

THE RELATIONSHIP BETWEEN GOVERNMENT EXPENDITURE, ECONOMIC GROWTH AND POVERTY REDUCTION IN NIGERIA

Chude, Daniel Izuchukwu¹, Chude, Nkiru Patricia² & Uche G. Akam³

¹ Department of Accountancy, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus P.M.B 6059 Awka. Anambra State, Nigeria.

² Department of Banking and Finance, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus P.M.B 6059 Awka. Anambra State, Nigeria.

³Department of Business Administration, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus P.M.B 6059 Awka. Anambra State, Nigeria.

ABSTRACT

This study examines the relationship between government expenditure, economic growth and poverty reduction in Nigeria using time series data over the period 1980-2013. Employing modern time series econometric techniques such as unit root tests, bound test co-integration approach and error correction techniques within an ARDL framework which yields more robust estimates. It is found that government spending affect economic growth positively and significantly by increasing real private investment and fixed capital accumulation which increase capital accumulation, reduction in current account deficit, external debt burden and improve education/skills of the households by improving human capital. Findings emerge from this study that government expenditure has significant short run impact on poverty reductions in its lag form in which it might be examined by the role of fiscal policy in alleviating poverty of current year in Nigeria. The study suggested policies the role of government should be extended to ensure the magnitude and the quality of private investment as high as possible.

KEY WORDS: Government Expenditure, Economic growth, poverty reduction, ARDL Analysis