



PUBLIC EXPENDITURE AND LIVING STANDARD IN NIGERIA: A PRE-DEMOCRATIC AND DEMOCRATIC ERA ANALYSIS

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Abstract

This study on the impact of public expenditure on living standards in Nigeria from the pre-democratic era (1984 – 1998) to the democratic era (1999 – 2021) is to determine which era impacted more on the welfare of the citizens. The ex-post Facto research design was used for the study with data from secondary sources. The study employed both descriptive and inferential statistics. The population of the study is the 36 states of Nigeria and the FCT. The sample of the study using the convenience sampling is published statistics from the federal ministry of finance (FMF), central bank of Nigeria (CBN), the federal ministry of health, federal ministry of education, national bureau of statistics and the world bank group. The study employed the use of the statistical package for social sciences (SPSS – 25), to analyse data. The findings revealed the democratic era performed better at improving the standard of living than the military era. The study also found that both eras had issues of control as increments in budget expenditure reveals non-significant changes. The study therefore recommends an increase in capital expenditure to the economic and social community services sectors considering inflation and social trends to improve the standard of living of her citizenry with strict adherence to control measures in the budgetary process from execution; enforce monitoring and evaluation and under accountability; ensure prosecution of corrupt practitioners and accomplices from the auditor general's report.

KEYWORDS: Public Expenditure, Living standard, Economic and social community services

1.0 Introduction

The prevailing increase in public capital expenditure in the annual budgets of the nation is a recurring event considering the traditional budgeting system and this expenditure is basically for improved living conditions of the citizenry. The capital expenditure on economic and social community services has the aggregate impact on the living standard of a country. Thus, the country's standard of living is either measured by the per capita income for developing economies and the human development index for developed economies (OECD,2020, Iana,et al). An economy with a high standard of living will always have a low

cost of living as the reverse is the norm. The standard of living reveals the average well-being of the citizens in a given economy. These reveals the wealth, the material well-being, necessities that are made available in a geographical area and socio-economic class. The rising cost of living is heartbreaking irrespective of the increase in wages and salaries and yet a reason to examine the impact of public expenditure and the material well-being of the citizens of Nigeria, in relation to the responsiveness of fiscal authorities who are saddled with the mandate to stabilize the economy. This determination is in a comparative structure to ascertain the

responsiveness of the different forms of governance to the well-being of her citizens.

2.0 Conceptual framework

2.1 Public expenditure and standard of living

Public expenditure refers to expenditure that is made for the provision of public goods and services to better the life of the citizenry and at a cost quite bearable by the citizens. The standard of living is basically relative to the cost of living. When citizens can spend little resources for comfort then it further speaks that public capital expenditure is readily and adequately invested in an economy.

The standard of living explores factors such as economic and political stability, religious freedom, environmental quality, climate and safety.

IMF (2017), stated the standard of living as proposed by the United Nations human development report 2017 technical notes states the average standard of living in Gross National Income per capita (PPP in dollars) as a minimum of a hundred dollar (\$100) and seventy-five thousand dollar (\$75,000) which expressed in Naira is between forty-one thousand four hundred Naira (N41,400) and thirty-one million and sixty thousand, five hundred Naira (31,060,500) only. The standard of living is usually higher in developed countries. Emerging market economies usually experience rising standards of living overtime as they grow and develop into modern, industrialized economies. Nigeria ranks 130th position with GDP per capital of 49.69 22 from 1990 – 2021 with Luxemburg ranking 1st with 118680.5 from 1990 – 2021 and Equatorial Guinea ranking 72nd, south Africa 87th, Morocco 115th, Ghana 125 with most North African countries ranking above Nigeria

except Ghana in West Africa also ranking above Nigeria. This GDP per capital reflects the value of our currency and affects our standard of living (UNDP, 2017).

Jeff-Anyeneh., *et al* (2020), asserted that the effect of government expenditure on the standard of living has different impacts for various level of economies. That the standard of living in Nigeria by recurrent expenditure has more influence on the standard of living compared to capital expenditure and this lays credence to the delay in submission of budget by the executive arm of government and subsequent passage of a budget by the legislators. Poor budget implementation as well as the abandonment and non-completion of capital projects are hindrance to the living standard in Nigeria. Despite the vast oil wealth of the nation, a large populace of our country lives underneath the destitution line. A report of world poverty clock in June 2018, placed a population of 86.9 million Nigerians as living in abject poverty. To boost the standard of living will mean strengthening the Agricultural Sector (reducing interest rates on agricultural loan, providing subsidy networks, etc.). Industrial sector (by providing steady power supply, good roads and communication networks, etc.) and hospitality and Tourism sector amongst others. That government should prioritize capital expenditure over recurrent expenditure as the former is ideal for the improvement of the standard of living (Jeff-Anyeneh *et al*, 2020). Government spending on public services has been on an upward spiral while economic growth has been on a downward spiral in the recent past and has failed the governed to realise their full potential through quality education, food, shelter, nutrition, transportation security and so on (Bowale, *et al*. 2020, NBS, 2020)

2.2 Theoretical framework

The study is anchored on the following theories with the Theory of public expenditure as its anchor theory.

2.2.1 Theory of public expenditure

The theory of public expenditure by Adams, H.C (1895), states that the aim of public expenditure is to discover the meaning of expenditures for the life of a people and in this manner to arrive at the principles which centres appropriation. A distribution of public funds between the various lines of services unshaken by the state also is in a general manner determined by the same considerations as influence individual expenditures. That as a poor man’s income is expended on the necessities rather than the comfort of luxuries life, so the poor state would be called upon to make larger relative expenditure for the primary governmental functions.

2.2.2 Agency theory

Jensen and Meckling (1976), stated that the agency theory resonates from the separation of ownership and control in Modern Corporation which creates a principal-agent relationship evokes transfer of trust and duty to the agent with the belief that the agent is opportunistic and will pursue interest including executive fraud, which antagonizes interest of the principal. The theory therefore pressures tension between the agent and

principal, necessitating the latter to put in place mechanisms that will constrain the former from engaging in activities that are inimical to the existence of the organization (Tsegba and Upaa, 2015).

3.0 Methodology

The study adopted the Expo-facto research design. The population of the study include the 36 states of the country and the FCT. The sample of the study using the convenience sampling is publish statistics from the federal ministry of finance (FMF), central bank of Nigeria (CBN), the federal ministry of health, federal ministry of education, national bureau of statistics and the world bank group. The study employed the use of the statistical package for social sciences (SPSS – Windows), to analyse data with the use of coefficient of determination(R^2),linear regression and ANOVA to test the hypothesis. The model for the study and the decomposition of the variables for data analysis is as shown below;

$$Std_{liv} = f(CapbgtES + \alpha_i) \dots \dots \dots i$$

Where;

CapbgtES = Capital budget on Economic and Social Services

Std_{liv} = Standard of Living

α_i = other lurking variable

4.0 Results and findings

TABLE 4.1:Public capital expenditure on economic, social community services and standard of living in Nigeria

PRE-DEMOCRATIC ERA	DEMOCRATIC ERA
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Year	Economic & Social Community service sector (₦B)	% of budget	Standard Of Living (USD) \$	Year	Economic, Social and Community Service (₦Billion)	% of Total Budget	Standard of Living (USD) (\$)
1984	0.90	21.80	902.2	1999	340.83	68.43	497.8
1985	2.04	37.46	882.5	2000	139.48	58.25	569.9
1986	1.76	22.59	639.0	2001	313.10	71.37	590.4
1987	21.78	54.59	598.3	2002	274.80	77.10	741.7
1988	3.86	46.22	549.2	2003	153.72	63.61	795.4
1989	5.77	38.39	474.2	2004	197.75	61.49	1,007.9
1990	5.59	23.21	507.5	2005	336.39	64.86	1,656.4
1991	4.64	16.36	502.9	2006	340.89	61.44	1,883.5
1992	4.47	11.24	477.2	2007	509.28	72.35	2,259.1
1993	21.92	40.22	270.2	2008	656.46	59.73	1,911.6
1994	32.09	45.26	321.3	2009	650.94	59.81	2,280.4
1995	52.37	43.23	408.2	2010	563.97	59.24	2,487.6
1996	126.49	59.41	461.5	2011	461.25	46.80	2,723.8
1997	176.51	65.46	461.5	2012	418.30	57.03	2,961.5
1998	223.37	72.56	480.0	2013	660.48	64.20	3,099.0
				2014	504.74	56.83	2,687.5
				2015	431.73	53.03	2,176.0
				2016	347.75	53.21	1,968.6
				2017	709.85	57.13	1,968.6
				2018	956.91	56.88	2,027.80
				2019	1,258.88	54.99	2,229.10
				2020	888.14	54.99	2,097.10
				2021	1,406.12	56.75	2,085.0

Source: Federal Ministry of Finance, Office of the Accountant General, 2022. United Nations World Population Prospects 2022, CBN Statistical bulletin, 2022. World Bank Group, 2021

Table4.2 A Capital expenditure on economic and social community service and average standard of living (pre-democratic era)

Descriptive Statistics

	Mean	Std. Deviation	N
Stdliv	732.3556	521.12691	15
CapbgtEs	38.6289	66.46278	15
%Tbgt	44.1689	19.67188	15

Correlation

	Std _{liv}	CapbgtEs	%Tbgt
Pearson correlation	1.000	-.296	.393
stdiv.	-.296	1.000	.537
CapbgtEs	.393	.537	1.000
%Tbgt			
Sig. (1-tailed) Std _{liv}	.	.116	.054
CapbgtEs	.116	.	.011
%Tbgt	.054	.011	.
N stdiv.	18	18	18
CapbgtEs	18	18	18
%Tbgt	18	18	18

ANOVA^a

Model	Sum of squares	Df	Mean square	F	Sig.
1	2377149.207	2	1188574.603	7.961	.004 ^b
Regression	2239596.157	15	149306.410		
Residual	4616745.364	17			
Total					

a. dependent variable: standard of living

b. predictors: (constant), percentage of budget, capital budget on Economic, social community services

Coefficients^a

Model	Unstandardized coefficients	Std. Error	Standardized coefficient	T	Sig.
	B		Beta		
1	41.581	239.525	.174	.174	.865
(constant)	-5.582	1.671	-.712	-3.340	.004
%Tbgt					

CapbgtEs	20.521	5.646	.775	3.635	.002
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Coefficient^a

Collinearity statistics		
Model	Tolerance	VIF
1 (constant)		
capbgtEs	.712	1.405
	.712	1.405

a. dependent variable: standard living

Coefficient correlations^a

Model	%Tbgt	CapbgtEs
1 correlations		
%Tbgt	1.000	-.537
capbgtEs	-.537	1.000
Covariances		
%Tbgt	31.878	-5.064
CapbgtEs	-5.064	2.793

a. dependent variable: standard of living

Table 4.3:Capital expenditure on economic and social community services and average standard of living (Democratic era)

Descriptive Statistics

	Mean	Std. Deviation	N
Stdlw	1856.7696	785.96226	23
CapbgtES	544.4243	328.39539	23
%bgt	60.4139	6.97462	23

Correlations

		Std _{liv}	Capbgt _{ES}	% bgt
Pearson Correlation	StdLiv	1.000	.469	-.532
	Capbgt _{ES}	.469	1.000	-.350
	% bgt	-.532	-.350	1.000
Sig.(1-tailed)	StdLiv		.012	.005
	Capbgt _{ES}	.012		.051
	% bgt	.005	.051	
N	StdLiv	23	23	23
	Capbgt _{ES}	23	23	23
	% bgt	23	23	23

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1. Regression	5077931.395	2	2538965.698	5.965	.009 ^b
Residual	8512275.474	20	425613.774		
Total	13590206.87	22			

a. Dependent Variable: Std_{liv}

b. Predictors: (Constant), Percentage of Budget, Capbsgt_E

Coefficients^a

Collinearity Statistics		
Model	Tolerance	VIF
1. (Constant)		
Capbst _{ES}	.878	1.140
%Tbgt	.878	1.140

a. Dependent Variable: Std_{liv}

Coefficient Correlations^a

Model		Percentage of Budget	Capbst _{ES}
Correlations of Budget	Percentage	1.000	.350
	Social Service %Tbgt	.350	1.000
Covariances of Budget	Percentage	453.213	3.369
	Capbst _{ES}	3.369	.204

a. Dependent Variable: Std_{liv}

4.1 Discussion of findings

The Pearson moment correlation reveals a -0.296 magnitude of negative and non-significant effect of capital expenditure on economic, social and community service to the standard of living of the citizens in the pre-democratic era (1984-1998). The Durbin-Watson of 1.084 reveals a non – autocorrelation between the two variables (living standard and capital budget on economic, social and community services). This infers misappropriation of funds. A regression variance of 2377149.07 on the ANOVA as sum of squares shows a wide degree of scatter and less uniformity between the two variables and a mean square of 1188574.603 all reveals a wide scatter and it's significant at 0.004. The T- value of 0.174 is greater than 0.05 which infers that the null hypothesis is accepted. This infers a very high expenditure with a very high non-significant and negative impact on the living standard of citizens. The tolerance of 0.712 and variance inflation factor (VIF) of 1.405 reveals the absence of multi-collinearity in the regression results revealing that the regression coefficients are reliable.

In the democratic era, the Pearson moment coefficient of correlation reveals a positive but non-significant impact of 0.469 relationship between the standard of living and the capital budget expended on economic and social community services in the democratic era (1999 -2021). The living standard is 0.12 significant to the budget on the sector and 0.005 of the percentage of capital expenditure in the sector to the living standard. This implies a positive but non-significant impact of the living standard to the expended funds and percentage allocated to the sector respectively at one-tailed. The coefficients so far have a positive but non-

significant value of 0.322 as T-test of 1.706 reveals and at a significant level of 0.104 which is over 99% level of confidence while the percentage of budget is negative at – 0.410 and – 216 with T -value at 0.038 significant level and higher than that of the living standards inferring that the budget percentage expended is negative and non-significant to the living standard. Both the tolerance of 0.878 and variance inflator factor of 1.140 for capital expenditure and percentage of budget reveals the absence of multi-collinearity problems even though there exist no autocorrelation, thus, affirming that the regression coefficients are reliable.

The study therefore accepts the null hypothesis that there exist a non-significant and negative relationship between public capital expenditure on economic, Social and community services on the average standard of living of Nigerians in the pre-democratic era (1984-1998) and a positive but non-significant impact of public capital expenditure on the average living standards of Nigerians in the democratic era (1999-2021).which disagrees with Jeff-Anyeneh, Ananwude, Ezu and Nnoje (2020) and Ogundipe and Adesola(2022) who agrees that public expenditure improves standard of living.

4.2 Summary of findings

The followings were revealed in the study;

- i. That public expenditure in the economic and social services sector had non-significant impact on the standard of living in Nigeria between 1984 to 1998(pre-democratic era).
- ii. That the change in living standard was proportionate to the expenditure.
- iii. There however existed a positive but non-significant impact of public expenditure to the standard of living between 1999 to 2021(democratic era) but the change in living

standard is inversely proportional to the change in public expenditure in the democratic era.

iv. There exist a negative impact between budget percentage and standard of living which infers that as budget funds allocated to the sector increased, the standard of living didn't increase proportionately.

5.0 Conclusion and recommendation

Conclusively, the democratic era impacted more on the standard of living to the pre-democratic era but is more characterized with budgetary misappropriation thus a better result will have been the case. The percentage of budget to the sector in the pre-democratic era was more significant to change in living standards than the democratic era revealing stricter compliance to the execution and control mechanisms. The study therefore recommends that fiscal authorities should increase the capital expenditure to economic and social community services sector to improve the standard of living of her citizenry and ensure strict compliance to control mechanisms for the attainment of very significant impact of the expenditure on the average standard of living of Nigerians.

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