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Government spending and poverty reduction in Nigeria: Trend and impact analysis

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Abstract

Public spending is an important macroeconomic tool used to promote economic development and poverty reduction. Poverty in Nigeria is endemic with over 133 million people in multidimensional poverty in spite of various government interventions in reducing/ eliminating poverty. This study investigates the nexus and impact of government expenditure on poverty. Data were obtained from official government publications sourced from Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). The data were analysed using regression analysis. The outcome of the analysis reveals that government spending has positive relationship with poverty but has little impact on poverty reduction and negatively associated with poverty index. The study recommends that government should as a deliberate policy, increase allocation to the economic and social sectors, such as: education, agriculture, health, transport and communication, in view of their direct impact on the poor. The enforcement of budget discipline in all its three dimension was also recommended to ensure that allocations are not misdirected.

Keywords: Multi -dimensional poverty; Public spending; Allocation; Economic growth

1. Introduction

The government spending and its effects on poverty reduction, and vice versa has been an issue of sustained interest for economists and policy makers. The relationship between government spending and poverty reduction has continued to generate series of debate among scholars, particularly, Nigeria one of the largest economy in Africa has been tagged the world capital of poverty, despite the huge government spending and high oil revenue. Generally, government performs two main functions-protection (security) and provisions of certain public goods (Yusoff, S., Law, S. H., Norc, N. M., & Ismail, N. W. (2022). Protection function consist of the creation of rule of law and enforcement of property rights. This helps to minimize risk of criminality, protect life and property, and the nation from external aggression. Under the provisions of public goods and defense, roads, education, health and power to mention few. Some scholars argued that increase in government spending on socio-economic and physical infrastructures encourages economic growth. For example, government spending on health and education raises the productivity of labour and increase the growth and of national output. Similarly, expenditure on infrastructure such as roads, communications, power etc. reduces production cost, increase private sector investment sand profitability of firms, thus fostering economic growth supporting this view, scholars such as Abdullah H A, (2010), and Ranjan Sharma (2010) concluded that expansion of government spending contributed positively to economic growth.

Over the past decades, the Nigeria's public sector spending has been increasing in geometric term through various government activities and interactions with its ministries, Departments and Agencies (MDA's), (Niloy. 2013). Although, the general view is that public expenditure either recurrent or capital expenditure, notably on social and economic infrastructure can be growth-enhancing although financing of such expenditure to provide essential infrastructural facilities--ding transport, electricity, telecommunications, water and sanitation, waste disposal, education and health-can be growth-retarding (for example, the negative effect associated with taxation and excessive debt).

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The size and structure of public spending will determine the pattern and form of growth in output of the economy. The structure of Nigerian public expenditure can broadly be categorized into capital and recurrent expenditure. The recurrent expenditure are government expenses on administration such as wages, salaries, 'interest on loans, etc, whereas expenses on capital projects like roads, airports, education, telecommunication, electricity generation etc., are referred to as capital expenditure.

One of the main purposes of government spending is to provide infrastructural facilities and the maintenance of these facilities requires a substantial amount of spending. The relationship between government spending on public infrastructure and economic growth tends to be an important analysis in developing countries, most of which have experienced increasing levels of public expenditure overtime (World Development Report. 2014). Expenditure on infrastructure investment and productive activities (in State-Owned Enterprises) ought to contribute positively to growth, whereas government consumption spending is anticipated to be growth-retarding (Josaphat and Oliver, 2010). However, economies in transition do spend heavily on physical infrastructure to improve economic welfare of the people and facilitate production of goods and services across all sectors of the economy so as to stimulate rapid growth in aggregate output. Empirical studies (like Ram, 2016; Deverajan., 2013; Nitoy 2013) have found that there exists positive correlation between economic growth and public spending on infrastructural facilities. Manufacturing industries do consider infrastructure services or facilities before locating their production base in order to gain large economies of scale and reduce cost of production. Also, to increase total industrial output at a cheaper price in the economy. Following the World Bank's Development Report (2014), developing countries invest $200billion a year in new infrastructure representing 4 percent of their rational output and a fifth of their total investment. Government spending is key to reducing poverty, especially when invested on projects that are pro-poor like education, health and agriculture.

The result has been a dramatic increase in infrastructure services for transport, power, water, sanitation, telecommunications and irrigation. The provision of infrastructure services to meet the demands of business, households and other users is one of the major challenges of economic development in developing countries like Nigeria.

However, the poverty situation in Nigeria seems to confirm the failure of budgetary strategy and the ineffectiveness of the budget process and management. A comparison of government budgetary expenditure and the incidence of poverty in Nigeria from 1990-2010, reveals that within the period under consideration, both the budgeted expenditure and number of people who are poor increased. This is contrary to conventional wisdom that increases in government expenditure should (all things being equal) enhance the people welfare and reduces poverty.

Several factors have been attributed to the above mentioned state of affairs. Most of these factors border on poor resource management, poor linkage of policy and budgets as well as budget indiscipline among others (Aruwa, 2006; & Orok, 2010; Olaoye, 2010). These observations are consistent with the opinions of Foster, Fozzard, and Conway (2002) and the Centre for Social Accountability (CSA) (2010) that poor management of public resources translates directly into poor public service delivery and undermines poverty reduction policies. Fact from (CBN 2021) stated that Nigeria's government spending increased significantly in 1986 from N7.7 billion to N 9.1 trillion in 2021. Similarly, capital expenditure increased from N8.5 billion to N2.5 trillion. Paradoxically, the percentage of Nigeria's population living in poverty was 13.5% in 1990 and increased to 63% in 2021 thus making Nigeria the headquarters of poverty in the world taking the baton from India. This suggests that as government expenditure increases, poverty rates do not decline, raising doubts about the effectiveness of government policies and initiatives aimed at poverty alleviation.

In light of the above facts, this study intends to assess the various government poverty interventions and equally examine the impact of public spending on poverty reduction in Nigeria – 1990-2020

1.1. Statement of the Research Problem

There is no doubt that Nigeria is endowed with abundant natural resources, but why these resources have not translated into national prosperity remains an intractable question. What seems to be paradoxical is that the more resources are mobilized and spent, the poorer the people and the nation become. For instance, from the 1990s when the issue of poverty reduction took a prominent place in the Algerian developmental agenda to 2010 when the latest poverty survey was conducted, the total budgeted expenditure increased from a meager N26.3 billion t: about N 3.4 trillion while the rate of poverty increased from about 27 percent to about 70 percent in direct sympathy with expenditure (Obi, 2007). More so, in 2010, the Global Monitoring Report (GMR) of the United Nations Education, Scientific and Cultural Organization (UNESCO), revealed that about 92 per cent of the Nigerian population survive on less than $2 daily, while about 71 percent survive on less than $1 daily. The report also revealed that Nigeria, with its enormous resources, was 20th among the world's poorest countries (UNESCO, 2010). It is clear that the higher the government spending, the higher the level of poverty in Nigeria. In 2018, government spent over 8.1 trillion the same year the country was classified by world-bank as center of world poverty.

This resource-poverty paradox is a clear confirmation of the existence of infractions in the budget process and management since the budget serves as the transmission mechanism. Few studies that relate budgeting/government expenditure with poverty where either carried out outside Nigeria or were too narrow in scope/methodology (Akpan and Orok, 2009). Consequently, wide gap is created in literature as regards how the specific components of sound budgeting, namely, effectiveness, efficiency, discipline, transparency, accountability and reforms relate to and impact on the poverty reduction goal of government.

It is imperative to state that the Nigerian government has attempted to improve the lives of her population through policy interventions in the areas of education, health, empowerment and infrastructure development. This gives rise to diverse policy interventions at all levels of government e.g. program to eradicate poverty nationwide (NAPEP), which was initiated in 2000 with the objective of eliminating poverty by 50% by 2010. Microcredit loans, skills training, and other assistance have been offered to improve households' income (Ajala&Adeyinka, 2021). In addition, in 1999, the Basic Education for All (UBE) program was introduced with the purpose of offering obligatory, free education to all children aged 6-15.

The impact of these interventions on poverty reduction in Nigeria is still a moot. This no doubt suggests the need for more studies in this area with a view to assessing impact on the lives of Nigerians. The above analysis gives rise to the following question:

- What is the impact of public spending on poverty reduction in Nigeria?
- What is the pattern of government spending or expenditure in Nigeria?
- What are the problems inhibiting the public spending process and management from achieving the objective of poverty reduction?

1.2. Objectives of the Study

The general objective of this study is to examine the impact of public spending on poverty reduction. The specific objectives of this study are;

- To asses and determine the pattern of government spending or expenditure in Nigeria.
- . To identify the main problems that has inhibited the Nigeria public spending process/management from achieving the objective of poverty reduction.

Research Hypotheses

This study was anchored on the three hypotheses stated below in their null form:

- H0: There is no significant impact of public spending on poverty reduction in Nigeria
- . H_0: There is no significant functional relationship between government spending and poverty reduction in Nigeria.
- . H_0: There is no significant relationship between pattern of government spending or expenditure in Nigeria.

2. Literature review

2.1. The Concept of Poverty

According to the United Nations Statistical Division (UNSD, 2005) the earliest definitions of poverty centered on the inability to obtain adequate food and other basic necessities, the contemporary focus continues to be on material deprivations, i.e., the failure to command private resources. The World Bank Report (2010) and Aigbokhan (2010) considered poverty simply as the inability to achieve a certain minimal standard of living. But standard of living in itself is determined by several factors of which income is paramount. This presupposes that defining poverty in terms of standard of living is invariably defining it in terms of income. The manifestation of poverty has led to different classifications of the subject. Some of these ways include absolute poverty, relative poverty, income poverty, non-income poverty, case poverty, insular poverty and more recently multi-dimensional poverty. According to the Oxford Poverty and Human Development Initiative, multidimensional poverty encompasses deprivations experienced by poor people — such as poor health, lack of education, inadequate living standards, and living in environmentally hazardous areas, among others.

In line with the above definition about 63 per cent of Nigerians are poor because they lack access to health and education and suffer poor living standards, alongside unemployment and other economic shocks. If you cannot afford more than one of the essential survival needs as stated in the report, such as good health, basic education, good living standards and gainful employment, it means you are multi -dimensionally poor.

2.2. Theoretical Review

Different theories have been propounded by great economists and policy makers. These include Intersectionality Theory, Capability Theory the Public Choice Theory (PCT), Trickle-Down Theory (TDT) and the Open System Theory (OST). While the (PCT) is a positive theory, the last two (TDT and OST) are normative theories. The study is anchored on capability theory which implies people do not just value monetary income, and that development is linked to various indicators of life satisfaction and hence are important in measuring well-being.

2.3. Empirical Studies

There is no consensus in the literature on the impact of public spending on economic growth, leading to a divide among policy makers as to whether increase in government expenditure hinders or helps economic growth. While some studies have favoured smaller government (i.e. reduction in public expenditure), others support bigger government (i.e. increase in government expenditure). Advocates of bigger government argue that government programmes provide valuable "public goods" Such as education and infrastructure, and that increase in government spending can bolster economic growth by putting money into people's pockets. On the other hand, proponents of smaller government contend that higher spending undermines economic growth by transferring additional resources from the productive sector of the economy to government which uses them less efficiently. Some of the studies with these outcomes will be examined:

Davarajan, Swaroop and Zou (2006) used data from 43 developing countries over 20 years to investigate the effect of public expenditure composition on economic growth and found that an increase in the share of current expenditure has positive and statistically significant growth effects and that the relationship between the capital component of public expenditure and r-capital growth is negative. They concluded that "productive expenditure, used in excess, could become unproductive". The revelations from this study suggest that developing countries have been misallocating public expenditures in favour of capital expenditures at the expense of current expenditures, hence their underperformances in terms of economic growth. This finding is most inconsistent with conventional wisdom or the popular belief that it is capital expenditure such as infrastructure, roads, power, etc. that powers an economy for growth. In Nigeria, the government has often been criticized for making inadequate capital expenditure provision in the budget.

In Indonesia, Birowo (2011) studied the relationship between government (expenditure and poverty rate. Adopting both qualitative and quantitative methodology, and analyzing data using Ordinary Least Square regression, he found the relationship between budget growth and poverty to be positive and insignificant. Also, his study found out that only education expenditure exhibited a stable negative relationship with poverty rate.

Chemingui (2007) assessed the impact of an increase in public spending in priority areas on economic growth and poverty reduction in Yemen. The study builds a dynamic Computable General Equilibrium model (DCGEM) to provide a baseline scenario of changes in the economy and poverty level in Yemen during the period 1998-2016. It also compared alternative scenarios to isolate the specific impact of several policies on poverty. The scenarios assume an increase in public spending devoted to three priority areas, namely, agriculture, education, and health, which was considered to affect the economy through an increase in sectorial or economy-wide technical factor productivity. The study found that targeted budgeting which increased amounts of public spending towards education and health services will generate more economic growth and poverty reduction than increasing public spending solely on the agricultural sector. It was also found that when an oil sector is a prominent part of the economy, as in Yemen, additional public spending on health and education does not improve productivity in the oil sector, and hence, may not have significant impact on poverty reduction. The implication is that spending on agriculture becomes the most important channel for poverty reduction and economic growth.

Bloj (2009), studied the budgeting process and the implications on social policies and poverty reduction, and opined that the recent tendencies in developing countries towards results -oriented budgeting approach is in order. The reason is that, this new management approach is believed to be directly connected with poverty reduction through the Medium Term Expenditure Framework (MTEF). It was however recommended that for this new budgeting approach to have the required impact on poverty and inequity, certain conditions must be in place. These are: (a) the reinforcement of an appropriate distribution of expenditure competencies and functions between the central government and sub-national agencies in order to avoid overlapping, competition, or expenditure unbundling; (b) the adoption of horizontal coordination between regional and local governments tending to maximize advantages and "good practices;" (c) the implementation of expenditure assessment arid control mechanisms; and (d) the reinforcement of the broadening of transparency, temporal horizons and budget sustainability.

In a study on public sector spending and rural poverty reduction in the south eastern states of Nigeria, Akpan and Orok (2009) using descriptive technique and the non-parametric statistic, on a 26 year-federal-government data (1980-2005), found among others that budgetary provision for the poverty reduction program have been unsatisfactory and ineffective and that actual release of even the allocations are grossly delayed. This, according to them, had not only affected the implementation of the poverty reduction programmes of government but had translated to underdevelopment and high incidence of poverty in the country. This finding suggests that government expenditure or budget is a significant determinant of poverty reduction. The implication is that an increase it the provision or allocation to poverty reduction programmes of government coupled with sound management and efficient project implantation could litigate the poverty crises in the Nigeria.

From the above empirical studies, it is almost consensual that there is a link between public budget management and poverty reduction and that effective budget management could be a potent strategy for economic growth and for mitigating poverty incidences. However, most of the prior studies were either done outside the Nigerian environment, hence did not reflect the Nigerian experience (Fan, 2004; GDI, 2004; Birowo, 2004 etc), or were too narrow in scope or methodology, and so could not capture national data and hence cannot be generalized nationally (Akpan & Orok, 2009; Anger, 2010). More specifically, Anger (2010) advocated the increase in budgetary allocation as a way out of the Nigerian poverty crises, without any empirical analyses to support. Besides, none of the prior studies reviewed, nor any other study known to the researcher, that had specifically decomposed the elements of sound public budgeting (efficiency, effectiveness and discipline) and their interactions with poverty reduction in Nigeria. It is these lacunas that this study was therefore conceptualized to cover as well as expand the literature both in scope and methodology.

Although the link between budgets and poverty reduction has been described as weak in some regions and non-existent in others, several conclusions can be inferred from related studies. Generally speaking, the budget as a whole affects directly or indirectly the lives of the poor, with some specific safety nets more closely associated with their daily activities (Lucien, 2002). In support of this view, Overseas Development Institute (ODI) (2004) concluded that budget, and how public funds are raised, allocated and managed, and are the main avenues through which Governments channels resources for carrying out their functions, including poverty reduction. These views are in congruence with the view that the budget is the most rational, most acceptable and legal medium for raising and allocating resources to implement government programmes. The following quotation not only depicts the relevance of budgets in poverty reduction but also indicates that the poverty crises in many countries relate to poor or ineffective budgeting. Fozzard, Holmes, Klugman and Withers (2001) asserted that the practice of public expenditure management in many countries is an obstacle to the achievement of poverty reduction objectives. They added that fragmented budgets and an exclusive focus on inputs are among the factors that have undermined the ability of budget systems to discipline policy making and to facilitate performance feedback that would improve outcomes.

Oduro (2001) opined that public expenditure can have a mitigating effect on poverty through the provision of infrastructure and services to the poor, creating the conditions that will enhance the ability of the poor to accumulate assets, facilitating the creation of institutions that will reduce the incidence of risks facing the poor and reduce the impact of negative shocks through the provision of safety nets among others. Taking the case of Nigeria, he specifically asserted that public sector spending is an important component of the Nigerian poverty reduction strategy. He, however warned that public expenditure programmes for poverty reduction must include a strategy on how finances will be generated to fund the programmes in order to prevent the emergence of large Budget deficits that will create economic instability and dampen economic growth. He added any poverty reduction package must be accompanied with an increase in economic growth as a core component.

Fan, Huong and Long (2004) opined that government spending reaches the poor through many different ways, including spending on agriculture, infrastructure and education. Accordingly, government fiscal spending in agricultural research could improve agricultural productivity and o crease rural wages which in turn reduces rural poverty. Also, government spending in infrastructure and education may promote growth through increase in employment and wages, thereby contributing to poverty reduction.

Interestingly, Multidimensional Poverty Index (MPI 2019) assessed poverty in three areas: education, health, and living conditions. Nigeria performed poorly in all three areas, with the lowest marks in education and health worldwide and Nigeria was rated 151st out of 189 nations in terms of poverty and educational disparity.

According to the World Bank, in the first half of this year, four million Nigerians were forced into poverty, and 7.1 million more are predicted to do so if appropriate steps are not taken to mitigate the effects of the loss of fuel subsidies. are not implemented (World Bank, 2023).

According to Sienaert (2023), an additional 4 million Nigerians would be forced in the first part of 2023, into poverty. He also asserts the necessity of a fresh social agreement to safeguard the most vulnerable and impoverished Nigerians following the removal of fuel stipend, noting that approximately A further 7.1 million Nigerians would plunge even further into destitution by if appropriate incentives were not directed toward aiding Nigerians who are impoverished and vulnerable before the end of the year.

2.4. Policies and Programmes for Poverty Reduction in Nigeria.

Poverty reduction is in the main a task for economic policy and requires some antipoverty programs directed at the rural poor. In Nigeria, development policy has had three fundamental objectives: economic growth and development; price stability, and social equity. These objectives were to be achieved through national development plans (NDPs) which were designed to alleviate poverty by achieving an improvement in real income of the average citizen, equitable distribution of income and a reduction in the level of unemployment and underemployment. It is therefore, within different theoretical models for development that past policies aimed at bringing development to the rural areas of Nigeria are designed.

Realizing that approximately 70 percent of the poor live in the rural areas, where they depend largely on agricultural pursuit, public policy on agriculture was therefore, expected to impact positively on the rural poor as well as other sectorial policies that have positive rural biases.

From the standpoint of time, the policy-development trends with serious implications on rural poverty in Nigeria can be examined from two main I perspectives: before independence and post-independence era. The colonial administration prepared and implemented the Ten-Year Plan of j Development and Welfare for Nigeria: 1946-1956, essentially with the sole objective of improving cash crop production and urban infrastructure, particularly roads and communications. Little attention was paid to rural development as it had little relevance to the imperial interests. The period before 1954 witnessed the development of the regional export economies-cotton and groundnut in the North; cocoa and rubber in the West and oil palm and kernel in the East. The 1954 Federal constitution and the process of regionalization placed rural development as a residual item and it was therefore treated as a regional responsibility, just like agriculture, education, etc. Nevertheless, the autonomy associated to regionalism gave each of the three regions a free hand to set its own pace for development. Since revenue came mostly from agricultural exports, the regional governments tried to provide basic infrastructures particularly roads to haul commodities from the rural areas. Since the population was largely rural, and the regions were largely supported by the wealth of the rural areas, educational facilities, potable water as well as health facilities were put in place in the rural areas.

Although these were inadequate, they marked a humble beginning and a conscious attempt to improve the lot of the rural people. During this period of internal self-government, which lasted until 1968, the various regional governments operated and based their development plans on the assumptions of perfect knowledge of the problems of the rural people. Some of the schemes undertaken during this period include the Farm settlement/school leavers farms by the three regional governments; the Tree Crop Plantation (developed through the Development Corporations) of the Eastern and Western governments and the Small Farmer Credit Scheme.

With the attainment of independence in 1960 however, the subject of rural areas assumed greater importance in the scheme of national development. Thus the First National Development Plan: 1962-1968 allocated 13% of the gross capital outlay to agriculture and primary production. However, whatever gains made were wiped off by the civil war. By 1965, the new federal ministry of agriculture was very cautious not to mention agriculture in its plan so as not to hurt the spirit of the 1963 constitution yet, the political powers of the old regions brought out the need to coordinate agriculture at the centre. Consequently, three areas were identified for federal assistance to agriculture in the second National Development Plan- 1970-74. These were:

- Grants for the development of agriculture, forestry, and livestock and fishery;
- Establishment of a National Credit Institution; and

- Special Agricultural Development Schemes where the federal government enters into both financial and management partnership with state governments in carrying out projects.

The Third National Development Plan: 1975-1980, which allocated 7.2% of the N43.36 billion budget estimates to agriculture and rural development sector was essentially a continuation of the development process and policies begun in the preceding plan. The post 1975 period witnessed series of rather panic measures embarked upon by the Federal Government, including the Operation Feed the Nation (OFN),

Agricultural Development Programmes (ADPs), River Basin and Rural Development Authorities (RBRDAs), and the Green Revolution Programme. Of all these, the ADPs received better attention and a systematic approach to project planning while the other schemes mentioned above remained as political slogans. By the second half of the 1970s and early 1980s, the trickle down development strategy has started to wane. Emphasis shifted towards addressing development and poverty issues at the grassroots in rural areas with believe that the rapid growth in the rural economy is the most promising way to reduce poverty and check rural-urban drift. Nigeria was not left out of this new thinking as several programmes were initiated with varying degrees of successes. As argued by Onimode (2003), the economic policies that have semblance of positive policy initiatives on rural poverty reduction include the followings:

- Universal Free Primary Education (UPE ;)
- Subsidy programmes for various activities, especially agriculture, social services and credit;
- Primary health care including the "health-for-all by year 2000" programme;
- Rural water supply scheme;
- Rural electrification by Rural Electrification Boards (REBs);
- Directorate for Food, Roads and Rural Infrastructure (DFRRI);
- Credit guidelines, rural and community banking schemes,
- National Directorate of Employment (NDE);
- Small-and Medium-Scale Enterprises (SME) Programme; and
- Better Life for Rural Women and Family Support Programme.

Recently government has implemented a number of policies aimed at ameliorating multidimensional poverty and educational inequality in the country. Policy interventions the National Poverty Eradication Programme (NAPEP), The Program for Universal Basic Education (UBE) and the nationwide Social Safety Nets Programme (NASSP).

NAPEP is a multi-sectorial programme that attempts to eliminate poverty by providing basic needs, encouraging economic empowerment, and strengthening the capacity of the poor (Ibrahim 2019). . NAPEP has been lauded for its holistic approach to poverty reduction, which is built on significant steps. The initiative has primarily focused on providing microcredit loans, skills training, and other forms of support to low-income households . NAPEP has had some accomplishments, such as training thousands of young people vocational crafts and creating job opportunities through public works projects.

A 2012 evaluation of NAPEP found that it only produced a moderate reduction in poverty and had no substantial influence on educational inequality, failing to address multidimensional poverty (Ajala,2021). NAPEP has been implemented throughout the 36 states of Nigeria additionally to the Federal Capital Territory, benefiting millions of people. However, the program has been criticized for a lack of funding, high administrative costs that led to corruption, transparency, and accountability poor beneficiary targeting, and a low impact on poverty reduction, However, it must be strengthened in order to accomplish its full potential.

The National Social Safety Net Programme (NASSP): NASSP is a federal government initiative that came to replace NAPEP in 2016 so as to provides social assistance to vulnerable groups, such as the elderly, the disabled, and the unemployed (Ajala & Adeyinka, 2021).This programme provides cash transfers along with behavior-changing training and top-up incentives to poor and vulnerable households as well as access to healthcare and education identified through a National Social Registry (NSR) .The NASSP is funded by the World Bank and the Nigerian government. More so, the programme has been implemented in 36 Nigerian states and the Territory of the Federal Capital by the National Social Safety-Net Coordinating Office (NASSCO), which is a government agency under the Ministry of Budget and National Planning. NASSCO works with state and local governments, as well as civil society organizations, to deliver the NASSP programmes. Thus, as of March 2023, it has reached over 2 million beneficiary households by creating over 100,000 jobs as well as reduce poverty by an estimated 10%.

It is important to state in spite of the various government interventions in reducing poverty, Nigeria's level of poverty is very high with over 133million walloping in extreme/ multi-dimensional poverty

3. Research methods

The study applied the explanatory research design. The explanatory research deigns seeks to establish relationships between variables through the collection quantitative data, in-depth study of the phenomena and statistical analysis, to draw conclusions and make recommendations.

3.1. Sources of Data

The study will use time series secondary data that will be extracted from various sources .The data will be for a period running from 1990 to 2018. The for this study was obtained mainly from secondary source, which was collected from government Ministries, Departments and Agencies (MDAs), federal Ministry of Finance (FMOF); the Office of the Accountant General; the F:ce of the Auditor-General; Debt Management Office (DMO); National bureau of Statistics (NBS); and the Central bank of Nigeria (CBN).

Model specification

The specification of the models used is

Poverty level:

PL= $(H_1, E_{2\ 3}A_4)$...................3.1

PL= $F0_1+Hi+E_2+A_4+l2+$

Where PL=Poverty level, HI — E2.....PI

The variables above indicates, the government spending on Agriculture, health and Education, showing the poverty index and Inflation rate.

3.2. Method of Data Analysis

The study adopted analytical research design since it relied heavily on quantitative data analysis to provide answers to the research questions. Secondary sources of data were explored. For the secondary data, 40 years' time horizon was selected purposefully. This period coincided with the period of time that poverty crises began to escalate in Nigeria (1980) and when the NBS conducted their last survey on poverty in Nigeria. Secondary data were extracted from past budget speeches, Central Bank of Nigeria (CBN) Statistical Bulletins, Federal Government of Nigeria Audited Financial Statements and other government official publications obtained from National Bureau of Statistics (NBS) Abuja. The data so collected relate to poverty incidence (relative poverty headcount), budgetary estimates, and actual expenditures, budgetary allocations to agriculture, education, health, transport and communication. Others include: national debts profile as well as the total value of export for the period considered.. The data collected were presented in tables, charts and I graphs. Both parametric and the non-parametric techniques were employed for data analysis. Specifically, descriptive statistic was done first as preliminary Analysis and then the inferential statistic provided the advance analysis. The descriptive statistic which included: mean, maximum and minimum, standard deviation, trend etc., was used to describe the specific attributes of the data set for all the variables used in this study. The advanced analysis was used to inferences with respect to the research objectives, answer the research questions and test the hypotheses of this study. The methods used included: partial correlation to measure relationships between two variables while controlling for other confounding variables, standard OLS regression, to measure the short run effect of the independent variables on the dependent variables, the Johansen Co integration Test, to measure the long-run relationships dependent and independent variables and the Vector Error Correction Model gauged the speed of adjustment of the variables.

4. Analysis and interpretation

The data collected were presented in tables, charts and graphs. Both parametric and the non-parametric techniques were employed for data analysis. Specifically, descriptive statistic was done first as preliminary Analysis and then the inferential statistic provided the advance analysis. The descriptive statistic which included: mean, maximum and minimum, standard deviation, trend etc., was used to describe the specific attributes of the data set for all the variables used in this study. The advanced analysis was used to inferences with respect to the research objectives, answer the research questions and test the hypotheses of this study. The methods used included: partial correlation to measure relationships between two variables while controlling for other confounding variables, standard OLS regression, to measure the short run effect of the independent variables on the dependent variables, the Johansen Co integration Test, to measure the long-run relationships dependent and independent variables and the Vector Error Correction Model gauged the speed of adjustment of the variables.

The data *for* this study representing the dependent variable, the independent variables as well as the control variables are presented in the appendix section of this study. Among the data presented are a profile of poverty incidence in Nigeria (POI) which is the dependent variable, trend in budgetary expenditure (TBEXP), Proportion of budgetary allocations to education (PBAEDU), agriculture (PBAAGR), health, (PBAHLTH) and transport and communication (BATCOM). Others are, the indexes of budget discipline (BDISC), a snapshot e government debt profile, including a profile of domestic debts (DOMD), [external debts (EXTD), and total debts serviced (TDSERV) as well as the ratio of debts serviced to exports (TDS/Exp) and the ratio of total external debts to exports (ED/Exp).The functional classification of governments' total actual expenditure is also presented in graphs. The classification includes health sector (Health), Agriculture (Agric), and education (Edu). The variables used in model one have their tolerance values more than 0.10 and VIFs well below 10 indicating low correlation among the variables. Thus, multi -collinearity does not constitute a potential problem for model one.

The tabulated t- value is 2.056. Since the calculated t-value of LGEA is greater than the tabulated t-value at 5% level of significance; we conclude that its regression coefficient is statistically significant. However, the calculated t-value of LACGSF is less than the tabulated t-value. Therefore, its estimated parameter statistically insignificant.

Standard Error test: It is used to test for statistical reliability of the coefficient estimated

S(b1) = 0.0358 S(b2) = 0.0231 b1 1/2=-0.0322 b2 1/2=0.0537

S(b1) > b1

1/2, we conclude that the coefficient of estimate S(b1) is statistically insignificant

However, S(b2) < b2 1/2, hence its coefficients estimates of S(b2) is statistically significant .

F-Test: This is used to test for the joint influence of the explanatory variables on the dependent variables.

The F- calculated VALUE 20.56 while the F-tabulated value is 37.7at 5% level of significance. Since the F-calculated value is greater than the F-tabulated value, we conclude that the entire regression plane is statistical significant. This means that the joint influence of the explanatory variables (ACGSF and LGEA) on the dependent variable (PL) is statistically significant.

Coefficient of multiply determination (R2) is used to measure the proportion of variations in the dependent variable which is explained by the explanatory variable. The computed coefficient of determination (R2 = 0.6126) shows that 61.26% of the total variations in the dependent variable (LPL) is influenced by the explanatory variables namely; Agriculture credit Guarantee scheme fund (AGCSF) and government expenditure on agriculture (GEA) while 38.74% of the total variation in the independent variable is attributed to the influence of other factors not included in the regression model.

4.1. Regression Analysis

The regression result of model indicated that about 42% of the variance in the dependent variable (poverty incidence-POI) is accounted for by the explanatory variables in this model, namely LPBAAGR, LPBAEDU, LPBAHLT, LPBATCOM and LINF. In other words, about 42% of the variability in the incidence of poverty (POI) is determined by the model variables. This also indicates that the model is statistically significant in explaining the endogenous variable as exemplified by the F statistic which is significant at 1% level (F = 5.28, P-value = 0.0019) specifically, the result indicates that LPBAAGR, LPBAEDU and LPBATCOM have negative effect on the incidence of poverty, while LPBAHLT and LINF are directly associated with the incidence of poverty (POI). The coefficients indicate that a 100% increase in budgetary allocation to agriculture (LPBAAGR), education (LPBAEDU) and transport and communication (LPBATCOM) will reduce the poverty rate (POI) by about 0.53%, 3.2% and 5.5% respectively. On the other hand, a 100% increase in budgetary allocation to health (LPBAHLT) will explode the poverty rate by about 39.2%, while a 100% increase in inflation rate (LINF) will increase poverty by about 2%.

Table 4.1 Regression analysis

Regress ors	Coef.	Standard Err	T-Stat	Prob*	[95% conf.	Interval]
LINF	0.0181289	0.33	0.33	0.743	0.0942956	0.1305534
LPBAAGR	0.0053496	0.0843825	-0.06	0.950	0.1791386	0.1684394
LPBAEDU	0.032080	0.0991928	-0.32	0.749	0.236372	0.1722107
LPBAHLT	0.3918204	0.1037799	3.78	0.001	0.1780817	0.6055591
LPBATCOM	0.0548904	0.0748259	-0.73	0.470	0.2089972	0.0992163
CONS	3.817984	0.2159879	17.68	0.000	3.373149	4.26282
CA	0.791149	0.264834	2.987342	0.0153**		

R-squared 0.53692	Mean dependent var 49.06357
Adjusted R-squared 0.421999	S.D. dependent var 14.39741
S.E. of regression 14.01809	Akaike info criterion 8.391027
Sum squared resid 1768.561	Schwarz criterion 8.619262
Log likelihood -53.73719	Hannan-Quinn criter. 8.369900
F-statistic 5.178267	Durbin-Watson stat 1.735005
Prob(F-statistic) 0.000779	

Source: (Author Extract from E view 9)

5. Conclusion

The preoccupation of this study was to empirically investigate the impact of public spending on poverty reduction in Nigeria. Utilizing both primary and secondary data, which were subjected to both descriptive and inferential statistical analyses to test the hypotheses formulated, and given the delimitations and limitations under which this study was carried out, the study achieved its predetermined objectives. To this end, the following conclusions were reached:

Judicious expenditure on agriculture, education and health have significant impact on poverty reduction in Nigeria. The extent of this determination is a function of the efficiency with which the allocations these key sectors are utilized. The implication is that increase in meaningful budgetary allocation, especially to key sectors of the Nigerian economy (agriculture, education, Health, transport) could tame the ever-increasing wave of poverty. Put differently, budgetary allocation to some key sectors through its positive effects can enhance equity and reduce poverty. Specific sectorial allocations however, manifested mixed results, implying that it is only allocations that are carefully done as against haphazard allocations that deliver the expected outcome of reducing poverty in Nigeria. The functional relationship between budget discipline and poverty reduction in Nigeria is negative but not significant. The implication of the direction of this relationship is that increase in budget discipline has the likelihood to slowdown the rate of poverty, although the effect of the slowdown is not significant.

5.1. Recommendations

On the premises of both the theoretical and empirical findings of this study, the following recommendations are made.

The Federal Government should consciously increase allocations to key sectors of the Nigerian economy as a policy matter. In doing so, preference should be given to the productive sector and the social services sector because of their direct impact on the poor. This will bring about reduction of hunger, increase in health, cheaper transportation and increase in literacy rate. The end results of these will be national prosperity and poverty reduction.

- The Government should encourage participation in the budget process. This is because involving those who are supposed to benefit from government services in budget preparation and monitoring can significantly improve the impact of public budgeting on poverty reduction. In order to foster participatory budget planning, the government must provide stakeholders with (i) information to enable them to understand the budget process and how they can influence key decisions; (ii) information on budget decisions after the passage of the budget; and (iii) open avenues for stakeholders to monitor actual expenditures in order to ensure that budget execution is in tandem between budget plans.
- Public debts and especially external debt should be reduced to the barest minimum if not eliminated. The government should discourage all Ministries, Departments and Agencies (MDAs) from the proclivity to borrow, unless for the execution of projects with direct positive impact on the economy. Even in this case, internal financing options such as bond, treasury bills and domestic borrowing should be explored before approaching external sources.

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