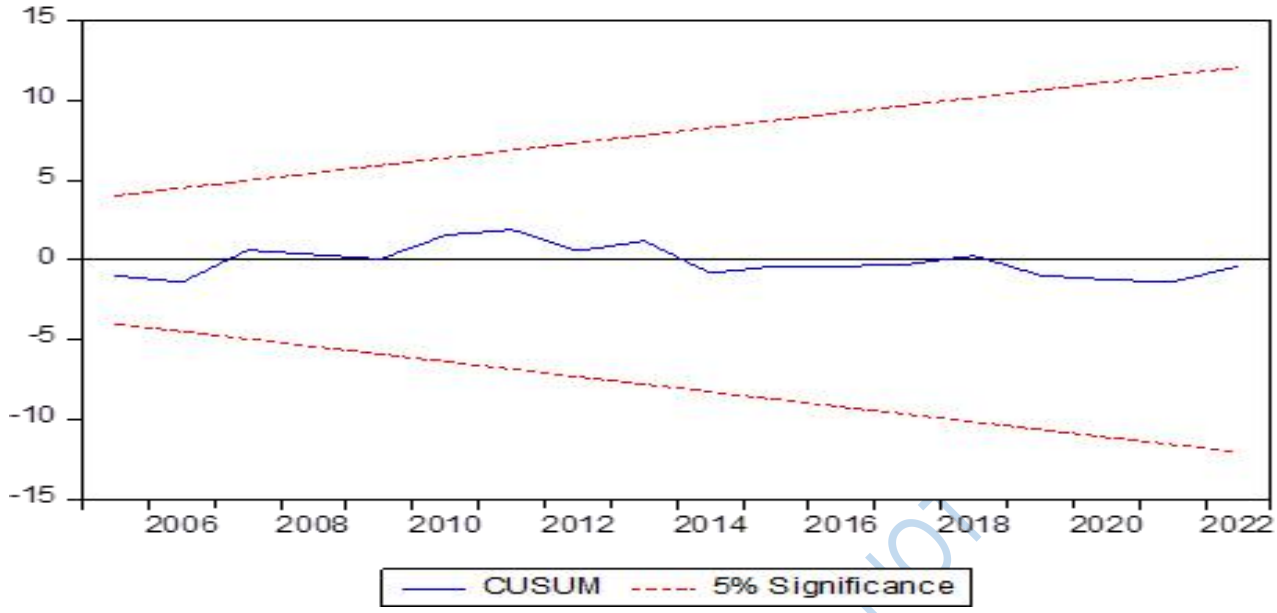


Figure 4.3: Cumulative sum

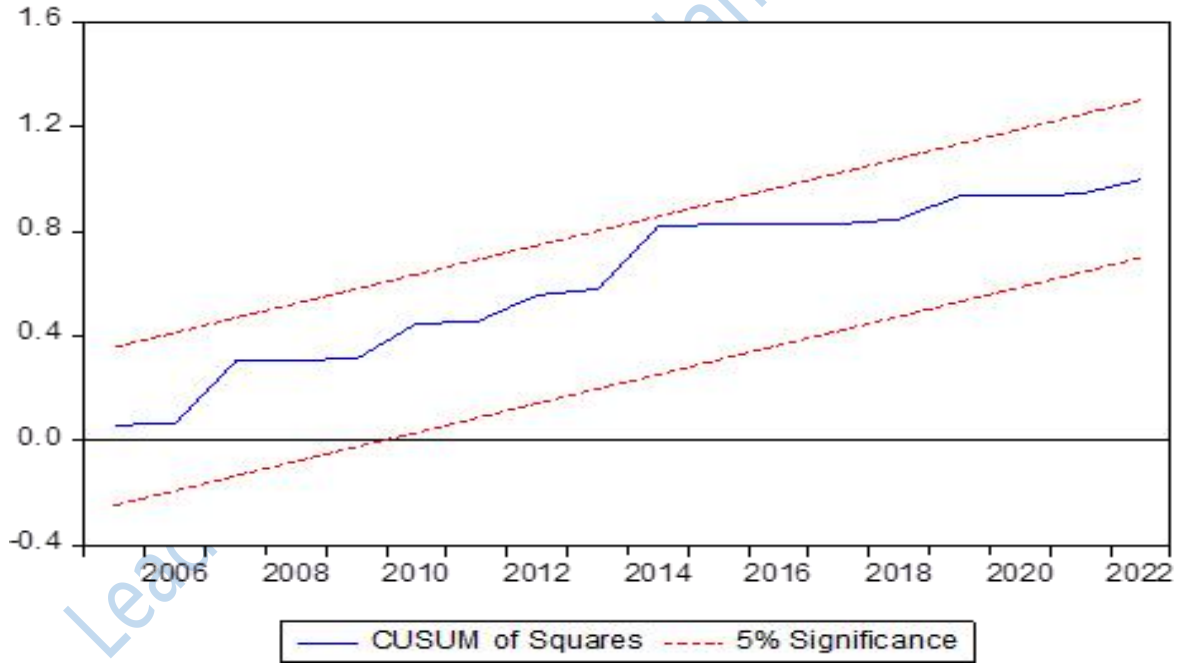


Figure 4.4: Cumulative sum of squares

4.3.4 Results of the Causal Relationship among Government Expenditure, Unemployment and Poverty.

This sub-section provides answers to the fourth null hypothesis that there is no significant causal relationship among government capital expenditure, recurrent expenditure, unemployment and poverty in Nigeria. It is achieved by computing the Granger causality test using Toda-Yamamoto causality test procedure of causal relationship among recurrent expenditure, capital expenditure, unemployment and poverty in Nigeria between 1986 and 2022.

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Table 4.10: Long-Run Granger Causality Results based on TYDL Procedure

VAR Granger Causality/Block Exogeneity Wald Tests Date:1206/24 Time: 23:12
Sample: 1986-2022 Included Observations:30
Dependent variable: POVERTY

Excluded	Chi-sq	Df	Prob.
UNEMPLOYMENT	8.890	6	0.179
CAPITAL EXPENDITURE	9.691	6	0.138
RECURRENT EXPENDITURE	4.033	6	0.672
All	33.159	18	0.016

Dependent variable: UNEMPLOYMENT

Excluded	Chi-sq	Df	Prob.
POVERTY	3523.288	6	0.0000
CAPITAL EXPENDITURE	1136.939	6	0.0000
RECURRENT EXPENDITURE	1646.999	6	0.0000
All	5274.020	18	0.0000

Dependent variable: CAPITAL EXPENDITURE

Excluded	Chi-sq	Df	Prob.
POVERTY	19.904	6	0.003
UNEMPLOYMENT	16.458	6	0.012
RECURRENT EXPENDITURE	25.718	6	0.000
All	120.683	18	0.000

Dependent variable: RECURRENT EXPENDITURE

Excluded	Chi-sq	Df	Prob.
POVERTY	1.921	6	0.927
UNEMPLOYMENT	1.147	6	0.979
CAPITAL EXPENDITURE	1.668	6	0.948
All	4.085	18	0.999

Source: Author's Computation, 2025

Table 4.10 presents the long run causality results using Toda-Yamamoto causality test procedure to explain whether there is a causal relationship among recurrent expenditure, capital expenditure, unemployment and poverty in the long-run.

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The results of poverty and unemployment shows that there is no causal relationship from unemployment to poverty as the probability is insignificant. But there is causal relationship from poverty to unemployment with significant probability. So, there is unidirectional or one way causality between poverty and unemployment. Looking at poverty and capital expenditure, the probability of capital expenditure is insignificant, meaning that there is no causal relationship from capital expenditure to poverty. But the probability of poverty to capital Expenditure is significant, meaning that there is causal relationship from poverty to capital expenditure. So, there is also a unidirectional or one way causality between capital expenditure and poverty. In explaining poverty and recurrent expenditure, the probability of recurrent expenditure is insignificant, meaning that there is no causal relationship from recurrent expenditure to poverty. Poverty to recurrent expenditure is insignificant, meaning that there is neutral or no causal relationship from poverty to recurrent expenditure. So, there is neutral or no causal relationship among the two variables.

The results of unemployment and capital expenditure show that the probability of capital expenditure is significant, indicating that there is causal relationship from capital expenditure to unemployment and the probability of unemployment is significant, showing that there is a causal relationship from unemployment to capital expenditure. So, there is a bidirectional or two-way causality between unemployment and capital expenditure. In the same vein, the probability of recurrent expenditure is significant, showing that there is causal relationship from recurrent expenditure to unemployment. The probability of unemployment to recurrent expenditure is insignificant, revealing that there is no causal relationship from unemployment to recurrent expenditure. This means that there is a unidirectional or one-way causal relationship between government recurrent expenditure and unemployment.

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Lastly, the probability of recurrent expenditure is significant to capital expenditure, showing that there is a causal relationship from recurrent expenditure to capital expenditure but the probability of capital expenditure to recurrent expenditure is insignificant, revealing that there is no causal relationship from capital expenditure to recurrent expenditure. The results indicate that there is a unidirectional or one-way causal relationship between capital expenditure and recurrent expenditure.

The results further reveal that unemployment is granger-caused by poverty, government capital expenditure, and government recurrent expenditure. Government capital expenditure is Granger-caused by poverty, unemployment, and government recurrent expenditure. Poverty is jointly caused by unemployment, government capital expenditure and government recurrent expenditure though individual impacts are insignificant. Government recurrent expenditure is not granger-caused by any variable. This implies a unidirectional or bidirectional causal relationship between poverty, unemployment, and capital expenditure, but recurrent expenditure remains exogenous in this system.

4.4 Discussion of Findings

This research study investigates the link among government expenditure (capital and recurrent expenditure), unemployment and poverty in Nigeria. As for the first objective, the findings showed that there is a long run relationship between recurrent expenditure and unemployment in Nigeria. The long run relationship is found to be positive but weakly significant at 10% level. The results further suggest that in the short run, changes in recurrent expenditure have negative and significant effect on unemployment rate in Nigeria. This suggests that recurrent expenditure significantly reduce unemployment in the short-run. It against studies that state that recurrent expenditure is not statistically significant in explaining

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unemployment rate [1, 2]. This is in tandem with studies that conclude that government expenditure is relevant and significant in determining changes in the unemployment rate [3, 4, 5, 6, 7]. This is counterintuitive implying that as government increases its recurrent spending such as salaries, purchase of stationery etc., it reduces the rate of unemployed people in the country only within a short term. This may be due to inappropriate and inefficient allocation of the resources in a way that can promote long-term job creation in the country. This also tends to happen if government choose not to sustain the appropriate rate of recurrent spending for long period of time as explained by the conceptual framework of this study which emphasize that if government refuse to spend as expected towards the welfare of the people, it tends to reduce job creation and income generation in the economy leading increase in unemployment rate.

Capital expenditure shows no significant short or long-run impact on unemployment. This explains why many years of increased capital expenditure in Nigeria has not reduce the rate of unemployment. It is in consonance with finding that there is no significant long-run relationship between capital expenditure and unemployment rate [8]. This could be due to economic leakages where significant part of capital expenditure involves importation of materials, technology, or labor, it reduces the local employment impact of the investment but it provides jobs for the people in other countries where Nigeria imports the capital project materials from. It could also be a result of mismanagement, corruption, or inefficiencies in the execution of capital projects which may lead to suboptimal outcomes, preventing the creation of sustainable jobs. Meanwhile, the result is against studies that emphasize that capital expenditure has significant effect on unemployment reduction [1, 7, 9, 10]. GDP growth has negative but insignificant long run effect on unemployment. This suggests that GDP

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growth does not significantly reduce unemployment in the long run. The short run estimate of GDP has negative effect on unemployment and significant at 10% level. In the long-run, population growth has negative and insignificant effect on unemployment, meaning that population growth may have no meaningful long-run relationship with unemployment. Population growth has positive effect on unemployment in the short-run and significant at 10% level.

Concerning the second objective, the findings revealed that there is positive long-run relationship between government recurrent expenditure and poverty in Nigeria, meaning that as government increases expenditure at the long run, poverty tends to increase. This could be because government recurrent expenditure often prioritizes administrative costs, salaries and debt servicing over social welfare programs of the people as depicted in the conceptual framework of this study. The short-run parameter estimate of recurrent expenditure was found to have negative effect on poverty and significant at 1%, this is possibly through improved distributive strategy. It aligns with results that government expenditure has significant effect on poverty [11, 12, 13, 14]. Looking at the government capital expenditure, the result also reveals a long-run positive effect on poverty, significant at 1% level. This finding may suggest inefficiencies or a failure to target poverty reduction effectively using government capital expenditures. Though, insignificant, capital expenditure also has positive effect on poverty in the short run. This counterintuitive result may reflect inefficiency or delays in the impact of public expenditure. It is against results that government expenditure has significant effect on poverty [11, 12, 13, 14].

The results reveals that there is also a positive but insignificant long-run effect of GDP on poverty. This implies that economic growth does not structurally reduce poverty, possibly

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due to inequality or lack of inclusive policies by the government of Nigeria. The short run estimate of GDP has negative effect on poverty and significant at 1% level. This unexpected result may suggest that growth in GDP does not immediately translate to poverty reduction due to unequal distribution of income and wealth. This is in line with a study that concludes that economic growth variable has a positive effect on the poverty rate [15]. Meanwhile, it is against a result that GDP has a significant negative effect on poverty [16]. As to population, it is revealed that there is a long-run positive relationship between population and poverty, significant at 1% level. The results further states that in the short-run, there is a positive relationship between population and poverty, significant at 1%. This supports a finding that population growth positively affects poverty severity [15].

Looking at the third objective, unemployment does not have a significant long-run effect on poverty in this model. This could be because of non-inclusive economic growth driven by sectors that generate jobs which may make unemployment not to be the main determinant of poverty. This means that poverty may persist even in periods of economic expansion due to unequal wealth distribution. It is in line with a finding that unemployment rate has no significant impact on poverty[17]. But there are findings that conclude that unemployment has significant positive effect on poverty [16, 18, 19]. In examining GDP, it could be seen that it has negative impact on poverty in the long-run, significant at 1% level. This indicates that, although growth does not reduce poverty immediately, it has a cumulative long-term benefit. This is against studies that conclude that economic growth has negative and significant effect on Poverty [16, 20]. Population growth has positive effect on poverty in the long-run and it is significant at 1% level. It also has positive short-run effect on poverty, significant at 5% level, suggesting that population growth exacerbates poverty. This highlights that unchecked

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population growth significantly worsens poverty over time. It is against a finding that the relationship between population growth and poverty is negative and weak [21]. Exchange rate also has a positive effect on poverty at the long-run, significant at 1% level. Exchange rate is found to also have an insignificant positive effect on poverty in the short run. This suggests persistent increase in poverty due to exchange rate instability.

The findings from the fourth objective report the causal relationship among government capital and recurrent expenditure, unemployment, and poverty in Nigeria. The result of the causal relationship between unemployment and poverty reveals that there is no causal relationship from unemployment to poverty but there is causal relationship from poverty to unemployment with significant probability. So, there is unidirectional or one way causality between poverty and unemployment. The absence of causality from unemployment to poverty suggests that though, unemployment is a contributing factor to poverty, it does not solely explain poverty trends in the studied context. Meanwhile, poverty seems to be a driving force that worsens unemployment. This highlights the structural nature of poverty that constantly reduces citizens' access to important resources that could enhance job creation and youth empowerment, which include education, skills acquisition, and economic opportunities as key factors needed to secure and sustain employment. This is not totally in line with a finding that unemployment reduces poverty, poverty also leads to unemployment, indicating that individuals can become trapped in a cycle of unemployment and poor wellbeing [22].

The findings indicate a unidirectional causality between capital expenditure and poverty, specifically flowing from poverty to capital expenditure. This suggests that changes in poverty levels influence government capital expenditure, but the reverse is not true. The

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absence of a causal relationship from capital expenditure to poverty suggests that government investments are not effectively reducing poverty. This could be as a result of high-level importation of capital projects materials, misallocation of resources, inefficiencies in project implementations, or perhaps the long-term nature of capital investments, which may not immediately translate into poverty reduction. It is in opposite direction with another finding that there is one way causality relationship from government expenditure to poverty [23].

The findings indicate a neutral or no causal relationship between government recurrent expenditure and poverty. This implies that changes in government recurrent spending do not directly affect poverty levels, and poverty levels, in turn, do not influence recurrent expenditure. Recurrent expenditure, which typically includes spending on salaries, maintenance, and operational costs, does not appear to significantly affect poverty levels. This could indicate that such spending is more focused on sustaining government operations rather than addressing structural issues related to poverty. The absence of causality in the reverse direction suggests that poverty levels do not drive changes in recurrent spending patterns. This indicates that governments may not adjust their operational expenditures in response to fluctuations in poverty levels. It is against another finding that there is one-way causal relationship from government expenditure to poverty [17].

The finding highlights the dynamic interplay between government capital expenditure and unemployment through a bidirectional causal relationship. Capital expenditure, typically government or private sector spending on infrastructure, facilities, and other capital projects, directly influences job creation. When governments or businesses invest in capital projects, they stimulate economic activity, generate employment opportunities, and boost labor demand. This suggests that increasing capital expenditure can serve as a policy tool to reduce

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unemployment, especially in economies facing high joblessness. For instance, infrastructure development could absorb a large segment of the unemployed workforce, particularly in construction and related sectors. The other direction suggests that high unemployment can lead to increased public or private spending on capital projects as a response. Unemployment levels can act as a trigger for increased capital spending.

A unidirectional or one-way causal relationship from government recurrent expenditure to unemployment suggests that changes in government spending on recurrent items (such as wages, salaries, pensions, and maintenance) significantly influence unemployment levels, but not the other way around. Higher recurrent expenditure might stimulate aggregate demand by increasing disposable incomes, leading to job creation in the private sector. In the same vein, a unidirectional or one-way causal relationship from recurrent expenditure to capital expenditure indicates that changes in recurrent expenditure (such as salaries, wages, pensions, and operational costs) significantly influence the level of capital expenditure (spending on infrastructure, development projects, and other long-term investments), but not vice versa. This finding has significant implications for fiscal policy and economic growth.

The results further reveal that unemployment is granger-caused by poverty, government capital expenditure, and government recurrent expenditure. Government capital expenditure is Granger-caused by poverty, unemployment, and government recurrent expenditure. Poverty is jointly caused by unemployment, government capital expenditure and government recurrent expenditure though individual impacts are insignificant. Government recurrent expenditure is not granger-caused by any variable. This implies a unidirectional or bidirectional causal relationship between poverty, unemployment, and capital expenditure, but recurrent expenditure remains exogenous in this system.

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Chapter Five

Conclusion

5.1 Summary

In this study, the existing relationship among government expenditure, unemployment and poverty in Nigeria is investigated to understand the effect of government expenditure on unemployment, the effect of government expenditure on poverty, the effect of unemployment on poverty, and the causal relationship among government expenditure, unemployment and poverty. This research study became necessary because it makes enquiries on the findings of past studies which can best be described as inconclusive. The study is conducted for developing countries in the sub-Saharan countries such as Nigeria. The datasets employed were obtained from the Central Bank of Nigeria (2022) and World Development Indicators (2022) which spans from 1986 to 2022. The ARDL and Toda Yamamoto causality test were used to evaluate the parameters were based on the characteristics of the datasets.

For the first objective, the findings showed that there is a positive long run effect of government recurrent expenditure on unemployment in Nigeria. The short run parameter estimate of government recurrent expenditure has negative and significant effect on unemployment rate in Nigeria. Capital expenditure shows no significant short or long-run effect on unemployment. GDP has negative insignificant long run effect on unemployment, but a negative short run effect on unemployment, significant at 10% level. In the long-run, population growth has negative and insignificant effect on unemployment and a positive effect on unemployment in the short-run, significant at 10% level.

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Concerning the second objective, there is long-run relationship between government recurrent expenditure and poverty in Nigeria. There is a positive relationship between poverty and government recurrent expenditures in the long run. The short-run parameter estimate of recurrent expenditure was found to have negative effect on poverty and significant at 1%. In the long-run, government capital expenditure has positive effect on poverty, significant at 1% level. The short run estimate of GDP has negative effect on poverty and significant at 1% level. It is revealed that there is a long-run positive relationship between population and poverty, significant at 1% level.

Regarding the third objective, the study found that unemployment does not have a significant long-run effect on poverty in this model. GDP has negative impact on poverty in the long-run, significant at 1% level. Population growth has positive effect on poverty in the long-run and it is significant at 1% level. Exchange rate also has a positive effect on poverty at the long-run, significant at 1% level.

As regards the fourth objective, it shows that there is unidirectional or one way causality between poverty and unemployment in Nigeria. Also, there is a unidirectional causality between capital expenditure and poverty, specifically flowing from poverty to capital expenditure in Nigeria. The findings indicate a neutral or no causal relationship between recurrent expenditure and poverty in Nigeria. Meanwhile, unemployment is granger-caused by poverty, government capital expenditure, and government recurrent expenditure. Government capital expenditure is Granger-caused by poverty, unemployment, and government recurrent expenditure. Poverty is jointly caused by unemployment, government capital expenditure and government recurrent expenditure though individual impacts are insignificant. Government recurrent expenditure is not granger-caused by any variable.

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5.2 Conclusion

This study investigates the relationship among government expenditure (recurrent and capital), unemployment and poverty over the periods of 1986 to 2022 using ARDL and Toda Yamamoto causality test approaches. In the empirical model, finding showed that government recurrent expenditure has positive long run relationship with unemployment significant at 10% level. Capital expenditure shows no significant long-run effect on unemployment. Population has positive short-run effect on unemployment, significant at 10% level. There is a positive relationship between poverty and government recurrent expenditures. The short-run parameter estimate of recurrent expenditure was found to have negative effect on poverty and significant at 1%. In the long-run, government capital expenditure has positive effect on poverty, significant at 1% level. Also, capital expenditure has positive short-run effect on poverty. Unemployment does not have a significant long-run effect on poverty in this model. GDP has negative impact on poverty in the long-run, significant at 1% level. Population has positive effect on poverty in the long-run and it is significant at 1% level. Exchange rate also has a positive effect on poverty at the long-run, significant at 1% level.

The coefficient of the short-run lag one change in poverty indicates a strong positive and significant short-term relationship. A 1% increase in poverty in the previous period leads to a 0.76% increase in the current period. The coefficient of the short-run lag two change in poverty is positive and statistically significant at 5%. A 1% increase in poverty two periods back lead to a 0.33% increase in poverty at the current period. The coefficient of the short-run lag three change in poverty is positive and statistically significant at 10%. A 1% increase in poverty at the three periods back lead to a 0.2% increase in poverty at the current period.

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All these show a persistent positive effect of poverty from earlier periods, suggesting that past poverty levels strongly impact current poverty.

The coefficient of the short-run lag one change in unemployment indicates a strong positive and significant short-term relationship. A 1% increase in unemployment in the previous period leads to a 2.14% increase in the current period. The coefficient of the short-run lag two change in unemployment is positive but not statistically significant. The coefficient of the short-run lag three change in unemployment is significant at 1%, showing a persistent positive effect of unemployment from earlier periods.

5.3 Recommendations

Following the reported findings discussed in the subsequent parts of the chapter of this research study, the following policy recommendations are discussed below:

a) Given the significant impact of government capital expenditure, policymakers need to re-evaluate the design and execution of capital expenditure programs to ensure they directly address the root causes of poverty. There should be better monitoring and evaluation mechanisms to measure the impact of capital projects on poverty reduction.

b) Also looking at the significant proportion of capital expenditure in government expenditure and its effect on unemployment and poverty, government needs to prioritize indigenous industries when awarding capital projects in a way that contributes to reduction of unemployment and poverty in the country.

c) In addition, the significance of government expenditure on poverty, policymakers should consider both proactive and reactive measures. Proactive investments in capital projects could preemptively reduce unemployment, while reactive spending could mitigate the adverse effects of rising joblessness.

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d) There is need for proactive rather than reactive approach to poverty reduction in a way that focus on preventive measures to address poverty before it exacerbates.

e) There is need for balanced and efficient allocation of resources in a way that avoid overspending while addressing unemployment effectively. More strategic and impactful fiscal interventions is essential to break the cycle of poverty and achieve sustainable poverty reduction.

f) Governments should balance recurrent and capital expenditure to ensure that both contribute effectively to immediate job creation and long-term employment growth.

g) Recurrent expenditures should also prioritize productive sectors, ensuring that funds are used efficiently to support employment.

h) Policies such as training programs, wage subsidies, or public employment schemes can enhance the impact of recurrent expenditure on reducing unemployment.

5.4 Contribution to Knowledge

This study contributes to the existing body of knowledge in the following ways:

a) Unlike previous research, which often treated government expenditure as a singular construct, this study decomposed it into two distinct components: government recurrent expenditure and government capital expenditure. This decomposition provides a granular understanding of the diverse channels through which government expenditure may influence unemployment and poverty.

b) The findings of this study contribute insights that are novel to literature by revealing that there is short-run and long-run relationship between recurrent expenditure and unemployment in Nigeria, and that capital expenditure has no significant short-run or long-run impact on unemployment.

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c) The findings further show that there is positive long-run relationship between government recurrent expenditure and poverty in Nigeria, while the short-run estimate of recurrent expenditure was found to have negative effect on poverty and significant at 1%. Also, government capital expenditure has positive effect on poverty in the long run.

(d) The findings reveal the causal-relationships that exist among government capital expenditure, recurrent expenditure, unemployment and poverty in Nigeria.

(e) The study suggests policies that can be used to reduce the rate of unemployment and poverty in Nigeria using government capital and recurrent expenditure.

5.5 Suggestions for Further Studies

The findings of this study open avenues for further research in several key areas to deepen our understanding of the intricate relationship among government expenditure, unemployment and poverty. These are some suggestions for areas of future studies:

(a) Given the importance of fiscal policy, further studies can look at the other side of fiscal policy which is taxation with the varying issues of tax evasion and taxable population.

b) Study can also look into government recurrent expenditure on debt servicing and its effect on unemployment rate and poverty in Nigeria.

c) The government capital expenditure in each sector can also be looked into in relation to their effects on unemployment and poverty e.g. government capital expenditure in education sector and its effect on unemployment and poverty.

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Appendices

Appendix 1: Data presentation

Years	Poverty (POV)	Unemployment (UMP)	Recurrent Expenditure (RECEX)	Capital Expenditure (CAPEX)	GDP (Growth rate)	Population (POP)	Exchange rate (EXR)

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	POVERTY	UNEMPLOY...	LNRECEX	CAPEX	GDP GRO...	POPULATI...	LN EXCHA...
1986	46.30	3.728625	2.041220	4.303788	0.06	2.620070	1.316040
1987	47.30	3.729750	2.750471	2.604420	3.20	2.577103	1.316341
1988	48.30	3.727500	2.965788	2.642489	7.33	2.586844	1.315738
1989	49.30	3.732000	3.257712	3.623890	1.92	2.613645	1.316944
1990	50.30	3.723000	3.589611	4.861803	11.78	2.628599	1.314530
1991	51.30	3.741000	3.643882	4.803056	0.36	2.562201	1.319353
1992	57.10	3.705000	3.970858	4.388743	4.63	2.523728	1.309683
1993	54.76	3.920000	4.917986	4.335260	-2.04	2.555768	1.366092
1994	55.90	3.959000	4.499532	4.009421	-1.81	2.574829	1.375991
1995	57.10	4.041000	4.849135	3.907391	-0.07	2.557190	1.396492
1996	63.50	3.944000	4.822626	5.211035	4.20	2.526853	1.372195
1997	60.60	3.873000	5.066158	6.102500	2.94	2.522965	1.354029
1998	61.90	3.836000	5.182334	6.430917	2.58	2.516034	1.344430
1999	63.10	3.898000	6.108496	9.084192	0.58	2.542620	1.360464
2000	64.40	3.870000	6.134699	3.390335	5.02	2.602869	1.353255
2001	65.70	3.827000	6.361820	5.327547	5.92	2.651265	1.342081
2002	66.90	3.618000	6.546498	2.794240	15.33	2.682890	1.285921
2003	53.50	3.594000	6.891931	1.782760	7.35	2.692768	1.279266
2004	53.30	3.556000	6.939932	1.938307	9.25	2.695503	1.268636
2005	53.02	3.690000	7.109634	2.246790	6.44	2.693693	1.305626
2006	55.12	3.718000	7.162553	1.818590	6.06	2.695926	1.313186
2007	52.99	3.767000	7.371030	2.189769	6.59	2.709627	1.326279
2008	53.60	3.771000	7.657925	2.404978	6.76	2.719687	1.327340
2009	53.50	3.751000	7.662924	2.652457	8.04	2.727385	1.322022
2010	54.43	3.739000	8.042179	1.593447	8.01	2.744379	1.318818
2011	54.90	3.770000	8.106066	1.441690	5.31	2.764062	1.327075
2012	55.01	3.760000	8.109272	1.204827	4.23	2.749289	1.324419
2013	55.20	3.711000	8.213127	1.368210	6.67	2.697474	1.311301
2014	55.90	3.903000	8.139411	0.868814	6.31	2.628124	1.361745
2015	55.80	4.137000	8.251128	0.859828	2.65	2.541187	1.419971
2016	57.20	4.498000	8.659162	0.637198	-1.62	2.507034	1.503633
2017	61.20	4.826000	8.873314	1.081205	0.81	2.527317	1.574018
2018	40.10	5.065000	8.643861	1.303075	1.92	2.496645	1.622354
2019	42.00	5.206000	8.765154	1.571690	2.21	2.448201	1.649812
2020	43.18	5.712000	8.706346	1.046914	-1.79	2.440609	1.742569
2021	42.20	5.393000	8.736182	1.453640	3.65	2.406363	1.685102
2022	42.60	3.827000	8.721375	1.572130	3.25	2.380007	1.342081

Source: CBN Statistical bulletin (2022) and WDI (2022).

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	POVERTY	UNEMPLOY...	LNRECEX	CAPEX	GDP GRO...	POPULATI...	LN EXCHA...
Mean	54.01378	4.007213	6.418144	2.942090	4.162973	2.597588	1.380671
Median	54.76000	3.771000	6.939932	2.404978	4.200000	2.586844	1.327340
Maximum	66.90000	5.712000	8.873314	9.084192	15.33000	2.764062	1.742569
Minimum	40.10000	3.556000	2.041220	0.637198	-2.040000	2.380007	1.268636
Std. Dev.	6.859468	0.532230	2.051650	1.907455	3.854334	0.100791	0.119176
Skewness	-0.195360	1.982981	-0.534754	1.132303	0.515636	-0.184600	1.842797
Kurtosis	2.545964	5.745522	2.008620	4.114584	3.459193	2.206849	5.186494
Jarque-Bera	0.553168	35.86957	3.278635	9.821558	1.964671	1.179988	28.31173
Probability	0.758370	0.000000	0.194113	0.007367	0.374436	0.554331	0.000001
Sum	1998.510	148.2669	237.4713	108.8573	154.0300	96.11075	51.08483
Sum Sq. Dev.	1693.883	10.19766	151.5336	130.9818	534.8120	0.365718	0.511301
Observations	37	37	37	37	37	37	37

	POVERTY	UNEMPLOY...	LNRECEX	CAPEX	GDP GRO...	POPULATI...	LN EXCHA...
POVERTY	1.000000	-0.448964	-0.093919	0.437243	0.204713	0.318477	-0.431097
UNEM...	-0.448964	1.000000	0.473008	-0.326627	-0.459999	-0.649329	0.998634
LNRE...	-0.093919	0.473008	1.000000	-0.635700	0.078032	-0.004343	0.474173
CAPEX	0.437243	-0.326627	-0.635700	1.000000	-0.139504	-0.127380	-0.318929
GDP ...	0.204713	-0.459999	0.078032	-0.139504	1.000000	0.586404	-0.480442
POPU...	0.318477	-0.649329	-0.004343	-0.127380	0.586404	1.000000	-0.660381
LN_EX...	-0.431097	0.998634	0.474173	-0.318929	-0.480442	-0.660381	1.000000

Poverty is stationary at first difference

Null Hypothesis: LNPOVERTY has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.068518	0.7171
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: D(LNPOVERTY) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.193951	0.0288
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: LNPOVERTY has a unit root
Exogenous: Constant
Bandwidth: 2 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-0.390045	0.9004
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

Null Hypothesis: D(LNPOVERTY) has a unit root
Exogenous: Constant
Bandwidth: 5 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-3.143138	0.0324
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

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Unemployment is stationary at level

Null Hypothesis: UNEMPLOYMENT has a unit root
Exogenous: Constant
Lag Length: 4 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.973496	0.0003
Test critical values:	1% level	-3.653730	
	5% level	-2.957110	
	10% level	-2.617434	

Null Hypothesis: UNEMPLOYMENT has a unit root
Exogenous: Constant
Bandwidth: 1 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-1.973481	0.2967
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

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Capital Expenditure is stationary at first difference

Null Hypothesis: CAPEX has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.227072	0.6516
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: D(CAPEX) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-9.237044	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: CAPEX has a unit root
Exogenous: Constant
Bandwidth: 2 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-2.039478	0.2694
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

Null Hypothesis: D(CAPEX) has a unit root
Exogenous: Constant
Bandwidth: 1 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-9.201687	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

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Recurrent Expenditure is stationary at level with Philips-perron, but at difference with ADF

Null Hypothesis: LNRECEX has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.808092	0.0671
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

Null Hypothesis: D(LNRECEX) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-7.743427	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: LNRECEX has a unit root
Exogenous: Constant
Bandwidth: 15 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-5.760377	0.0000
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

Null Hypothesis: D(LNRECEX) has a unit root
Exogenous: Constant
Bandwidth: 1 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-7.770563	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

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GDP growth rate is stationary at level

Null Hypothesis: GDP GROWTH ANNUAL has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.037158	0.0034
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: GDP GROWTH ANNUAL has a unit root
Exogenous: Constant
Bandwidth: 1 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-3.949766	0.0043
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

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Population is stationary at first difference

Null Hypothesis: POPULATION GROWTH ANNUAL has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.161738	0.6797
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: D(POPULATION GROWTH ANNUAL) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.169845	0.0305
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: POPULATION GROWTH ANNUAL has a unit root
Exogenous: Constant
Bandwidth: 2 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-0.464985	0.8866
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

Null Hypothesis: D(POPULATION GROWTH ANNUAL) has a unit root
Exogenous: Constant
Bandwidth: 5 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-3.115386	0.0345
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Exchange rate is stationary at level with Philips-perron, but stationary at first difference with ADF

Null Hypothesis: LN EXCHANGE RATE has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.867237	0.0592
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

Null Hypothesis: D(LN EXCHANGE RATE) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.205288	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Null Hypothesis: LN EXCHANGE RATE has a unit root
Exogenous: Constant
Bandwidth: 4 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-3.191115	0.0288
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

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Null Hypothesis: D(LN EXCHANGE RATE) has a unit root
Exogenous: Constant
Bandwidth: 2 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-6.220127	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

Table 4.5: Results of estimated ARDL model of unemployment

Dependent Variable: Unemployment (ump)

Selected Model: ARDL (3, 2, 1, 1, 1, 1)

Sample: 1986-2022 **Included observations**: 37

Short-Run Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Δ(UNEMPLOYMENT(-1)	2.146	0.296	7.249	0
Δ(UNEMPLOYMENT(-2)	0.207	0.333	0.621	0.543
Δ(UNEMPLOYMENT(-3))	1.328	0.411	3.233	0.005
Δ(LNRECEX)	-0.304	0.113	-2.697	0.016
Δ(CAPEX)	0.002	0.037	0.065	0.949
Δ(GDP GROWTH ANNUAL	-0.028	0.009	-3.115	0.007
Δ(GDP GROWTH ANNUAL(-1))	0.026	0.013	1.986	0.065
Δ(GDP GROWTH ANNUAL(-2))	0.026	0.012	2.098	0.052
Δ(GDP GROWTH ANNUAL(-3))	0.049	0.010	4.795	0.000
Δ(POPULATION GROWTH ANNUAL	2.878	1.249	2.304	0.035
Δ(POPULATION GROWTH ANN(-1))	-3.714	1.607	-2.312	0.035
Δ(POPULATION GROWTH AN(-2))	3.729	1.429	2.610	0.019
CointEq(-1	-0.967	0.138	-6.997	0

Long-Run Estimates

LNRECEX	0.06359	0.036031	1.764864	0.0967
CAPEX	0.0024	0.036814	0.065196	0.9488
GDP_GROWTH	-0.04563	0.034362	-1.32779	0.2029
POPULATION_GROWTH	-0.75002	1.257093	-0.59663	0.5591
C	5.642088	3.114759	1.811404	0.0889

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R-squared	0.872		F-stat	6.218
Adjusted R-squared	0.806		Durbin-Watson stat	2.078

Diagnostic Tests

Serial Correlation	0.303 (0.744)		Normality Test	1.367
Functional Form	1.367 (0.505)		Heteroskedasticity Test	0.849 (0.627)

Source: Author's Computation, 2025

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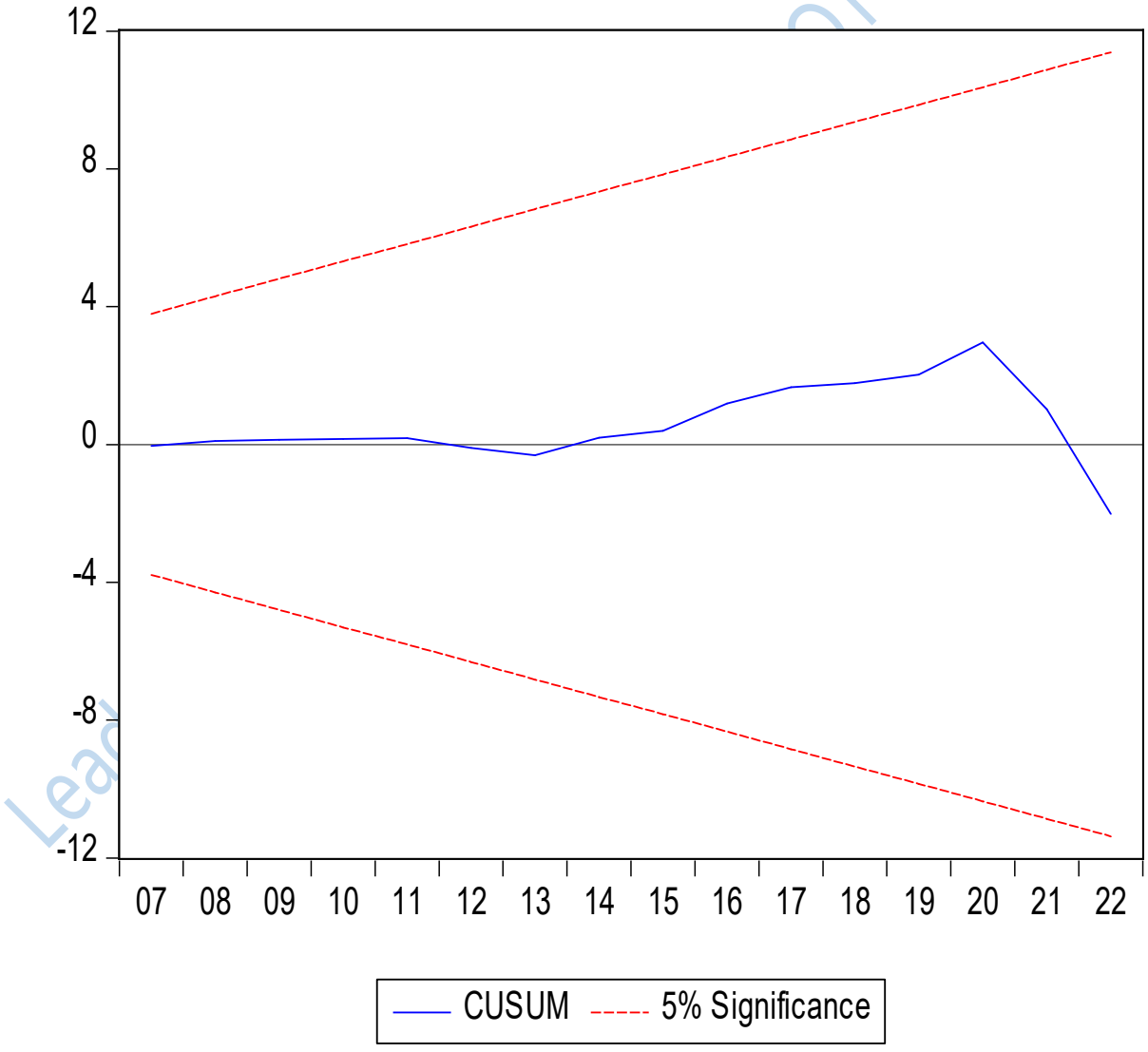


Table 4.7: Results of estimated ARDL model of poverty

Dependent Variable: Poverty (pov)

Selected Model: ARDL (4, 3, 4, 4, 4)

Sample: 1986-2022 **Included observations**: 37

Short-Run Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Δ(LNPOVERTY(-1))	0.765525	0.159965	4.785582	0.001
Δ(LNPOVERTY(-2))	0.326459	0.128895	2.532752	0.0321
Δ(LNPOVERTY(-3))	0.2016	0.100578	2.004411	0.076
Δ(LNRECEX)	-0.45071	0.12768	-3.53002	0.0064
Δ(LNRECEX(-1))	-0.96345	0.199948	-4.81848	0.0009
Δ(LNRECEX(-2))	-0.50945	0.137635	-3.7015	0.0049
Δ(CAPEX)	0.030093	0.017791	1.691443	0.125
Δ(CAPEX(-1))	-0.06562	0.016386	-4.00481	0.0031
Δ(CAPEX(-2))	0.037799	0.018929	1.996825	0.0769
Δ(CAPEX(-3))	0.02443	0.016363	1.493004	0.1696
Δ(GDP_GROWTH)	0.020001	0.005617	3.561024	0.0061
Δ(GDP_GROWTH(-1))	0.000165	0.005917	0.027897	0.9784
Δ(GDP_GROWTH(-2))	0.002001	0.006533	0.306249	0.7664
Δ(GDP_GROWTH(-3))	0.021748	0.007984	2.723875	0.0235
Δ(POPULATION_GROWTH	1.4019	0.962284	1.456846	0.1791
Δ(POPULATION_GROWTH(-1))	-3.6653	1.24579	-2.94215	0.0164
Δ(POPULATION_GROWTH(-2))	-1.30021	1.092639	-1.18997	0.2645
Δ(POPULATION_GROWTH(-3))	-3.92637	0.990083	-3.9657	0.0033
CointEq(-1)*	-0.79952	0.119777	-6.67506	0.0001

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Long-run Estimates

LNRECEX	1.152228	0.077795	14.81109	0
CAPEX	0.137367	0.038855	3.535328	0.0064
GDP_GROWTH__ANNUAL___	0.013036	0.027635	0.471736	0.6483
POPULATION_GROWTH__ANNUAL___	1.63139	0.694954	2.34748	0.0435
C	17.77595	1.632345	10.88982	0

R-squared	0.907		F-stat	4.774
Adjusted R-squared	0.786		Durbin-Watson stat	2.646

Serial Correlation	3.478 (0.089)		Normality Test	1.367
Functional Form	(1.367)0.504		Heteroskedasticity Test	0.464 (0.934)

Diagnostic Tests

Source: Author's computation (2025)

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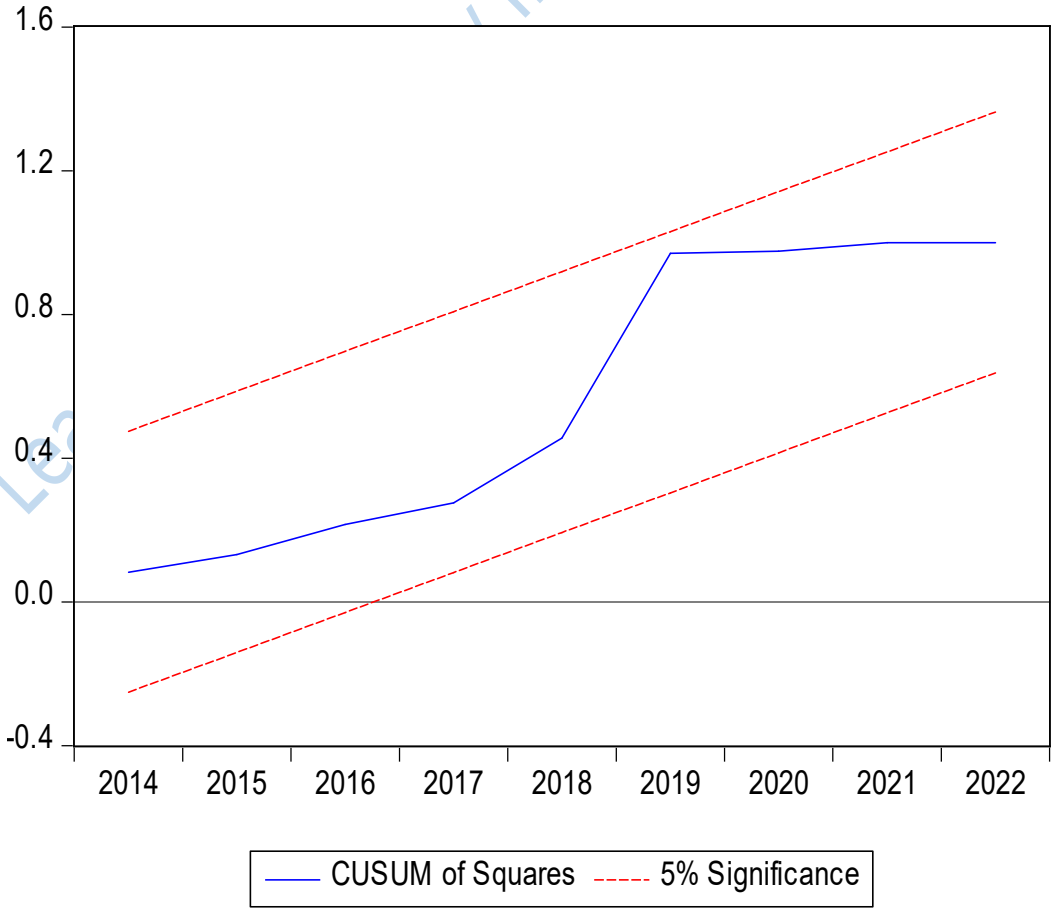


Table 4.9: Results of estimated ARDL model of poverty

Dependent Variable: Poverty (pov)

Selected Model: ARDL(1, 0, 4, 3, 2)

Sample: 1986-2022 **Included observations**: 37

Short-Run Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Δ(POVERTY(-1))	-0.510	0.348	-1.464	0.1813
Δ(POVERTY(-2))	0.137	0.235	0.582	0.577
Δ(POVERTY(-3))	0.546	0.262	2.083	0.071
Δ(UNEMPLOYMENT)	8.982	6.405	0.140	0.891
Δ(UNEMPLOYMENT(-1))	-1.903	1.091	-1.749	0.118
Δ(UNEMPLOYMENT(-2))	5.063	1.672	0.335	0.746
Δ(UNEMPLOYMENT(-3))	2.196	1.984	1.106	0.301
Δ(GDPGROWTHANNUAL	-0.002	0.005	-0.322	0.751
Δ(GDP GROWTHANNUAL(-1))	0.028	0.006	4.487	0.000
Δ(GDP_GROWTH ANNUAL (-2))	0.016	0.006	2.782	0.012
Δ(GDP_GROWTH ANNUAL (-3))	0.013	0.004	2.924	0.009
Δ(POPULATION GROWTH ANN	-0.854	0.599	-1.426	0.170
Δ(POPULATION_GROWTH AN(-1))	-1.903	0.758	-2.511	0.022
Δ(POPULATION_GROWTH AN(-2)	-2.001	0.712	-2.811	0.011
Δ(LN_EXCHANGE_RATE	0.054	0.056	0.949	0.355
Δ(LN_EXCHANGE_RATE(-1))	-0.393	0.073	-5.413	0
CointEq(-1)*	-0.329	0.022	-15.121	0

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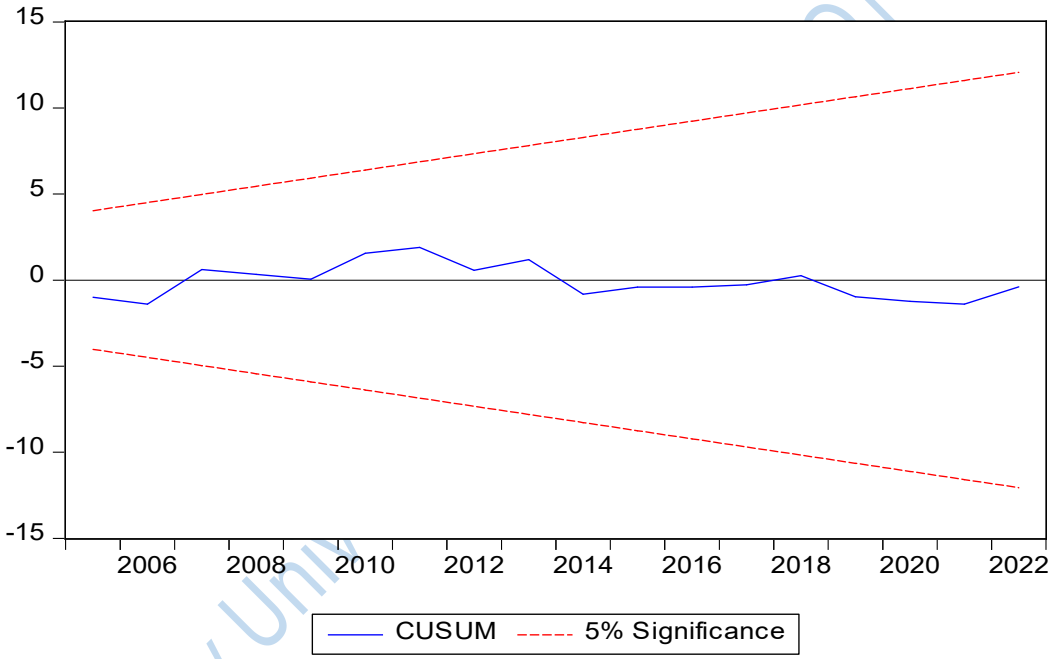
Long-run Estimates

R-squared	0.841154	F-stat	29.82609
Adjusted R-squared	0.778997	Durbin-Watson stat	2.344501

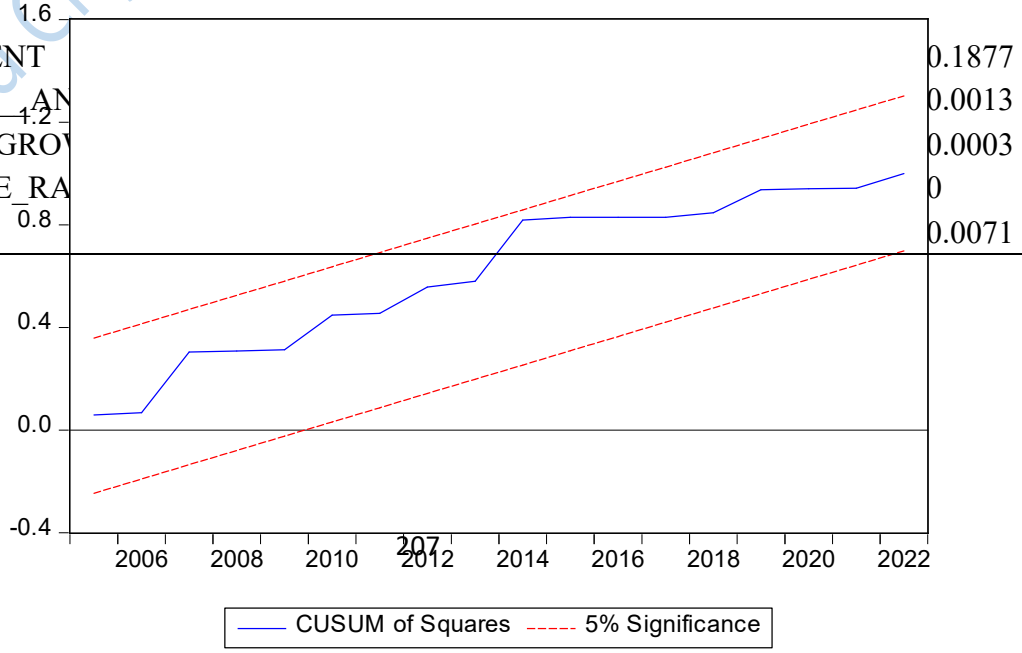
Diagnostic Tests

Serial Correlation: (0.0893) 0.641	Normality Test: 1.784426(0.4097)
Functional Form: (10.97149) 0.6883	Heteroskedasticity Test: 0.640361 (0.799)

Source: Author's Computation, 2025



UNEMPLOYMENT	0.1877
GDP_GROWTH_AN	0.0013
POPULATION_GRO	0.0003
LN_EXCHANGE_RA	0
C	0.0071



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VAR Granger Causality/Block Exogeneity Wald Tests
Date: 12/06/24 Time: 23:12
Sample: 1986 2022
Included observations: 30

Dependent variable: LNPOVERTY

Excluded	Chi-sq	df	Prob.
UNEMPLOYMENT	8.890250	6	0.1798
CAPEX	9.691538	6	0.1383
LNRECEX	4.033770	6	0.6721
All	33.15939	18	0.0160

Dependent variable: UNEMPLOYMENT

Excluded	Chi-sq	df	Prob.
LNPOVERTY	3523.288	6	0.0000
CAPEX	1136.939	6	0.0000
LNRECEX	1646.999	6	0.0000
All	5274.020	18	0.0000

Dependent variable: CAPEX

Excluded	Chi-sq	df	Prob.
LNPOVERTY	19.90422	6	0.0029
UNEMPLOYMENT	16.45816	6	0.0115
LNRECEX	25.71781	6	0.0003
All	120.6839	18	0.0000

Dependent variable: LNRECEX

Excluded	Chi-sq	df	Prob.
LNPOVERTY	1.921260	6	0.9268
UNEMPLOYMENT	1.146962	6	0.9794
CAPEX	1.668215	6	0.9475
All	4.085309	18	0.9997

Bio-data

A. Personal Data

- Name: Abdulahi Abiola OLANIYI
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Ijaye High School, Ijaye-Orile, Oyo State.	2003 -2006
Suliyat Adedeji Memorial Primary School, Kobomoje, Ibadan	1997-2003

C. Work Experience:

Oyo State Teaching Service Commission (TESCOM)

Designation: Economics Teacher/Class Teacher Feb. 2021- Present

Babsmac International Limited

Designation: Sales Engineer; July, 2020-January, 2021

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D. Awards and Fellowship:

Award of Excellence, Educational Management Students' Association (EMSA), University of Ibadan; 2018.
Award of Excellence, Educational Management Students' Association (EMSA), University of Ibadan; 2019.

E. Membership of Academic Professional Bodies

Member, TRCN; 2019

Member, NIM; 2020

F. Publications:

Olaniyi A. A. (2025): Teachers' Motivational Strategies and Productivity in Selected Secondary Schools in Akinyele Local Government, Area, Oyo State, Lead City Journal of the Social Sciences (LCJSS), 2025.

Thesis/Dissertation

Olaniyi A. A. (2019): Unemployment Rate, Teachers' Motivational Strategies and Teachers' Productivity in Akinyele Local Government Area, Oyo State. Unpublished B.Ed. Thesis, Department of Educational Management, University of Ibadan, Nigeria.

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_____ _____

Signature **Date**

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The University Compliance Certification

This is to certify that this thesis was written by **Abdulahi Abiola OLANIYI** with Matriculation number **LCU/PG/003958**, in the Department of Economics, Faculty of Management and Social Sciences, Lead City University, Ibadan in full compliance with approved University format and style.

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