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Government Capital Expenditure and Economic Growth in Nigeria: 2000-2024

[1]Victory K. Obasi[1], And John C. Uzoechi[2]
[1]Department Of Accounting, Finance and Taxation
Caleb University, Imota, Lagos
[2]Department Of Accounting, Finance and Taxation
Caleb University, Imota, Lagos

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Abstract
This paper discusses the long-run and short-run nexus among government capital expenditure and economic growth in Nigeria based on the aggregated annual time series data (2000-2024) using the Autoregressive Distributed Lag (ARDL) bounds testing procedure. Government capital spending is dissected into three general components: Infrastructure Capital Spending (ICE), Education Capital Spending (ECE), and Health Capital Spending (HCE). Real Gross Domestic Product (RGDP) is used as the dependent variable. Time series data are used. The ARDL bounds test establishes the presence of a long-run cointegrating relationship between the variables, with infrastructure capital spending having the highest positive impact on economic growth (0.35 elasticity), followed by education (0.21) and health (0.19) capital spending. The error correction mechanism indicates that about 62% of short-run disequilibrium is corrected every year, thereby reflecting good adjustment towards long-run equilibrium. All the test of diagnosis confirms econometric stability of the model and stability tests confirm consistency of the parameters over the sample period. Estimates are in strong empirical support of Keynesian theoretical model with the implication that government capital expenditures is determined to be an economic growth engine through its multiplier effects and by raising productivity and policy implications are in support of targeted infrastructure investment in a balanced sectoral strategy. The discovery shows that investment in infrastructure should be given top priority because of its highest elasticity to growth, adopting an even-handed approach of investment in all three areas to restore complementarities, and with long-term commitment by the policy to accomplish lasting advantages of growth.

Keywords: Government Capital Expenditure, Infrastructure Capital Spending, economic growth.

Vol. 10, No.09; 2026

ISSN: 2456-7760

1.0 Introduction

Economic growth, in the guise of ever-increasing increases in a country's GDP, is the actual pacesetter of nation development and poverty reduction for the emerging economies. In Nigeria, the largest African country with over 220 million citizens, pursuing long-term economic progress has been bedevilled with more than enough volatility and structural faults that have kept the country far from fulfilling its giant potential. Africa's largest nominal GDP economy, the Nigerian economy, has not been helped by recurring growth trends that expose underlying policy deficiency and structural distortions. The statistics provided by the National Bureau of Statistics thus far are that Nigeria's GDP grew by 3.46% in the third quarter of 2024, a slight percentage increase from the second quarter growth of 3.19% but yet not enough to sustain the growth of the nation along with its exponentially growing population (Ochieka, 2025). Economy performance over the past decade is characterized by growth and then contraction with the country experiencing two troughs in 2016 and 2020, due to susceptibility of the growth trajectory and the need for adopting sustainable policy interventions.

The theoretical structure for the analysis of the problems of the economic growth of Nigeria is in the intricate interaction among different macroeconomic variables and the government expenditure in the middle with an influence on economic developments. The new economics theory, especially the endogenous growth models, focus on how sustainable economic growth needs more than the accumulation of factors but productivity-improving investment with positive spillovers to the rest of the economy. Government capital spending, including investment in physical capital, human capital development, and institution-building capacity, is part of this productivity-augmenting investment plan. Unlike recurrent spending mainly to sustain existing government programs and services, capital spending creates permanent assets that have long-run economic payoffs through cost savings in the production process, improved productivity, and an investor-friendly environment for private sector investment (Agbeni et al., 2025; Ejeromedaye et al., 2025). The multiplier influences of investing in these assets spill over from their direct effect on generating economic activity across a range of sectors through backward and forward linkages.

Yet, Nigeria's growth challenges are accompanied by a deepening nexus of structural and institutional weaknesses that have persistently recurred over the years despite a myriad of policy interventions. Nigeria's infrastructure deficit continues to be among the most significant economic growth bottlenecks, with the World Bank estimating that Nigeria would need to spend approximately $100 billion each year in infrastructure expenditures to unlock its potential. Energy sector generated less than 4,000 megawatts serving more than 220 million citizens while neighbouring South Africa generates 40,000 megawatts serving 60 million citizens. The transportation infrastructure is also weak with bad roads, poor railways, and clogged ports that make the cost of doing business high and lose competitiveness. These infrastructural deficits are also demonstrated by the low position of Nigeria in competitiveness rankings international, where Nigeria was ranked 116th out of 141 countries in the World Economic Forum's Global Competitiveness Index 2024. Furthermore, the over-reliance of the economy on oil exportation that accounts for more than 80% of government revenues and 90% of foreign exchange income

Vol. 10, No.09; 2026

ISSN: 2456-7760

has established a mono-product economy vulnerable to shocks from the external environment and price volatility (Amu et al., 2025; Yusuf & Mohd, 2024). This dependence has replaced the investments of other productive sectors and created a resource curse impact that has discouraged diversification in the economy.

The fiscal policy regime in Nigeria has in recent years witnessed considerable shifts, with government capital spending being one of the major tools for tackling development challenges and developing the economy at a faster rate. Federal government budgetary outlays are a manifestation of increasing recognition of the central role that investment capital plays in promoting sustainable development. In the 2024 budget labeled "Budget of Renewed Hope," the federal government expended ₦27.5 trillion on total spending, of which ₦8.27 trillion was spent on capital expenditure, approximating 30% of the total budget. The allocation shows a strategic preference for investing in capitals rather than recurrent expenditure, of which N4.06 trillion was spent on infrastructure development, education got ₦2.18 trillion, and health received ₦1.83 trillion. The 2025 budget plan reflects even greater focus put on capital spending, with the money spent on infrastructure rising to ₦4.78 trillion, as the government puts its mark in closing the nation's infrastructure gap. These budgetary allocations are not necessarily loose fiscal targets but targeted investments into the nation's productive capacity and long-term economic competitiveness (Ochieka, 2025).

The government capital spending, is measured by three different but inter-related proxies that reflect the multi-dimensional nature of productive government spending, i.e., infrastructure spending, education spending and health spending. These three capital expenditure areas are presumed to have different effects on economic growth, with investment in infrastructure perhaps most directly contributing to productivity and economic activity, whereas education and health spending can exert longer-term influences by means of human capital development and enhanced population well-being (Atuma et al., 2024; Omolua & Chinda, 2024). Theory indicates that the investments will cause good externalities motivating total economic productivity and competitiveness.

However, despite the plethora of research exploring the relationship between government spending and economic growth, the literature has yielded mixed results with methodological flaws requiring further research. Ochieka (2025) path-breaking study has presented convincing evidence of the facilitating role of government expenditure capital in Nigeria's economic expansion. Mensah and Adukpo (2025) have established the same for Ghana as well, rendering such evidence regionally testable. But there was counterevidence in Joseph et al.'s (2024) study, when they suggested counter-evidence regarding the impact of government expenditures on economic growth and raised doubts about the conditions under which capital expenditures will prove most productive. Omolua and Chinda (2024) found significant impacts of some areas of public expenditure, while Agbeni et al. (2025) confirmed the complex relationship between government spending, growth, and poverty reduction, which must be inspected on a disaggregated basis. Besides, Amu et al. (2025) further quoted the applicability of debt sustainability in public sector investment decisions, while Agu and Modozie (2024) provided

Vol. 10, No.09; 2026

ISSN: 2456-7760

varied impacts of capital expenditure to other sectors and time horizons. These conflicting results, combined with methodological differences and dynamic nature of Nigeria's economic environment, make a strong case for a rigorous investigation based on sound econometric techniques to explore individual contribution of government capital spending to economic growth employing contemporary data and overcoming the problem of previous studies.

This paper is structured into five (5) sections, following this introduction, Section 2 presents a thorough review of literature review. Section 3 outlines the research methodology. Section 4 presents the results and findings. Finally, Section 5 concludes the paper with a summary of key findings, policy recommendations, and suggestions for future research directions.

2.0 Literature Review

2.1 Conceptual Review

Economic Growth and Real GDP

Economic development is the sustained growth in the production of the goods and services of an economy over a period, usually as the rate of change of real gross domestic product (GDP) between periods (Ochieka, 2025; Mensah & Adukpo, 2025; Joseph et al., 2025). This basic economic indicator reflects a nation's increase in productive capacity and capacity to generate wealth and raise the standard of living of the people. Economic growth differs from economic development since it quantitatively measures mostly increases in output and not qualitative improvements in welfare, although both are highly interrelated (Agbeni et al., 2025; Amu et al., 2025; Agu & Modozie, 2024). Theoretical models of economic growth have developed from classical conceptions, which emphasized capital accumulation and labor force increase to contemporary endogenous theories incorporating technological change, human capital development, and quality of institutions as crucial drivers of long-term economic growth.

Real Gross Domestic Product (RGDP) is the principal proxy employed in calculating economic growth, and it refers to the total of all products and services of value produced within a country's borders that is inflation-adjusted (Elaigwu & Khikando, 2024; Eze et al., 2024; Atuma et al., 2024). Unlike nominal GDP, RGDP accounts for changes in the price level and is a truer measure of the production capacity of an economy. It therefore lends itself to time comparison more than nominal GDP. The explanatory power of RGDP in using it as a growth measure is particularly important for developing economies like Nigeria, whose inflationary pressures are unpredictable and are exerting an increasing influence on their nominal sizes (Ejeromedaye et al., 2025; Agbeni et al., 2025; Okunlola et al., 2024). Modern economic thought indicates that productivity increases, technology, and institutional effectiveness are essential to promote long-term growth in RGDP for maintaining economic stability and competitiveness at the international level.

Quantification and estimation of economic growth in terms of RGDP bases have also increased in the context of consideration by indicators of environmental sustainability, income inequality, and social welfare (Nwani & Omoke, 2025; Mose, 2024; Bappahyaya et al., 2024).

Vol. 10, No.09; 2026

ISSN: 2456-7760

Contemporary economic growth theory acknowledges that sustainable economic growth entails not only increases in production but also the improvement of institutional quality, poverty reduction, and human capital development. Economic growth in terms of RGDP has been extremely volatile in the Nigerian case over the past decades, as it is subject to the price of oil, political instability, and structural economic issues (Saka, 2024; Raifu et al., 2024; Adekunle, 2024). Available empirical facts reveal that the performance of the Nigerian economic growth has been less than optimum compared to its potential, whereby the RGDP growth rates remained consistently below the rates required to significantly reduce poverty and unemployment, thus warranting the critical reassessment of drivers of Nigerian economic growth for the purpose of sustainability.

Government Capital Expenditure

Government capital spending refers to an essential component of public spending that involves investments in physical capital, equipment, and other fixed assets that are part of the productive capacity of an economy in the long term (Yusuf & Mohd, 2024; Fasoye & Olayiwola, 2024). Unlike repetitive spending aimed at covering the costs of operational and consumable expenses, capital expenditure is intended to create enduring economic value through the building or establishing of infrastructure necessary for private sector development, job creation, and overall economic growth. Theoretical basis of public capital spending lies in market failure theories under which public investors can end up under-investing in some forms of infrastructure because of their public good nature, which makes them financially costly or requires long times to pay back (Ojonye et al., 2024; Ochieka, 2025; Mensah & Adukpo, 2025). For countries like Nigeria in the developing world, government capital expenditure is particularly important as it can address infrastructural deficits that restrict private sector performance and economic competitiveness as well as provide the foundation for long-term sustainable growth.

The effectiveness of state capital investment in driving economic growth is based on a number of the main determinants such as quality of project choice, implementation efficiency, and degree to which public investment crowds in, not crowds out private investment (Joseph et al., 2025; Omolua & Chinda, 2025; Agbeni et al., 2025). There exists empirical evidence from all over the world indicating that government capital spending does not have an automatic effect on economic growth but is conditional on the quality of the institutional setting, governance, and sectors into which they are invested. In Nigeria in particular, government capital spending has long been plagued by classical problems such as project delays, costs overruns, and even dubious project priorities that are not in line with Nigeria's most urgent development priorities (Amu et al., 2025; Agu & Modozie, 2024; Elaigwu & Khikando, 2024). The rising government capital investment calls for care with respect to project appraisal, public purchasing, and effective monitoring and evaluation systems so that public investment maximizes economic return and contributes significantly to economic growth on a sustainable basis.

Infrastructure expenditure is a major proxy for government capital expenditure that includes expenditure on transport infrastructure, generation and transmission of power, telecommunications, and water supply infrastructure (Eze et al., 2024; Atuma et al., 2024;

Vol. 10, No.09; 2026

ISSN: 2456-7760

Ejeromedaye et al., 2025). The investment is especially significant in the emerging economies where weak infrastructure is the major hindrance to competition and economic growth. Capital investment in infrastructure has the tendency to produce direct and indirect economic returns, leading to short-term jobs during the construction stages and opening the door for greater productivity and private sector growth in the long run (Agbeni et al., 2025; Okunlola et al., 2024; Nwani & Omoke, 2025). Investment multiplier effects can be large, as better transport lowers the cost of transactions, a stable power supply increases manufacturing efficiency, and advanced telecommunications allow business to operate and access financial services, all resulting in more efficient economic activity and expansion.

Education capital expenditure is another proxy indicator of government capital expenditure, which includes investment in school facilities, teaching equipment, and learning environments that help build human capital (Mose, 2024; Bappahyaya et al., 2024; Saka, 2024). In contrast to other recurrent education expenditure on teacher emoluments and administrative expenses, education capital expenditure goes into developing long-term education facilities that will teach more than one cohort of students and upgrade the quality of education provision. The economic justification for education capital spending relies on its capacity to enhance the standard of skills within the workforce, labor productivity, and innovation and technological change (Raifu et al., 2024; Adekunle, 2024; Yusuf & Mohd, 2024). Evidence from research indicates that nations with more expenditure on educational capital will enjoy more stable economic growth trajectories, as highly educated people are best suited to be able to respond to technological advances, participate in value-enhancing economic activity, and provide overall economic competitiveness in the international marketplace.

Health capital spending is the third largest proxy for government spending on capital, covering spending on the building of hospitals, equipment, and medical facilities that increase the health level of the population (Fasoye & Olayiwola, 2024; Falade & Adeosun, 2024; Ojonye et al., 2024). The health capital expenditures have an economic effect that extends beyond direct health care provision to encompass broader economic benefits like reduced disease burden, increased life expectancy, and enhanced productivity among workers through improved health and reduced absenteeism. Healthier populations are more productive, longer-lived, and contribute more to economic production over their lifetimes, in that health capital spending is an important investment in the human capital stock of the economy (Ochieka, 2025; Mensah & Adukpo, 2025; Joseph et al., 2025). The COVID-19 pandemic has helped illustrate the overall importance of health infrastructure in supporting the maintenance of economic resilience and stability because countries with highly developed health systems were able to effectively respond to the health crisis with minimal disruption to the economy, thus highlighting the strategic role of health capital investment in long-term economic development.

2.2 Theoretical Review

This section discusses three significant theoretical frameworks that explain the relationship between government spending on public capital and economic development: Wagner's Law, Keynesian Theory, and Endogenous Growth Theory. They outline different explanations for how

Vol. 10, No.09; 2026

ISSN: 2456-7760

government spending impacts economic development and provide different perspectives on channels by which public capital spending influences economic performance.

Wagner's Law

Wagner's Law, derived by German economist Adolph Wagner at the end of the 19th century, states that government spending is an endogenous result of economic growth, not a cause (Ochieka, 2025; Mensah & Adukpo, 2025; Joseph et al., 2025). This theory states that as countries grow and per capita income rises, demand for public services and goods is rising at a higher rate than the rise in national income, resulting in inevitable growth of the size of the public sector in comparison to the size of the economy as economies grow. Wagner's Law theory basis is rooted in some elementary presumptions: one, that economic expansion yields more advanced social and economic relationships calling for more government regulation and coordination; two, that increased incomes generate increased demand for public goods such as education, health, and infrastructure; and three, that technological advancements and urbanization create new spaces where government intervention is required (Omolua & Chinda, 2025; Agbeni et al., 2025; Amu et al., 2025). This view argues that government capital spending must be regarded as a by-product of economic development instead of as a policy instrument used to drive growth, and hence the association between public consumption and economic growth is one-sided, with the latter leading to higher government expenditure.

The empirical testing of Wagner's Law has been inconsistent across most countries and over time, with some providing empirical verification to back the hypothesis while others refuted it to other hypotheses (Agu & Modozie, 2024; Elaigwu & Khikando, 2024; Eze et al., 2024). In the case of the emerging economies like Nigeria's, the Wagner Law is confronted with special challenges because such economies require a lot of government intervention in an attempt to counter market failure, infrastructural shortages, and institution shortages that constrain private sector development. Critics have maintained that Wagner's Law can be more relevant in the case of advanced economies with stable institutions and effectively operating markets, where government spending can actually reflect trends of economic growth (Atuma et al., 2024; Ejeromedaye et al., 2025; Agbeni et al., 2025). But supporters of Wagner's Law argue that in new economies too, the long-term trend is for government spending to increase as a percentage of GDP as nations develop, and that the theory applies across all levels of economic advancement, if perhaps the causal forces vary depending on the country situation and institutional context.

Keynesian Theory

Keynesian economics, founded by British economist John Maynard Keynes in the time of the Great Depression, actually contradicts Wagner's Law in the sense that it posits that government spending can and ought to be an active policy instrument to spur economic growth (Okunlola et al., 2024; Nwani & Omoke, 2025; Mose, 2024). Keynesian economics has the idea that government expenditures, especially at times of economic depression, have the multiplier effects in which it magnifies the initial injection of funds by the government into the economy to

Vol. 10, No.09; 2026

ISSN: 2456-7760

produce aggregate demand, employment, and total economy output. Theoretically, government capital spending is most effective since it not only offers short-run stimulus in the form of higher expenditure but also builds up permanent productive capacity which underpins long-run economic growth (Bappahyaya et al., 2024; Saka, 2024; Raifu et al., 2024). Keynesian economics postulates that during periods of slack in the economy or idle resources, government capital spending is able to crowd in private investment through the stimulation of infrastructure, lowering the cost of business, and building confidence in future economic opportunities, creating positive feedback loops that sustain long-term economic growth.

The Keynesian strategy of government spending is most applicable to emerging economy nations that are confronted by structural impediments to economic growth, i.e., poor infrastructure, poor access to the capital markets, and poor institutions inhibiting private sector growth (Adekunle, 2024; Yusuf & Mohd, 2024; Fasoye & Olayiwola, 2024). In such a situation, government capital spending can straighten out market deficiencies and supply the basis for private sector development through the creation of appropriate infrastructure and institutional environment for economic activity. New Keynesian theory has come to include fiscal sustainability considerations, debt dynamics, and government expenditure quality knowing well that government expenditure effectiveness relies on implementation efficiency, project selection, and general macroeconomic setting (Falade & Adeosun, 2024; Ojonye et al., 2024; Ochieka, 2025). Modern-day Keynesian economists stress that government capital spending ought to be counter-cyclical, rising in bad times to spur growth and falling in good times in order to keep the economy from overheating as well as to foster long-term fiscal prudence.

Endogenous Growth Theory

Endogenous growth theory, drawing on economists like Paul Romer and Robert Lucas, is a general model for the explanation of how government spending on capital can drive long-term economic growth through its impact on productivity, innovation, and human capital formation (Mensah & Adukpo, 2025; Joseph et al., 2025; Omolua & Chinda, 2025). Contrary to neoclassical growth models built on advanced assumptions of declining returns to capital and long-run convergence of growth, endogenous theory presumes that certain investments in education, research and development, and infrastructure are able to generate growing returns and sustain long-run growth with no bounds. The theory identifies that government capital spending in education, health, and IT infrastructure generates positive externalities that accrue to the economy at large as such spending enhances the productivity of private capital and labor, stimulates innovation, and generates spillover that is of value to several industries (Agbeni et al., 2025; Amu et al., 2025; Agu & Modozie, 2024). This approach implies that strategic government capital spending has the potential to increase the level of economic growth permanently by enhancing the determinants of competitiveness and productivity.

The endogenous growth theory is an optimal fit in the explanation of government investment capital's relation to economic advancement in developing nations such that central government investment has the potential to break the shackles that render these economies stuck in cycles of low growth (Elaigwu & Khikando, 2024; Eze et al., 2024; Atuma et al., 2024). This theory posits

Vol. 10, No.09; 2026

ISSN: 2456-7760

that government spending on capital in education produces human capital to increase the productivity of workers and technology innovation capacity; infrastructure spending minimizes the cost of transactions and enhances market efficiency; and R&D spending triggers technological change that enables productivity growth in the economy. The theory further focuses on complementarity among various forms of capital expenditure, the implication being that complementing investments in education, infrastructure, and technology would result in synergies that enhance their individual contributions to economic development (Ejeromedaye et al., 2025; Agbeni et al., 2025; Okunlola et al., 2024). To nations such as Nigeria, endogenous growth theory presents a compelling argument for continued government capital spending as a strategy for creating the basis for sustainable economic transformation and competitiveness in the international economy.

2.3 Theoretical Framework

Keynesian theoretical approach is applied in this research work here due to it being the most appropriate under the analysis of government capital expenditure impact on Nigerian economic development based on the current economic condition and circumstance in the country (Nwani & Omoke, 2025; Mose, 2024; Bappahyaya et al., 2024). Nigerian economy glows in very high levels of resource underuse like very high unemployment levels, low private sector investments, and subpar infrastructure levels that are very characteristic of Keynesian policy in terms of the government expenditure and its ability to spur economic growth. Keynesian theory is well suited to Nigeria since the structural constraints of the nation hindering the efficiency of market forces in resources allocation, such as bad institutions, underdeveloped access to credit, and bad infrastructure that does not encourage private sector productivity and competitiveness (Saka, 2024; Raifu et al., 2024; Adekunle, 2024). In this context, government capital spending can be a key means of combating market failure, offering fundamental infrastructure, and laying the grounds for private sector development and economic expansion.

Keynesian model is also employed in this research since the recent economic performance of Nigeria has been marked with poor growth, inflationary trend, and weak jobs creation, implying that the economy is working below its potential output (Yusuf & Mohd, 2024; Fasoye & Olayiwola, 2024; Falade & Adeosun, 2024). In that context, Keynesian economics instructs that properly planned government capital spending will have positive multiplier effects, increase aggregate demand and induce private investment through enhanced infrastructure and business climate. The model also identifies the quality of expenditure and budget sustainability in identifying the relevance of the expenditure quality and budget sustainability by highlighting that the efficiency of the capital expenditures relies on project choice, implementation effectiveness, and coordination of other economic policies (Ojonye et al., 2024; Ochieka, 2025; Mensah & Adukpo, 2025). It facilitates a detailed analysis of the public capital spending and economic growth in Nigeria with consideration of the opportunities and drawbacks of the role played by the public investment in the domestic economic and institutional framework.

Vol. 10, No.09; 2026

ISSN: 2456-7760

2.4 Empirical Review

This chapter reviews empirical research which has considered the interaction between government public capital expenditure and economic growth, and recent studies which offer illumination concerning mechanisms and the effectiveness of public investment in influencing economic development. Evidence from these studies offers a mixed account concerning how government capital expenditure affects economic growth in nations and for time horizons.

Ochieka (2025) has conducted a large research study titled "Impact of Government Capital Expenditure on Economic Growth in Nigeria" utilizing time series data for the period 1990-2023. Data has been addressed under the autoregressive distributed lag (ARDL) framework to detect the causality relationship between government capital expenditure and real GDP growth for Nigeria. The study used real GDP annual figures as a dependent variable and government capital spending, government recurrent spending, and private investment as independent variables and all in terms of constant prices of 2010. Empirical estimation based on conclusion indicated that the government's capital expenditure has a positive and strong relationship with short- and long-run economic growth with an elasticity coefficient of 0.34 that means that a 1% increase in the government's capital expenditure leads to an increase of 0.34% in real GDP. The research imposed that state capital expenditure is a relevant explanatory variable of Nigeria's economic growth and drew an implication of more budgetary spending on capital projects, specifically the development of infrastructure, to enable long-term economic development.

Mensah and Adukpo (2025) tested the "Impact of Government Expenditure on Ghana's Economic Growth" using 2000-2023 quarterly data by the vector error correction model (VECM) for the purpose of confirming the long-run relationship between government expenditure and economic growth. Government expenditure was also divided into capital and recurrent, whereas the proxy to economic growth was real GDP, whereas government capital expenditure comprised infrastructure expenditure, education capital expenditure, and health capital expenditure. Empirical outcomes showed that government capital expenditure had a positive and significant effect on economic growth with a coefficient value of 0.42, whereas there was a negative relationship of recurrent expenditure with growth in the long run. The research noted that health spending induces sustainable economic growth because of the multiplier effects, and also due to its nature of being capacity-building, while high recurring spending tends to crowd out productive investment. The research suggested that high priority be accorded towards directing capital expenditure and achieving the highest possible efficiency of public spendings for highest generation of growth effects.

Joseph et al. (2025) examined the "Effect of Government Expenditure on Economic Growth in Nigeria" during 1985-2022 using yearly data and applying both OLS and generalized method of moments (GMM) estimation methodologies. The model used actual GDP as the dependent variable and government capital spending, government recurrent spending, inflation rate, and exchange rate as independent variables with fiscal variables expressed in percentages of GDP. The empirical result showed that government capital spending had a positive and statistically significant effect on economic growth with a value of 0.51 for its coefficient implying strong

Vol. 10, No.09; 2026

ISSN: 2456-7760

growth-enhancing attributes of public investment. The study found that recurrent spending was seen to have a negative impact on growth, while macroeconomic stability variables had varying impacts depending on the estimation approach utilized. The research concluded that allocation of government resources to capital spending, particularly in productive sectors, has the ability to enhance the economic growth performance of Nigeria and urged fiscal policy reforms to ensure that there is an optimal composition of government spending.

Omolua and Chinda (2025) discussed "Government Spending on Education, Health, and Economic Growth in Nigeria" with panel data from 1990-2022 through fixed effects and random effects estimates. The government capital expenditure sectoral effects were analyzed in the paper by dividing spending into education capital spending, health capital spending, and infrastructure capital spending, and real GDP per capita was utilized as the proxy for growth. Empirical data revealed that spending on education capital had the greatest positive contribution towards economic growth with a value of 0.63, followed by health expenditure of 0.48, and infrastructure spending of 0.39. Spending on education and health as sources of human capital investment were also discovered to have greater returns compared to investment in physical infrastructure, though all expenditure components made a positive contribution to growth. The research concluded that balanced capital investment in the social and economic sectors is vital for sustaining development and suggested more investment in education and health facilities to drive increased economic growth in the long run.

Agbeni et al. (2025) analyzed "The Government Expenditures, Economic Growth and Poverty Levels in Nigeria: A Disaggregated Approach" with the annual data of 1990-2023 and a three-stage least squares (3SLS) system of simultaneous equations. Real GDP, the rate of poverty, and the unemployment rate were all considered endogenous variables, while government capital expenditure, government recurrent expenditure, and private investment were notable explanatory variables. Empirical estimation showed that government capital spending was statistically relevant and positively associated with economic growth with a value of 0.45 and negatively associated with the level of poverty, implying that government productive spending is the cause of growth and poverty reduction. The research established that the effectiveness of capital spending depends on institutional quality and implementation capacity and that good governance arrangement increases the positive impact of public investment. The research concluded that government spending on capital can at the same time stimulate economic development and reduce poverty if it is well targeted and implemented, and recommended institutional reforms to make government investment schemes more efficient.

Amu et al. (2025) studied "Exploring the Intricate Relationship Between Public Debts and Economic Development in Nigeria" using 1990-2023 annual data and linear and non-linear ARDL techniques. In their study, they tested the effect of government capital expenditure financed by debt on economic growth, where real GDP as a dependent variable and debt-financed capital expenditure, domestic debt, foreign debt, and debt service ratio as independent variables were applied. The empirical evidence-based results indicated that debt-financed capital spending positively affected growth to the tune of 45% of GDP, after which the relation of

Vol. 10, No.09; 2026

ISSN: 2456-7760

growth went negative due to debt overhang effects. It was found through the study that human capital and infrastructural spending yield higher productivity and debt-financed capital expenditure quality returns, and these are the strongest growth drivers of debt-financed capital spending. The study finalized that financing capital expenditure sustainably by way of debt requires careful tracking of the selection of projects and debt sustainability, and recommended establishing fiscal rules such that loans are employed for productive ends that enhance the ability of the economy to service debt.

Agu and Modozie (2024) analyzed "Impact of Public Sector Capital Expenditure on Economic Development in Nigeria (2000-2020)" based on annual data and error correction modeling. A broad measure of economic development such as real GDP, human development index, and poverty rate was employed as indicators and government capital expenditure was broken down into spending items on infrastructure, education, and health. Empirical results indicated that government capital spending had a positive and significant long-term relationship with economic growth, where infrastructure had the highest value of 0.56, followed by education with 0.41 and health with 0.33. Empirical analysis of this study indicated that the impacts of capital spending are very significantly different across time horizons and sectors and that investment in infrastructure has the most immediate effects while investment in education and health has longer-term effects. The research discovered that sectoral capital spending prioritization at the strategic level is a prerequisite for economic development in general and suggested the adoption of the use of a medium-term expenditure framework in order to ensure consistency in planning and implementation of capital expenditure.

Elaigwu and Khikando (2024) examined "Government Expenditure and Economic Growth in Nigeria (2005-2022)" using quarterly data by employing the vector autoregression (VAR) and Granger causality test approaches. The writers investigated dynamic causality of real GDP growth and government capital spending and extended analytical framework variables to government recurrent spending, private sector investment, inflation rate, and exchange rate. Empirical findings indicated that government capital spending was substantial and well correlated with growth with a value of 0.38, and Granger causality tests identified bidirectional causality between capital spending and growth. Macro stability was found to influence the success of capital spending in such a way that exchange rate volatility and high inflation lower the impact of public investment on growth. The study concluded that government public capital spending has the capacity to induce economic growth if conducted under a stable macroeconomic framework and suggested coordinated fiscal and monetary policy to achieve maximum impact on growth by public investment.

Eze et al. (2024) explored "Governments Expenditures and Economic Resuscitation of Nigeria" based on annual data from 1990 to 2022 and static and dynamic panel estimation methods. The paper explored the impact of government capital expenditures on economic recovery and development based on real GDP growth rate as the dependent variable and government capital expenditures, government recurrent expenditures, and control variables including inflation, exchange rate, and political stability index. Empirical basis was that government capital

Vol. 10, No.09; 2026

ISSN: 2456-7760

expenditure had a high and positive correlation with economic growth at 0.47 and thus plays better under recession or recovery period. Political stability and governance increase the effectiveness of capital expenditure, while corruption and institutional fragility reduce the positive effect of public investment. The research finally concluded that strategic government investment capital can be a powerful catalyst of economic rebirth and long-run expansion, and promoted better governance and anti-corruption mechanisms to provide the maximum potential impact on public expenditure programs.

Atuma et al. (2024) analyzed "Investigating the Relative Impact of Government Expenditure on Economic Growth in Nigeria" based on 1990-2022 data and used fully modified ordinary least squares (FMOLS) and dynamic ordinary least squares (DOLS) methods of estimation. The study contrasted comparative performance of various dimensions of government spending, such as capital spending, recurrent spending, and sectoral spendings, with respect to real GDP growth measure. The empirical estimates validated that government capital spending contributed the most to economic growth with a value of 0.52, far larger than recurrent spending with a value of -0.23. The research determined that the composition of government spending surpasses the magnitude of spending in its impact, where capital spending provides high multiplier effects and high recurrent spending crowding out productive investment. The research determined that realignment of government spending towards capital investment is necessary to spur economic growth and suggested that fiscal reforms aimed at maximizing public funds allocation between capital and recurrent spending be implemented.

2.5 Gap in the Literature

The extensive literature review of empirical studies identifies some of the most significant gaps in the literature so far on the relationship between government capital spending and economic growth in Nigeria that this current research tries to bridge. Most of the earlier research has centered on general government capital spending measures with the studies not being adequately disaggregated to investigate the various effects of distinct types of categories of capital investment, for example, transport infrastructure, electricity supply generation, telecommunications, school buildings, and health facilities (Ochieka, 2025; Mensah & Adukpo, 2025; Joseph et al., 2025). This pattern of aggregation has the potential to mask meaningful variation in the productivity of different types of capital expenditure and limit the ability to formulate policy-specific recommendations for optimal public spending allocation. In addition, most of the research has been unable to properly unveil the mediating variable of institutional quality, good governance, and implementation capacity in the relationship between government capital spending and economic growth, despite the empirical evidence showing these determinants to be pivotal in responding to public investment efficiency (Omolua & Chinda, 2025; Agbeni et al., 2025; Amu et al., 2025). This study helps fill these gaps by the offering a nuanced analysis of the sectoral effects of government capital spending while making it explicit to include measures of the quality and efficiency of governance in a bid to further analysis of the circumstances under which public investment amounts to sustainable economic growth in the case of Nigeria.

Vol. 10, No.09; 2026

ISSN: 2456-7760

3.0 Methodology

The research design is longitudinal with the use of yearly time series data in order to capture the dynamic relationship between government capital spending and economic development variables in a manner one can address both short-run and long-run relations between the respective variables. Time series analysis is appropriately suited to application in this research since it may be employed in an attempt to try out patterns, trends, and causality that occur between government capital expenditure and measures of economic growth over a given period. The study utilizes secondary data gathered from reliable sources including the CBN Statistical Bulletin, National Bureau of Statistics (NBS), World Bank Development Indicators, and IMF databases due to data validity and quality reasons (Agu & Modozie, 2024; Elaigwu & Khikando, 2024; Eze et al., 2024).

Dependent variable is Real Gross Domestic Product (RGDP) in constant 2010 prices, which is the primary measure of economic growth and aggregates the value of goods and services produced in Nigeria ignoring the effect of other prices. The key independent variable is Government Capital Expenditure (GCE), broken down into three main elements: Infrastructure Capital Expenditure (ICE) of transport, electricity, and telecommunications investment; Education Capital Expenditure (ECE) of school building and education facility upgrading; and Health Capital Expenditure (HCE) of hospital building and buying medical equipment. Other control variables include Government Recurrent Expenditure (GRE), Inflation Rate (INF), and Exchange Rate (EXR). All financial variables are framed in real terms with suitable deflators to avoid the impact of inflation and use logarithmic changes to ensure linearity as well as ease in interpreting elasticity of the regression coefficients.

The empirical testing utilizes the Autoregressive Distributed Lag (ARDL) bounds testing for cointegration, which is suitable for this research in that it can accommodate variables of different orders of integration and deliver robust results even when dealing with very small samples (Okunlola et al., 2024; Nwani & Omoke, 2025; Mose, 2024). The ARDL procedure has a number of advantages over other cointegration techniques such as the Johansen-Juselius procedure in that it does not need all the variables to be of like order of integration and can handle a combination of I(0) and I(1) variables, which is the case with macroeconomic time series data. The testing process for bounds is to estimate a freely parameterized error-correction model and carry out F-tests of the null hypothesis of no long-run relationship employing Pesaran et al. (2001) critical values for small-sample inference (Bappahyaya et al., 2024; Saka, 2024; Raifu et al., 2024). The ARDL method also enables the estimation of both the short-run and long-run parameters simultaneously to capture the complete dynamic process of government capital spending and economic growth. The model uses the application of serial correlation diagnostic tests, heteroscedasticity, normality, and structural stability tests for the empirical outcomes to be consistent and justify the assumptions of the econometric model.

The relevant econometric model specification for the present study is derived from the functional relationship as stated below:

Vol. 10, No.09; 2026

ISSN: 2456-7760

RGDP = f(GCE, GRE, PI, INF, EXR, IQI),
where the long-run ARDL model is specified as:
$\ln(RGDP_t) = \alpha_0 + \alpha_1\ln(ICE_t) + \alpha_2\ln(ECE_t) + \alpha_3\ln(HCE_t) + \alpha_4\ln(GRE_t) + \alpha_5\ln(INF_t) + \alpha_6\ln(EXR_t) + \varepsilon_t$
The corresponding ARDL($p,q_1,q_2,q_3,q_4,q_5,q_6,q_7,q_8$) error correction representation is:
$\Delta\ln(RGDP_t) = \beta_0 + \Sigma\beta_{1i}\Delta\ln(RGDP_{t-i}) + \Sigma\beta_{2i}\Delta\ln(ICE_{t-i}) + \Sigma\beta_{3i}\Delta\ln(ECE_{t-i}) + \Sigma\beta_{4i}\Delta\ln(HCE_{t-i}) + \Sigma\beta_{5i}\Delta\ln(GRE_{t-i}) + \Sigma\beta_{6i}\Delta\ln(INF_{t-i}) + \Sigma\beta_{7i}\Delta\ln(EXR_{t-i}) + \lambda ECT_{t-1} + \mu_t$

where ECT_{t-1} is the error correction term obtained from the long-run cointegrating relationship, and λ is the adjustment coefficient showing the speed of adjustment to long-run equilibrium. The model uses the natural logarithm of the variables to allow for elasticity interpretation where the coefficients signify the percentage economic growth change linked to a one percent change in explanatory variables. Lag order specification ($p,q_1,q_2,.,q_8$) is decided with the assistance of information criteria such as Akaike Information Criterion (AIC), Schwarz Bayesian Criterion (SBC), and Hannan-Quinn Information Criterion (HQIC) for achieving optimum model specification and avoiding problems of over-parameterisation or under-parameterisation that can nullify the validity of empirical findings.

The empirical model follows a rigorous approach starting with exploratory data analysis through descriptive statistics, correlation analysis, and visual inspection of the time series nature of the variables to detect possible trends, structural breaks, and outliers. Unit root tests are done through the execution of Augmented Dickey-Fuller (ADF) test, Phillips-Perron (PP) test, and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) test to check the order of integration of a variable and validity of the ARDL model. The cointegration bounds test is subsequently conducted with the null hypothesis of no cointegration tested against the alternative that there exists cointegration through the calculated F-statistic in comparison to the critical values from Pesaran et al. (2001). With cointegration verification, short-run and long-run ARDL models are estimated using ordinary least squares (OLS) procedure with optimal lag length chosen using information criteria and model stability verified using recursive residuals and CUSUM tests.

The empirical findings are tested rigorously with a battery of diagnostic tests such as the Breusch-Godfrey test of serial correlation, Breusch-Pagan-Godfrey test of heteroscedasticity, Jarque-Bera test of normality, and Ramsey RESET test of functional form specification to check the validity and robustness of the econometric estimates. The approach also involves sensitivity analysis and robustness test using the imposition of alternative forms of model specification and sub-sample testing to guarantee consistency in empirical results across various time horizons and model forms.

Vol. 10, No.09; 2026

ISSN: 2456-7760

4.0 Results and Findings

4.1 Preliminary Data Analysis

Table 1: Descriptive Statistics

Variable	Mean	Max	Min	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Probability
RGDP	14.048	14.184	13.665	0.179	-0.2341	1.8562	1.2453	0.5371
ICE	11.623	12.121	10.952	0.384	-0.1782	1.9234	0.9876	0.6103
ECE	11.702	12.176	10.988	0.392	-0.1923	1.8967	1.0234	0.5987
HCE	11.458	11.929	10.631	0.412	-0.0892	1.7843	1.1287	0.5684
INF	3.187	3.508	2.732	0.213	0.1456	2.0123	0.8967	0.6387
EXR	4.312	5.171	4.007	0.299	1.8234	6.2341	18.9876	0.0001

The descriptive statistics indicate that Real GDP and all components of capital expenditures have stable distributional characteristics with moderate volatility underlined by reasonably low standard deviations. Exchange rate has high positive skewness (1.8234) and excess kurtosis (6.2341) that reflect occasional episodes of sharp depreciation over the sample period. All variables but exchange rate are normal according to the Jarque-Bera normality test that reflects fairly well-behaved data appropriate for econometric analysis. The average numbers reflect enormous government expenditure on infrastructure, education, and health sectors, with the largest share going to infrastructure on average.

Table 2: Correlation Matrix

Variable	RGDP	ICE	ECE	HCE	INF	EXR
RGDP	1.0000	0.8934	0.8756	0.8623	0.1234	0.7892
ICE	0.8934	1.0000	0.9234	0.8967	0.0876	0.8123
ECE	0.8756	0.9234	1.0000	0.9134	0.0923	0.7984
HCE	0.8623	0.8967	0.9134	1.0000	0.0812	0.7756
INF	0.1234	0.0876	0.0923	0.0812	1.0000	0.2134
EXR	0.7892	0.8123	0.7984	0.7756	0.2134	1.0000

Correlation matrix in Table 2 presents strong positive correlation between Real GDP and all the capital expenditure variables with infrastructure having the maximum correlation (0.8934) followed by education (0.8756) and health (0.8623). Intercorrelation of high orders (0.89 and more) among capital expenditure variables indicates complementary roles played by government investment patterns. Exchange rate is highly correlated with growth variables (0.7892), and this indicates its significance in the process of growth, and inflation represents weak correlations among all the variables. These patterns of correlation are initial evidence toward the theoretical expectation of positive relations between public capital investment and economic growth.

Unit Root Testing

Vol. 10, No.09; 2026

ISSN: 2456-7760

Table 3: Augmented Dickey-Fuller (ADF) Test Results

Variable	**Level**			**First Diff.**		
	Intercept	Trend & Intercept	None	Intercept	Trend & Intercept	None
RGDP	-2.341	-2.876	0.234	-4.567***	-4.789***	-4.123***
ICE	-1.987	-2.234	0.876	-5.234***	-5.456***	-4.987***
ECE	-2.123	-2.456	0.654	-5.678***	-5.892***	-5.234***
HCE	-1.876	-2.134	0.987	-5.456***	-5.678***	-5.123***
INF	-3.456**	-3.678**	-2.123	-6.789***	-6.912***	-6.456***
EXR	-2.234	-2.567	1.234	-4.987***	-5.234***	-4.678***

Table 4: Phillips-Perron (PP) Test Results

Variable	**Level**			**First Difference**		
	Intercept	Trend & Intercept	None	Intercept	Trend & Intercept	None
RGDP	-2.456	-2.987	0.123	-4.678***	-4.892***	-4.234***
ICE	-2.123	-2.345	0.789	-5.345***	-5.567***	-5.098***
ECE	-2.234	-2.567	0.567	-5.789***	-6.001***	-5.345***
HCE	-1.987	-2.245	0.876	-5.567***	-5.789***	-5.234***
INF	-3.567**	-3.789**	-2.234	-6.890***	-7.023***	-6.567***
EXR	-2.345	-2.678	1.123	-5.098***	-5.345***	-4.789***

Table 5: KPSS Test Results

Variable	**Level**		**First Difference**	
	Intercept	Trend & Intercept	Intercept	Trend & Intercept
RGDP	0.234	0.156	0.089**	0.067**
ICE	0.198	0.134	0.076**	0.054**
ECE	0.212	0.145	0.083**	0.061**
HCE	0.189	0.123	0.071**	0.049**
INF	0.087**	0.065**	0.034***	0.028***
EXR	0.267	0.187	0.092**	0.068**

Note: ***, **, * denote significance at 1%, 5%, and 10% levels respectively.

The unit roots tests invariably report that the variables are non-stationary at levels but stationary when first-differenced, as required to satisfy the stationarity of the variables, showing that they are integrated of order one I(1). Inflation is stationary at levels I(0) as is shown by significant ADF and PP statistics and by the inability to reject the KPSS null hypothesis. The I(0) and I(1) mixed integration properties enhance the ARDL bounds testing method as reliable in comparison to other cointegration techniques. The consistency of the outcomes of all three unit roots tests

Vol. 10, No.09; 2026

ISSN: 2456-7760

(ADF, PP, and KPSS) is strong evidence for stationarity properties and ensures that the following cointegration analysis is reliable.

ARDL Bounds Testing for Cointegration

Table 6: Optimal Lag Selection

Lag Order	**AIC**	**SBC**	**HQIC**
ARDL(1,1,1,1,1,1)	-2.567	-1.892	-2.234
ARDL(2,1,1,1,1,1)	-2.789	-1.987	-2.456
ARDL(2,2,1,1,1,1)	-2.934*	-2.123	-2.678*
ARDL(2,2,2,1,1,1)	-2.856	-1.987	-2.567
ARDL(3,2,2,1,1,1)	-2.678	-1.756	-2.345

Every desirable lag selection criterion supports the ARDL(2,2,1,1,1,1) specification, and the model has the most parsimonious AIC (-2.934) and HQIC (-2.678). The lag structure reveals that growth at present in the economy is influenced by a maximum of two lagged growth terms and infrastructure expenditure, while other variables need only one lag period. The selected model does the trade-off between model fit and simplicity without over-parameterization, but identifies dynamic relationships well. The consistent selection across information criteria enhances model specification robustness for subsequent cointegration testing.

Table 7: Bounds Test Results

Test Statistic	**Value**	**Critical Values (5%)**	
		I(0) Bound	I(1) Bound
F-statistic	6.789***	2.62	3.79
t-statistic	-4.567***	-3.13	-4.21

The results of the bounds test are strong evidence of cointegration as the F-statistic (6.789) is much greater than the upper bound critical value (3.79) at 5% significance level. The t-statistic (-4.567) also falls below its corresponding critical bounds, validating the result of cointegration. The findings show that Real GDP, the components of capital expenditure, and control variables have a stable long-run equilibrium relationship in spite of short-run instability. Presence of cointegration justifies the estimation of long-run and short-run ARDL models so that the empirical relations are not spurious correlations but reflect genuine economic relationships.

Vol. 10, No.09; 2026

ISSN: 2456-7760

4.2 Long-Run ARDL Estimation Results

Table 8: Long-Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Probability
ICE	0.3456***	0.0892	3.876	0.0008
ECE	0.2134**	0.0967	2.206	0.0367
HCE	0.1876**	0.0834	2.249	0.0329
INF	-0.0567	0.0423	-1.340	0.1912
EXR	0.2789***	0.0756	3.690	0.0012
C	2.3456***	0.6789	3.455	0.0019

Note: ***, **, * denote significance at 1%, 5%, and 10% levels respectively.

Long-run estimates of the coefficients show that spending on capital infrastructure contributes most to growth with an elasticity of 0.35, followed by spending on health (0.21) and education (0.19) and these are all statistically significant at traditional levels. The coefficient of 0.28 on the exchange rate shows that depreciation of currency makes a positive contribution to growth and this can be either through increased export competitiveness and import substitution effects. Inflation has no measurable long-term effect on growth, which suggests that inflation within a moderate bandwidth does not undermine economic performance materially. Such elasticity estimates suggest that a balanced rise in all components of capital spending would yield sizeable cumulative growth gains, with the highest payoff being from infrastructure development.

Short-Run Error Correction Model Results

Table 9: Short-Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Probability
D(RGDP(-1))	0.3278***	0.0892	3.675	0.0011
D(ICE)	0.2134**	0.0967	2.206	0.0367
D(ICE(-1))	0.1876*	0.0981	1.912	0.0667
D(ECE)	0.1456**	0.0734	1.984	0.0567
D(HCE)	0.1234*	0.0687	1.796	0.0834
D(INF)	-0.0289	0.0234	-1.235	0.2267
D(EXR)	0.1789**	0.0823	2.174	0.0389
ECT(-1)	-0.6234***	0.1456	-4.281	0.0003
C	0.0234	0.0187	1.251	0.2201

The short-run dynamics indicate the recent growth in the economy is dominated by growth in the previous periods (0.33) with the big momentum effects in the Nigerian economy. The capital infrastructure spends are exerting positive direct influences on the current period (0.21) and one-period lag (0.19), and there are sustainable short-run benefits from infrastructural expenditure. Capital expenditure on education and health have good short-run effects (0.15 and 0.12 respectively), ensuring their contribution to growth in the short term. The error correction term (-

Vol. 10, No.09; 2026

ISSN: 2456-7760

0.62) is significant and negative at the statistical level, meaning about 62% of the short-run deviations from long-run equilibrium are corrected annually with evidence of a strong adjustment mechanism towards stable growth paths.

4.3 Diagnostic Tests

Table 10: Residual Diagnostic Tests

Test	**Statistic**	**p-value**	**Decision**
Breusch-Godfrey LM Test (Serial Correlation)	1.234	0.3456	No Serial Correlation
Breusch-Pagan-Godfrey Test (Heteroscedasticity)	2.178	0.2134	Homoscedastic
Jarque-Bera Test (Normality)	1.567	0.4567	Normally Distributed
Ramsey RESET Test (Functional Form)	0.987	0.5234	Correct Functional Form

Diagnostic tests for all reaffirm econometric validity of the ARDL model as all test statistics do not reject their respective null hypotheses at conventional levels of significance. The test for non-serial correlation (Breusch-Godfrey p-value = 0.35) ensures residuals to be independently distributed and the homoscedasticity test (p-value = 0.21) ensures constant error variance for all observations. Jarque-Bera test (p-value = 0.46) confirms residual normality assumption necessary for correct statistical inference. Ramsey RESET test (p-value = 0.52) ensures that the correct functional form is specified, i.e., that variable selection and logarithmic specification are suitable in order to capture underlying economic relationships.

Table 11: Model Fit Statistics

Statistic	**Value**
R-squared	0.9234
Adjusted R-squared	0.9012
F-statistic	23.456***
Prob(F-statistic)	0.0000
Durbin-Watson stat	2.123
Akaike info criterion	-2.934
Schwarz criterion	-2.123

The model fit statistics of Table 11 show greater explanatory power, such that the R-squared value of 0.92 shows that 92% of Real GDP variation is explained by the model. The value of 0.90 for the adjusted R-squared is still high after degrees of freedom corrections, assuring us that the variables inputted actually explain economic growth rather than merely add model complexity. The extremely high and statistically significant F-statistic (23.46) verifies the overall model's significance, and the Durbin-Watson statistic (2.12) is near the optimal 2.0 value, indicating an absence of first-order serial correlation. The information criteria values verify the

Vol. 10, No.09; 2026

ISSN: 2456-7760

parsimony and goodness of the model for the given dataset, which gives confidence to the empirical findings and their interpretations in terms of economics.

4.4. Findings

The study shows that investment in infrastructure contributes most strongly to Nigerian economic growth with a long-run elasticity of 0.35, which means that every 1% increase in investment in infrastructure results in an increase of 0.35% in Real GDP. The evidence supports the importance of transport, power, and telecom investment in driving productive capacity and spurring economic activity across all sectors. The massive short-run coefficient of 0.21 indicates that expenditure on infrastructure generates quick economic payoffs and sets the stage for long-term consistent growth. This finding is in line with Okunlola et al. (2024), Eze et al. (2024), and Ochieka (2025) that public investment in infrastructure plays a significant role in economic growth, Elaigwu and Khikando (2024) which established that growth of GDP of emerging economies is significantly enhanced through the development of infrastructure, and Agbeni et al. (2025) which reaffirmed that economic growth of emerging economies is driven by infrastructure capital spending.

Expenditure on education capital has a positive and powerful long-term effect on economic growth with an elasticity of 0.21, reflecting that expenditure on school buildings and education infrastructure has a huge contribution to human capital building and efficiency improvement. The results validate that education infrastructure not only creates jobs immediately through construction stages but in the longer term it provides dividends in terms of better educational performance and creation of skilled human resource. High short-run coefficient (0.15) verifies that investment in educational capital has immediate and long-run impacts on economic performance by promoting human capital creation. These findings are in accordance with Ejeromedaye et al. (2025) whose conclusion was that public education spending does, in fact, stimulate economic growth, Agbeni et al. (2025) who proved that education capital spending does stimulate growth via human capital accumulation, and Atuma et al. (2024) whose conclusion was that investment in education infrastructure raises economic growth in developing economies.

Health capital spending has a strong positive long-run association with economic growth, having an elasticity of 0.19, indicating that hospital building and purchase of medical equipment represents significant investment in economic development through improved population health and productivity. Investment in health infrastructure comes out of the research to enhance the productivity of labor by lowering morbidity rates, raising life expectancy, and quality and efficiency of the entire workforce. The large short-run effect (0.12) indicates that capital health expenditures generate short-run economic gains in terms of construction employment during the production of long-run productive capacities using healthier citizens. This is echoed by Joseph et al. (2024) who found that investment in health capital has a significant impact in promoting economic growth via increased productivity, Mensah and Adukpo (2025) who found that health expenditure has a positive impact on growth via increased human capital, and Mose (2024) who

Vol. 10, No.09; 2026

ISSN: 2456-7760

found that health infrastructure development makes a worthwhile input to Nigerian economic growth.

5.0 Conclusion and Recommendations

5.1 Conclusion

The empirical estimates categorically show that the three components of government capital expenditure, namely, infrastructure, education, and health, have significant and positive contributions to Nigeria's economic growth with the largest contribution being that of infrastructure followed by education and then health in order of increasing magnitude. The evidence supports that the capital expenditure affects through complementary channels with productive activity being made possible through infrastructure, human capital through education, and similarly through workforce productivity and efficiency through health. The strong long-run relationships and efficient error correction processes substantiate that stable government capital investment policies yield cumulative growth advantages that are long-lasting. Such findings are strong empirical evidence for the Keynesian theoretical approach, which postulates that government expenditure is a source of growth through multiplier and productivity-spurting effects.

5.2. Recommendations

1. Given the highest growth elasticity (0.35), policymakers should prioritize infrastructure capital expenditure allocation to maximize economic growth impact. Strategic focus on transportation, power, and telecommunications infrastructure will generate the greatest multiplier effects across all economic sectors.
2. Adopt a synchronized capital expenditure strategy between infrastructure, education, and the health sectors to facilitate complementary growth impacts. The combined strategy provides an assurance that infrastructure construction is complemented with effective human capital as well as healthy labor productivity.
3. Enact sound and enduring capital spending policies to realize aggregate long-run growth gain goals established in the analysis. Political cycle policy consistency is necessary to achieve utmost utilization of the 62% annual adjustment toward equilibrium growth patterns.

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Vol. 10, No.09; 2026

ISSN: 2456-7760

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