

TITLE PAGE
GOVERNMENT EXPENDITURE AND SUSTAINABLE INDUSTRIAL
DEVELOPMENT IN NIGERIA. (1981-2018)

BY

CHIMEZIE, ONYEDIKACHI PEACE

(18PAG01786)

B.Sc. Accounting, Bingham University Karu, Nasarawa State

**A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES IN
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AND FINANCE, COLLEGE OF MANAGEMENT AND SOCIAL SCIENCE, COVENANT
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ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfilment of the requirements for the award of the degree of Master of Finance in the Department of Banking and Finance, College of Management and Social Science, Covenant University, Ota, Nigeria.

Mr. John A. Philip

Secretary, School of Postgraduate Studies)

Signature and Date

Prof. Abiodun H. Adebayo

(Dean, School of Postgraduate Studies)

Signature and Date

DECLARATION

I, **CHIMEZIE ONYEDIKACHI PEACE (18PAG01786)** declares that this research was carried out by me under the supervision of Dr. Alexander Ehimare Omankhanlen of the Department of Banking and Finance, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

CHIMEZIE ONYEDIKACHI PEACE

Signature and Date

CERTIFICATION

We certify that this dissertation titled “**GOVERNMENT EXPENDITURE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT IN NIGERIA. (1981-2018)**” is an original research work carried out by **CHIMEZIE ONYEDIKACHI PEACE (18PAG01786)** in the Department of Banking and Finance, College of Management and Social Sciences, Covenant University Ota, Ogun State, Nigeria under the supervision of **Dr. Alexander Ehimare Omankhanlen**. We have examined and found this work acceptable as part of the requirements for the award of Master of Science in Finance.

Dr. Alexander Ehimare Omankhanlen

(Supervisor)

Signature and Date

Dr. Alexander Ehimare Omankhanlen

(Head of Department)

Signature and Date

Prof. J.U.J Onwumere

(External Examiner)

Signature and Date

Prof. Abiodun H. Adebayo

(Dean, School of Postgraduate Studies)

Signature and Date

DEDICATION

This dissertation is dedicated to God the most beneficent and the most merciful who granted me an abundance of grace to finish this project; and to my parents, Mr Ogbuokiri Alex Chimezie and Mrs Ogbuokiri Uloaku Charity for their sacrifices, support and love showed that enabled the completion of this project.

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LIST OF ABBREVIATIONS

BOI - Bank for Industry

CEXP- Capital Expenditure

GDS- Gross Domestic Savings

GFCF- Gross Fixed Capital Formation

GREV- Government Revenue

INFL- Inflation rate

ISIC-International Standard Industrial Classification

LINT – Lending Interest rate

MVA- Manufacturing Value Added

NEEDS- National Economic Empowerment and Development Strategy

NIID -National Industrial Integrated Development

REXP- Recurrent Expenditure

RMRDC - Materials Research and Development Council

SMIEIS - Small and Medium Industries Equity Investment Scheme

ABSTRACT

The development of the industrial sector remains a contentious issue in Nigeria's economy. The urgency and role of government expenditure in the sustainable development of the Nigerian economy, particularly in terms of industrial development, has been directed towards a very short-term imperative that involves fiscal deficits through a mixture of reduced revenue and higher spending. The long-term issue that has the capacity for change that can be achieved in ways that promote growth rather than inhibit it has been negated. This research, therefore, examines the impact of Government expenditure and sustainable industrial development in Nigeria. This research adopted Johansen co-integration and vector error correction analysis via E-Views statistical software (version 10.0) for the period between 1981 and 2018, to determine the long-run impact of government expenditure on industrial development in Nigeria. It used time-series data extracted from CBN statistical bulletin (2018) and WDI (2018). This research adopts Wagner's Law named after the German political economist Adolph Wagner (1835-1917), which best explains government expenditure and industrialization. This research study found out that government revenue is statistically insignificant but has a positive effect on industrial development; Manufacturing Value added as a proxy (MVA), a 100% change in GREV will bring about 28% changes in manufacturing output, capital expenditure is however statistically significant and negatively impacts industrial output, a change in CEXP will yield less than a proportional change in MVA by about 52%, recurrent expenditure positively affects industrial growth, although its influence is statistically insignificant, a 100% rise in REXP will cause about 41% increase in the development of the industrial sector. Also, a change in capital stock i.e. Gross Fixed Capital Formation (GFCF) will lead to a significant but inelastic and less than proportional change in MVA, thereby depicting inverse relationship. Based on the findings from this research the following recommendations were made: Effective allocations of government revenue, as well as the early release and approval of budget proposals, will have a meaningful effect on the industrial sector in Nigeria, increase in sustainable investment level alongside required equipment coupled with qualified personnel to properly manage these amenities will ensure the improvement of the industrial sector and finally, working incentives in form of tax incentives, promotion and salary increment should be regularly encouraged in the industrial sector in Nigeria.

Keywords: Government expenditure, Industrial development, Johansen co-integration, sustainability, vector error correction analysis, Wagner's Law.