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IMPACT OF GOVERNMENT EXPENDITURE ON UNEMPLOYMENT IN NIGERIA

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ABSTRACT

Despite rising government expenditure over the years, unemployment remains high and persistent. This study examines the impact of government expenditure on unemployment in Nigeria over a period of 1981 to 2023. An autoregressive distributed lag (ARDL) model was utilized for the analysis. Major findings indicate that general government expenditure has a negative effect on unemployment in the long run while final consumption expenditure has a negative but weak impact on unemployment in Nigeria. Furthermore, the short-run results indicate that past periods of gross national expenditure decrease current unemployment while general government expenditure increase current unemployment. The study concludes that government expenditure is an effective tool for reducing unemployment in Nigeria and The government should implement targeted job creation programs in high impact sectors like infrastructure and social services, alongside strict anti-corruption measures to ensure transparent and efficient allocation of public funds.

Introduction

Government expenditure plays a vital role in influencing Nigeria's economic landscape, particularly in relation to unemployment. The Nigerian government's spending patterns have significant implications for job creation, economic growth, and poverty reduction (Adebayo, 2020). It influences unemployment through various channels such as fiscal multiplier effect which suggests that government expenditure can improve economic growth and generate employment opportunities (Keynes, 1936). Additionally, investments in human capital development, including education and healthcare, enhance employability, while infrastructure development projects also generate employment opportunities (Olaniyan & Oyinlola, 2022).

Moreover, government expenditure impact on gross national product and final consumption expenditure, as increased spending can lead to higher overall demand in the economy. This higher demand can, in turn, reduce unemployment by encouraging businesses to expand and hire more workers. Nigeria, like many developing nations, faces a persistent struggle with high unemployment (National Bureau of Statistics, Nigeria, 2023). This not only negatively affects individual livelihoods but also hinders economic growth and social stability. However, unemployment is detrimental to economic growth not only because of its negative impact on national and per capita income but also due to the inherent problems it creates, such as citizens being unable to obtain good health care, quality education, adequate housing, healthy food, clean water, and other basic needs of life due to poor living standards, poverty, and low income (Ndubueze et al., 2020).

Extended periods of unemployment can result in skill deterioration making it difficult for people to re-enter the workforce, and can strain public resources since governments may need to increase funding for social welfare programs. Ultimately, the consequences of unemployment are multifaceted, affecting not just the economic fabric but also the social and psychological well- being of a society (Obisike *et al,* 2020) Most developing and developed countries today utilize public spending to enhance income distribution, guide the allocation of resources to preferred sectors, and shape the structure of national income. (Assi et al., 2019; Vtyurina, 2020). While government expenditure is often viewed as a potential tool to stimulate economic activity and create jobs, the relationship between government spending and unemployment in Nigeria appears complex. Existing data suggests a disconnection between government spending patterns and the desired outcome of job creation. There has been a decline in government spending as a proportion GDP in recent decades, while unemployment has continued to rise (National Bureau of Statistics, Nigeria, 2023).

This high unemployment rate can be attributed to various factors beyond just government expenditure. Social factors like rapid population growth and a mismatch between educational qualifications and labor market demands create pressure on the job market (Bloom & Canning, 2021). Economic factors like an oil-dependent economy and limited access to finance for small and medium-sized enterprises restrict job creation opportunities (World Bank, 2023). GNP accounts for the total economic output produced by a country's citizens, irrespective of the location of that production. GNP growth is another critical factor that influences unemployment. This is because growing economy creates opportunities for job creation, while economic downturns exacerbate unemployment. In light of this situation, the following key questions remain unanswered: To what extent does government expenditure impact unemployment in Nigeria? Finding from this paper are relevant to directing policy responses aimed at reducing unemployment in Nigeria.

This study uses annual time series data from 1981 to 2023 to analyze how government expenditure affects unemployment in Nigeria, across periods marked by major economic reforms and policy shifts. Following the introduction, the rest of the paper is structured as follows: section two examines literature review, section three discusses the study's methodology, section four presents the analysis results, and section five contains conclusion and suggestions.

1. Literature Review

1.1 Conceptual Review

Government Expenditures

Government expenditures refer to the use of public funds by the government to support its operations, offer public goods and services, and fulfill economic and social goals (Musgrave, 1959). Blanchard (2019) sees government spending as a tool for stabilization of policy. Romer (2020) defined government expenditures as a means of achieving economic growth and stability. According to World Bank (2022) government spending aims at promoting economic growth and poverty reduction. Government spending therefore refers to the distribution and utilization of public funds to finance public goods and services and to accomplish economic and social goals. Some of the types of government spending are Current expenditures: such as salaries, interest payments, subsidies, and operational costs. Capital expenditures: such as infrastructure development, education, healthcare, and investment in human capital . Transfer payments: such as social welfare programs, pensions, and unemployment benefits (Mankiw, 2017). These government expenditures are aim at stimulating aggregate demand, create jobs, and increase economic growth, it also helps to provide essential services, ensure basic needs, and promote social equity. Government expenditures also aid the maintenance of law and security, and promote political legitimacy (Buchanan, 1968).

Unemployment

There is no universally accepted definition of unemployment. Various countries adopt definitions that align with their specific local needs. Nevertheless, most nations utilize the International Labour Organization (ILO) definition or a variation of it to assess unemployment levels. (NBS, 2016). To the average person, unemployment refers to a condition of being without a job, whereas economists see it as the state of being without work despite actively seeking employment (International Labour Organisation (ILO), 2023).

1.2 Theoretical Review

This study is based on the Keynesian theory established by John Maynard Keynes in 1936. The theory posits that improving government expenditure can greatly enhance aggregate demand, resulting in rapid growth in national income. This theory advocates for government involvement in the economy to correct market failures. Keynes famously remarked that "the long run is a misleading guide to current affairs. In the long run, we are all dead." This statement emphasizes the significance of tackling urgent economic problems instead of only concentrating on long-term results. He also rejected the idea of the classical economists who believed in a self-correcting market, that the economy would revert to its natural state of balance. He viewed the economy as dynamic systems that are constantly experiencing cycles of expansion and contraction. Keynes supported a countercyclical fiscal policy where the government should reduce spending during economic booms and increase spending during downturns. He believed that government intervention is essential to prevent severe recessions by stimulating aggregate demand, which can lead to a multiplier effect, were initial government spending generates further economic activity and income. This theory indicates that government expenditures enhance total output and create more income.

1.3 Empirical Review

Raifu et al. (2024) examined how institutional quality affects the relationship between government spending and unemployment in Nigeria, focusing on various types of government expenditures (total, recurrent, and capital). They employed Granger causality tests and autoregressive distributed lag (ARDL) estimation methods to analyze data from 1984 to 2019. The study finds that there is a unidirectional causal relationship running from unemployment to both total and capital expenditures, indicating that changes in unemployment levels can influence government spending patterns in these areas. A partial unidirectional causality exists from recurrent expenditures to unemployment, total and capital expenditures promote employment in the long run, whereas recurrent expenditures only support

employment in the short run. Furthermore, institutional quality negatively impacts employment in the long run and significantly influences how government spending affects unemployment in Nigeria.

Jitendra (2023) used ordinary least squares (OLS) regression analysis to study the effects of government expenditure, inflation unemployment, and household consumption on India's economic growth from 1990 to 2021. The findings revealed that higher government expenditure positively impacts national income and consumption while negatively affecting unemployment in India. Additionally, the results showed that inflation significantly hinders economic performance due to the resulting uncertainty, which reduces investment, employment, and overall output and consumption levels. Additionally, investments in both physical and human capital have significantly improved economic performance in India. Specifically, investing in human capital enhances labor productivity, resulting in greater output, while investment in physical capital raises the amount of capital available per labor unit. These factors together have the potential to boost productivity for each worker. Altogether, these elements lead to an overall rise in output and better economic performance.

Oseni and Oyelade (2023) explored the impact of capital expenditure on Nigeria's unemployment rate from 1981 to 2020 was analyzed using the Johansen co-integration test and the error correction model (ECM) approach. In this study, the unemployment rate served as the dependent variable, while the explanatory variables included capital expenditure, tax revenue, labor force, compensation of employees, gross capital formation, gross domestic product , and import of goods and services. The findings revealed that among the seven explanatory variables, four were statistically significant. Notably, capital expenditure and gross capital formation had a negative and significant effect on the unemployment rate in Nigeria, suggesting that increased investment in these areas could help reduce unemployment. Conversely, the labor force and gross domestic product were found to have a positive and significant impact on unemployment, indicating that as these factors increase so does the unemployment rate.

Furthermore, Nwamou (2022) investigated the impact of government expenditure on unemployment in Nigeria from 1991 to 2020.Autoregressive Distributed Lag (ARDL) model and Error Correction Model (ECM) were utilized to analyze the data. The result showed that capital expenditure and recurrent expenditure have a negative relationship with unemployment rate. Capital expenditure is statistically significant while recurrent expenditure is not statistically significant, while credit to private sector has a positive and significant impact on unemployment rate.

Ikechukwu and Agu (2021), examines the impact of fiscal policy instrument on unemployment in Nigeria from 1990- 2020. The data were analyzed using ADF unit root test, co-integration test and ARDL Model. The result was Government Borrowing, Taxation and Government Expenditure has a positive and no significant impact on Unemployment in Nigeria.

Obisike et al. (2020) investigated the influence of government social expenditure on unemployment in Nigeria from 1981 to 2016. By applying the Ordinary Least Square (OLS) regression method, the findings indicated that government recurrent expenditure does not significantly affect unemployment in Nigeria, while capital expenditure does have a notable impact. Moreover, the study concluded that the overall total government expenditure significantly influences unemployment in Nigeria.

Also, Ebi and Ibe (2019) examined the causal relationship between government expenditure and unemployment from 1981 to 2017. Estimation was done using Ordinary Least Square Method (OLS), Analysis of data using Johansen Cointegration Technique and Granger Causality. There is negative and significant relationship between unemployment rate and recurrent expenditure while unemployment rate and capital expenditure is positive and significant. The positive relationship is contrary to their priori expectation. To reverse the above trend and reduce unemployment, re-allocation of capital expenditure to enhance employment opportunities, capital expenditure should be channeled towards productive sectors. These studies provide valuable insights, but a gap remains. While they explore the relationship between government expenditure and unemployment, there is a need for

comprehensive understanding on the influence of general government expenditure on unemployment in the Nigerian context particularly over the period of 1981 to 2023. This study addresses a notable gap where limited attention is given to different types of government expenditure such as final consumption and general government expenditure on unemployment in Nigeria. Most studies did not distinguish between the short and long run impacts. By updating the data and applying the ARDL model, the study provides evidence on how specific forms of government spending influence unemployment, offering more insight for policy making.

2. Methodology

The ARDL method introduced by Pesaran and Shin (1999) was employed to analyze the long run and short run dynamic impact of government expenditure on unemployment in Nigeria. The baseline model of this study follows the work of Nwamou (2022). The model specifies unemployment as a function of capital expenditure, recurrent expenditure and credit to private sector.

UNR= f (CEXP, REC, CRP) 1

The study adapts Nwamou (2022), with modification to suit this research, the study models unemployment (UNR) as a function of final consumption expenditure on government (FXC), general government expenditure (GGE) and gross national expenditure (GNE) this is significant because it shows how unemployment is impacted by other expenditure variables Thus the model for the study is specified in equation 2 as;

$$UNR = (FXC, GGE, GNE,) \quad 2$$

Equation 3 is parameterized in an estimable version in equation 3.

$$= {}_0 + {}_1FXC + {}_2GGE + {}_3GNE + \quad 3$$

$_0$, $_1$, $_2$, and $_3$, are intercept and coefficients to be estimated respectively
$_=$ the error or disturbance term

The study utilized the ARDL bounds test for cointegration as suggested by Pesaran et al. (2001), It enables the examination of mixed variables, where some variables are integrated of order I (0) and others of order I(1), but none of order I(2). Also, the ARDL technique is particularly suitable for small and finite-sized datasets. To check if there is a long-term connection between the variables with different order of integration, the bounds test is the best option. If the bounds test result shows that the variables are co-integrated, the Error Correction Model (ECM) is done to analyze both short run and long run relationships. To perform the bounds test , the ARDL model for the study is specified in equation 4 for short run and equation 5 for long run:

$$\Delta UNR_t = \beta_{0i} + \sum_{t-1}^{m} \Delta UNR_{t-1} + \sum_{t-1} \beta_{1i}\Delta LFXC_{t-1} + \sum_{t-1} \beta_{2i}\Delta LGGE_{t-1} + \sum_{t-1} \beta_{3i}\Delta LGNE_{t-1} + {}_{0i}\, ECT_{t-1} + \mu_t \quad 4$$

$$\Delta UNR_t = \beta_0 + \varphi_1 UNR_{t-1} + \varphi_2 LFXC_{t-1} + \varphi_3 LGGE_{t-1} + \varphi_4 LGNE_{t-1} + \mu_t \quad 5$$

The dynamic impacts of variables GGE, FXC and GNE on UNR are captured by $_1$, $_2$, $_3$ $_4$ for the short-run coefficients and $_t$ is the disturbance term. $_1$, $_2$, $_3$and $_4$ are for the long-run coefficients, calculated as the sum of immediate impact and the distributive lag impact, scaled by one less the sum of autoregressive coefficient. The ECT coefficient captures the adjustment process towards the long run equilibrium.

Data on unemployment, final expenditure on consumption, general government expenditure and gross national expenditure were sourced from the World Development Indicators (2024) .

Sources and expected signs of variables are further explained on table 1.

Table 1
Definition, Measurement of Variables and Source of Data

Variable	Definitions/ Measurements	Prior Expectations	Source
Unemployment Rate (UNR)	Annual % of labor force unemployed and looking for jobs		World Bank (WB, 2024)
Final Consumption Expenditure on Government (FXC)	Annual government, (NPISHs) and household spending on goods and services, It measures in nominal values expressed in billions of US dollars.	It is expected to be +/-	World Bank (WB, 2024)
General Government Expenditure (GGE)	Total spending by all levels of government, it is measured in nominal US dollars	It is expected to be negative -	World Bank (WB, 2024)
Gross National Expenditure (GNE)	Total domestic spending on goods/services by residents, nominal terms, expressed in US dollars	It is expected to be +	World Bank (WDI, 2024)

Source: Authors' Tabulation.

3. Results and Discussions

Table 2: Results of Descriptive Statistics

Statistic	UNR	FXC	GGE	GNE
Mean	4.081	4.031	1.138	5.375
Median	3.991	4.133	0.753	5.359
Maximum	5.633	4.509	2.245	6.321
Minimum	3.507	2.451	-0.092	4.610
Std. Dev.	0.473	0.459	0.810	0.528
Skewness	1.742	-1.636	0.086	0.132
Kurtosis	5.528	5.989	1.462	1.600
Jarque-Bera	33.21	35.20	4.288	3.633
Probability	0.000	0.000	0.117	0.162
Sum	175.5	173.3	48.94	231.1
Sum Sq. Dev.	9.403	8.863	27.59	11.72
Observations	43	43	43	43

***Source**: Authors Computation using Eviews 10*

Table 2 describes the properties of the data for the estimation period. UNR has a mean of 4.08 and a median of 3.99. While there's a slight right skew (1.74) and a maximum of 5.63. The low standard deviation (0.47) further reinforces that UNR's values cluster tightly around the mean.

LGNE's near-zero skewness (0.13) and its mean (5.38) and median (5.36) suggest a symmetric pattern. LGGE's mild skewness (0.09) and moderate standard deviation (0.81). Even LFXC, despite its left skew (-1.64), benefits from a low standard deviation (0.46), showing that most values cluster closely around the mean (4.03). The probability values of Jarque-Bera for all the variables, except UNR and FXC were greater than 5 per cent significance level. This suggests that all the variables of the study, except UNR and FXC are normally distributed.

Table 3
Result of Unit Root Test

Variable	Coefficient	Prob.	Coefficient	Prob.	I(d)
Panel A: Augmented Dickey-Fuller (ADF)					
	LEVEL		FIRST DIFFERENCE		
UNR	-2.0425	0.2683	-4.5257***	0.0008	I(1)
FXC	-4.7586**	0.0022	…..	…..	I(0)
GGE	-0.6881	0.8387	-6.0088***	0.0000	I(1)
GNE	2.0259	0.9998	-5.6912***	0.0000	I(1)
Panel B: Phillip-Peron (PP)					
UNR	-2.2371	0.1968	-5.1498***	0.0001	I(1)
FXC	-5.7053**	0.0321	…..	…..	I(0)
GGE	-0.9155	0.7735	-6.0336***	0.0000	I(1)
GNE	1.9064	0.9997	-5.6912***	0.0000	I(1)

***Source** Authors Computation ,* NB: ***, ** and * indicate significance at 1%, 5% and 10% respectively

Table 3 presents unit root stationarity test of the variables employed in this study, It shows in panels A and B, Augmented Dickey-Fuller (ADF) and Phillip-Peron unit root result at level I(0) and first difference I(1) for all the variables. The results as revealed are of mixed order of integration. UNR: Stationary at first difference I(1): The ADF (p=0.0008) and PP (p=0.0001) tests confirm stationarity after first differencing. FXC: Stationary at level I(0): Both ADF (p=0.0022) and PP (p=0.0321) tests reject

the null hypothesis of non-stationarity at the 5% significance level.

GGE: Stationary at first difference I(1): Strong ADF (p=0.0000) and PP (p = 0.0000) results indicate stationarity after differencing. GNE: Stationary at first difference I(1): Both ADF (p=0.0000) and PP (p = 0.0000) tests confirm stationarity after differencing. The stationarity results validate the use of ARDL to explore relationships between (FXC, GGE, GNE) and (UNR).

Table 4
Result of ARDL Bound Test

Bound Cointegration Test				
F-Statistic	**k**	I(0)	I(1)	**Significance**
4.75**	3	2.72	3.77	10%
		3.23	4.35	5%
		4.29	5.61	1%

***Note**:* K= no of observation, I(0) = Lower bound, I(1) Upper bound **Source:** *Authors Computation*

From result on table 4, shows the result of the ARDL bounds test for cointegration for the study. The first step in this procedure is to compare the value of the calculated F-statistic with the Pesaran et al. (2001) critical value bounds. it is established that the F-statistic derived from the bound test is (4.75) calculated at k=3 (number of explanatory variables) exceeds the upper critical bound of (4.35) at 5% level of significance. This indicates strong evidence to reject the null hypothesis of no long-run relationship among the variables. The result confirms cointegration among the variables (UNR, FXC, GGE, GNE), meaning they share a stable equilibrium relationship over the long run. Existence of cointegration necessitates the interest in the error correction components of the models.

Table 5
Long-Run Coefficients Table

Variable	Coefficient	t-Statistic	P-Value
LFXC	-1.0324	-1.2796	0.2135
GGE	-0.5220**	-1.6392	0.0410
LGNE	1.4013	1.9426	0.0644
C	-27.5417	-1.7275	0.0975

Source: *Authors Computation* NB: ** indicate significance at 5%

The long run results as seen on table 5 shows that holding other explanatory variables constant, there is a negative long run relationship between LGGE and UNR. This implies that a unit change in general government expenditure leads to a decrease in rate of unemployment by 52.20% in the long run, at 5% level of significance, implying potential long-term job creation from government activity (e.g., public investment). Similarly, there is a negative relationship between LFXC and UNR in the long run but statistically insignificant. This suggests that it reduces unemployment but no robust long-term relationship. LGNE has a positive relationship Contrary to expectations, growth is associated with higher long-run unemployment. This could signal structural issues (e.g., automation replacing labor) or sectoral imbalances (e.g., growth in capital-intensive industries).

Table 6
Short-Run Dynamics Table

Variable	Coefficient	t-Statistic	p-Value
D(UNR(-1))	0.5788***	3.0539	0.0056
D(UNR(-2))	-0.1547	-0.4528	0.6549
D(UNR(-3))	1.1090***	2.9674	0.0069
D(LFXC)	-0.5447	-1.1928	0.2451
D(LGGE)	-0.2086	-1.3452	0.1917
D(LGGE(-1))	0.3886**	2.3044	0.0306

D(LGGE(-2))	-0.2921	-1.6221	0.1184
D(LGGE(-3))	0.4015**	2.1083	0.0461
D(LGGE(-4))	-0.2473	-1.6152	0.1199
D(LGNE)	-0.9024	-1.6148	0.1200
D(LGNE(-1))	-1.5939**	-2.3051	0.0305
CointEq (-1)	-0.5276**	-3.4266	0.0023

Source: *Authors Computation using Eviews 10*

NB: ***, ** and * indicate significance at 1%, 5% and 10% respectively

The short-run result on table 6, provide insights into how unemployment (UNR) interacts with lagged UNR, LGGE LGNE, LFXC. It is seen that all explanatory variables have a short run significant impact on unemployment with the exception of D(LFXC) which has a non-significant impact on unemployment. Specifically, a percentage increase in unemployment from the first lag period and the third lag period leads to increase in current unemployment by 0.58% and 1.11% on average. The first lag value and the third value of general government expenditure led to short run increase in unemployment by 38.86% and 40.15% on average, holding other explanatory variables constant at 5% level of significance. Also, the first lag period of gross national expenditure led to short run decrease in unemployment by -159.39% on average, holding other variables constant at 5% level of significance. Final consumption expenditure tends to decrease unemployment but not statistically significant.

The error correction coefficient (ECT) parameter is -0.52 which indicate that 52% errors made in one period is generated in the next period at a fast pace. Additionally supporting evidence of a consistent long-term relationship between the dependent variables and its predictors is the significant and negative ECM coefficient.

Table 7
Post Estimation Diagnostics

Post Estimation Test (Robustness Check)			
Diagnostic Test	**F-statistic**	Df	**Prob.**
Panel A: Primary Diagnostics			
R^2	0.8476	-	
Adj R^2	0.7548	-	
DW	2.1068	-	
F-Stat	9.1344***	-	0.0000
Panel B: Secondary Diagnostics			
Linearity (RESET)	0.0041	df(1, 11)	0.9480
Serial Correlation	1.039	Prob. F(2,13)	0.3712
Heteroscedasticity	1.445	Prob. F(22,15)	0.2103
JB-Normality	1.4116	-	0.4937

Source: Author's computation using Eviews 10
NB: ***, ** and * indicate significance at 1%, 5% and 10% respectively.

The summary of the primary and secondary diagnostics is shown in Table 7. In Panel A, the adjusted R^2 indicates that 75.48% of the variation in the unemployment rate is accounted for by the explanatory variables included in the regression model, reflecting the model's goodness of fit. The Durbin-Watson statistic implies that there is no first-order serial correlation in the regression model. Furthermore, the F-statistic verifies that the model is correctly specified. In Panel B, additional reliability tests of the regression model reveal that there are no specification errors, second-order serial correlation, or heteroscedasticity, and that the residuals are normally distributed

The Cumulative Sum of Recursive Residual Test and the cumulative Sum of Squares of Recursive Residual Test

The stability of the estimated equation and parameters was assessed using the Cumulative Sum of Recursive Residuals (CUSUM) and Cumulative Sum of Squares of Recursive Residuals (CUSUMSQ) tests. Both tests indicate stability, as the recursive errors fall within the 0.05 critical lines during the study period (1981-2023). Specifically, the CUSUM test shows that the recursive errors lie strongly within the critical lines, while the CUSUMSQ test confirms stability with the sums of recursive errors falling between the two critical lines.

Figure 1: Cumulative Sum of Recursive Residual Test Plot

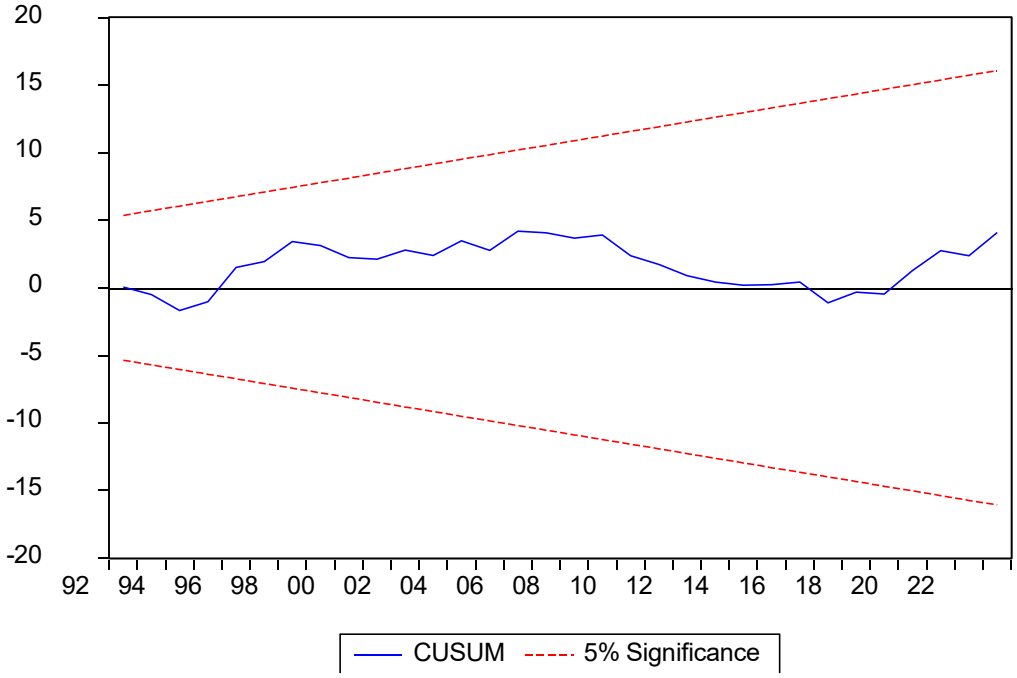
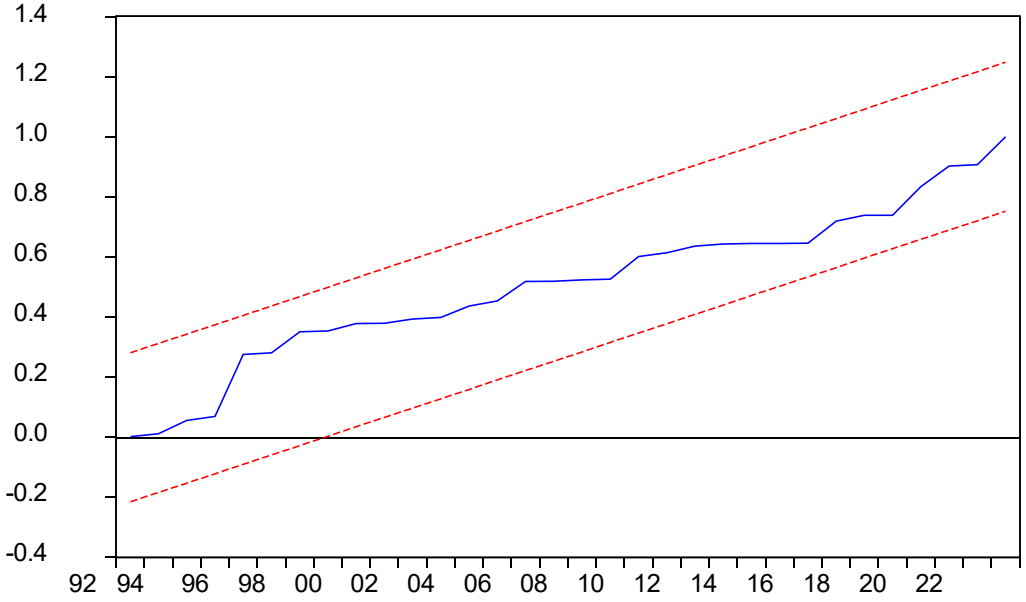
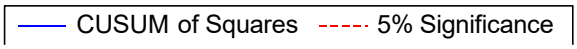


Figure 2: The cumulative Sum of Squares of Recursive Residual Test Plot





4.1 Discussion of Findings

A major finding of this study is the existence of long-run relationship between government expenditure and unemployment in Nigeria, as evidence with the ARDL bound test result. This finding justifies a major assumption of the theoretical framework of this study, which is rooted in Keynesian theory. The theory assumes government expenditure can significantly impact unemployment. The long run result indicates that general government expenditure and final consumption expenditure decrease unemployment. These findings support the notion that government expenditure can be an effective tool for reducing unemployment. However, the positive relationship between gross national expenditure and unemployment contradicts expectations, suggesting that structural issues or sectoral imbalance may be the cause. Also, the short run reveal that lagged values of general government expenditure and gross national expenditure significantly impact current employment. The error correction coefficient (ECT) indicates that 52% of errors made in one period are corrected in the next period.

The findings corresponds with studies such as Raifu et al. (2024), which found that institutional quality affect the relationship between government expenditure and unemployment in Nigeria, Similarly, Oseni and Oyelede (2023) discovered that capital expenditure and gross capital formation have a negative and significant effect on unemployment in Nigeria and Nwamou (2022) found that government expenditure have negative relationship with unemployment, However the positive relationship between gross national expenditure and unemployment contradict the finding of Jitendra (2023), who found that higher government expenditure positively impact national income and consumption while negatively impact unemployment, However, this study provides new insights by examining the impact general government expenditure on unemployment in Nigeria.

5. Conclusion and Recommendations

A negative relationship should exist between government expenditure and unemployment according to economic theory. This study examined the impact of government expenditure on unemployment in Nigeria from 1981 to 2023. major findings justify that government expenditure has a long run significant negative impact on unemployment in the Nigerian context, and hence, the conclusion of this study that government expenditure can be an effective tool for reducing unemployment in Nigeria.

This conclusion has major policy implications. The findings suggest that prioritizing expenditure on productive sectors, such as agriculture and manufacturing, can stimulate economic growth and reduce unemployment. However, policymakers should consider the potential structural issues and sectoral imbalance that may arise by doing the following:

- Implement targeted interventions, such as vocational training programs and entrepreneurship development schemes, to address unemployment.
- Enhance institutional quality, such as reducing corruption and improving bureaucratic efficiency, to improve the effectiveness of government expenditure.
- Encourage private sector participation in key sectors to create jobs and stimulate economic growth.
- Develop and implement policies that promote human capital development and skills acquisition.

Consider strategically timed government spending programs during periods of high unemployment to provide a temporary buffer and stimulate job creation.Overall, this study contributes to the existing literature on the impact of government expenditure on unemployment in Nigeria. The findings provide valuable insights for policymakers and researchers interested in understanding the relationship between government expenditure and unemployment in Nigeria. Future research could investigate the impact of specific components of government expenditure, such as infrastructure spending or social welfare programs, on unemployment. Also investigate the impact of government expenditure on unemployment in different regions and can examine the impact of government expenditure on other macroeconomic

variables, such as inflation, economic growth, and poverty reduction. Future research can use more recent data to capture the impact of recent economic policies on unemployment.

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