International Journal of Economics and Development Policy (IJEDP)
Vol. 8 No. 2, December, 2025
Print - ISSN: 2651-5644
Online - ISSN: 2811-2288

Does Government Spending Crowd - in Private Consumption in Nigeria?

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Abstract

The study utilized an autoregressive distributed lag (ARDL) model to examine the relationship between private consumer expenditure, government expenditure, and per capita income in Nigeria. The World Development Indicator (WDI) and Central Bank of Nigeria statistics for the years 1991–2023 served as the sources of secondary data used in this study. Pesaran and Smith's autoregressive distributed lag (ARDL) bound cointegration model is used in the empirical context. The permanent income hypothesis is refuted by evidence from Nigeria showing a considerable degree of substitutability between government spending and private consumption when real income and inflation are taken into account. The Keynesian argument for expansionary fiscal policy is unpersuasive due to crowding out. The results revealed that, in the short run, private consumption is positively and statistically significant in influencing both government consumption and per capita income. However, in the long run, the relationship between private consumption, government spending, and income in Nigeria appears to be insignificant. The study recommends that the government should support household income, promote economic growth, and encourage financial inclusion to sustain economic development and improve living standards.

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Keywords: Private Consumption Expenditure, Government spending, Auto-regressive distributed lag
JEL Classification: E21, H50, O47

1.0 Introduction

One of the contentious topics in both theory and empirical research is how government expenditure affects private consumption and economic expansion. There are various schools of thinking regarding the matter from a theoretical standpoint. According to the Keynesian theory of the absolute income hypothesis, the present disposable income of a household determines its current consumption. As a result, increases in government spending raise productivity, employment, and income, which in turn raise private consumption and create a crowding-in effect. Conversely, the neoclassical framework of the standard real business cycle model predicts that an increase in government spending can result in a decrease in private consumption (Aiyagari, 1992; Baxter, 1993).

Government spending in Nigeria has a mixed impact on private consumption, with some types of spending crowding in consumption while others crowd it out. Spending on areas like education, health, and social security can crowd in private consumption, but spending on administration, construction, and other sectors can crowd out private consumption. Alymkulova, Iorember, and Omotesho's (2023) research suggests that public expenditures, especially capital expenditure, can positively affect private sector investment in Nigeria. This might be explained by better infrastructure and a more welcoming business climate brought about by government spending.

Other research, however, indicates that government expenditure may potentially displace private investment or consumption in Nigeria. For instance, Omitogun (2018) discovered that government spending may crowd out private investment, either as a result of rising interest rates or competition for scarce resources. This supports the more general economic idea that high interest rates can discourage private investment and consumption if the government borrows too much to fund spending (The Intelligent Economist, 2024).

According to Karras' (1994) empirical analysis, public and private consumption are more accurately described as complements rather than substitutes. This study examines how private consumption responds to increases in government spending across multiple nations. Overall, scholars do not agree on how private consumption reacts to changes in public spending.

Generally, the two models, the Keynesian model and the new classical model, support the idea that government expenditure affects economic outcomes in two ways. The effectiveness of this impact depends on the size of the multiplier, which is influenced by how private consumption responds to changes in government spending, particularly by the marginal propensity to consume. At this point, the Real Business Cycle (RBC) model predicts that government spending has a negative impact on the economy, while the Keynesian model suggests it has a direct positive effect. Some economists, such as Bailey (1971) and Barro (1981), argue that government spending can directly influence private consumption spending.

Government purchases of products and services significantly affect the overall well-being of all consumers. In this context, the complementarity or substitutability between government spending and private consumption influences how private consumption responds to changes in government expenditure.

This research is important because it reveals Nigerian consumption patterns and the effects of shifting government expenditures. The findings could serve as a valuable foundation for policymakers and economic decision-makers regarding national fiscal policy, as well as for predicting consumer behavior in response to policy changes and managing such behavior in alignment with Nigeria's long-term development goals.

Given the diverse range of empirical findings, further research on this topic is warranted. This paper explores the relationship between government spending and private consumption using data from Nigeria. The study aims to investigate both the short- and long-term effects of changes in government spending on consumption behavior. Specifically, it will examine the relationship between government and consumption spending, considering both positive and negative changes in government expenditure. The remainder of the paper is divided into the following four sections: the literature review is covered in section two; methodology is the subject of section three; data analysis and findings discussion are covered in section four; and conclusions and policy recommendations are covered in section five.

2.0 Literature Review

2.1 Theoretical Review

The most significant portion of overall spending is consumption spending, which in developing nations' economies surpasses roughly 90% of total national income before dropping to roughly 60% in the wealthy nations' economies. The major schools of economic thought, particularly the classical and Keynesian schools, disagree on how to examine the connection between public and private spending on consumption. The final say on the nature of this link was not given to the applied studies either. Although the inverse link (crowding out) between the two variables

was supported by the Real Business Cycle (RBC) Theory and the new classical theory, the Keynesian theory holds that the relationship is direct (integrating) (Baxter and King, 1993).

Based on the idea that taxes taken from personal income cover or pay government spending, the crowding-out relationship between the two forms of spending is hypothesized. Consequently, increased government expenditure requires higher taxes, which reduces disposable income (personal income minus taxes plus government financial transfers). It is anticipated that tax increases will come at the expense of providing spare income for consumer spending, particularly in developing nations where there is a high marginal propensity to consume. This implies that spending by the government will overtake spending by consumers.

The two models (the new classical model and the Keynesian model) generally support the notion that government expenditure affects results in two ways. The effectiveness of this effect depends on the multiplier's size, which is determined by the mechanism by which private consumption expenditure responds to shifts in government spending and is influenced by the marginal propensity to consume. At this stage, the RBC model predicts that government spending has a negative impact, while the Keynesian model predicts that it has a direct effect.

Other economists, such as Bailey (1971) and Barro (1981), believe that government spending may have a direct impact on private consumption spending due to the fact that government purchases of goods and services will have an overall benefit for all consumers. In this scenario, the response of private consumption to government spending is influenced by the complementarity or substitutability coefficient between the two variables.

2.2 Empirical Review

There are conflicting findings in the literature on the connection between private consumption and government spending. The conventional Real Business Cycle (RBC) model is on one side, whereas the matching Keynesian IS-LM model is on the other (Ozerkek and Celik, 2010). For these two literary streams, the effects of public funding on private consumption are completely unique.

However, the size of the multiplier—which is determined by how aggregate private consumption reacts to government spending—is the basis for the discussion of how successful government spending is (Khan, Chen, Kamal, and Ashral, 2015).

Using time series data covering the years 1970–2019, Aluthge, Jibir, and Abdu (2020) examine the effect of Nigerian government spending (separated into capital and recurring) on economic growth. The Autoregressive Distributed Lag (ARDL) model is used in this paper. The study takes into consideration structural breaks in the co-integration analysis and the unit root test to guarantee the robustness of the findings. The study's main conclusions are that capital expenditures have a positive and considerable impact on economic growth over the long term, whereas recurring expenditures have no discernible effect.

Using the autoregressive distributed lag (ARDL) technique, Akpan and Atan (2020) empirically investigated the relationship between government spending and private consumption in Nigeria between 1981 and 2018. The study used time-series data on private consumption and government spending components (capital and recurring) to determine the short- and long-term relationships in the model. All of the variables were subjected to the unit root and cointegration tests, which indicated that there were a long-term equilibrium relationship and stationarity, respectively. According to the long-run model's empirical findings, capital spending and private consumption in Nigeria had an insignificant association,

whereas recurrent expenditure and private consumption had a significant one. The findings also showed a strong and positive correlation over the short and long terms between Nigeria's GDP and private consumption. The short-term analysis's findings showed that private consumption and government spending (both capital and ongoing) in Nigeria had a positive but negligible association. The positive correlation between private consumption and government spending supports the government's current stance of raising recurrent spending to help the economy out of the recession.

Bernardini and Peersman (2018) attempted to demonstrate that there is an integration relationship in China between the explanatory variable of government spending and the dependent variable of private consumption spending. The researchers applied the ARDL technique to data from 1985 to 2013 for this purpose. The study ultimately arrived at the conclusion that private consumption spending is directly impacted by government spending.

Omitogun (2018) used annual data from 1981 to 2015 to examine the crowding-out effect of government spending on private investment in Nigeria. The intense rivalry that investors face in the economy influences the research. Government plans to increase spending in all key economic areas in order to lessen the burden of investment and also enhance competitiveness. By examining the impact of disaggregated government spending on private investment in Nigeria, the current study contributes to the body of existing work. The study's estimating methods include pre- and postestimation, econometric estimation utilizing the Auto Regressive Distributed Lag (ARDL) method, descriptive statistics, a correlation matrix, and a unit root test. Since the variables (recurrent expenditures) exhibit a severe long tail to the right, government capital expenditures are estimated marginally, but recurrent expenditures are estimated in terms of elasticity. Generally speaking, it has been noted that the components of government spending determine how it affects private investment.

Keho (2019) investigated how household consumption in the Economic Community of West African States (ECOWAS) was affected by government spending. He employs the Common Correlated Effect Mean Group (CCEMG) estimator as a modeling approach, which takes cross-sectional dependence and parameter variability into consideration. The study uses whole-panel and country-level analysis to present a variety of pieces of evidence. According to the panel estimates, private consumption is generally negatively impacted by government consumption, suggesting that private and government consumption are interchangeable. However, data at the country level show significant variation in the level of substitutability among nations. They demonstrate no discernible effect in five nations, crowding-out effects in six, and crowding-in effects in one. Government consumption is therefore a poor tool for promoting economic growth and aggregate demand in ECOWAS nations.

Khan et al. (2015) found that government investment in China has a beneficial impact on private consumption using the Auto-Regressive Distributed Lag (ARDL) technique. The findings also demonstrated that, while the short-term coefficient of government expenditure is statistically negligible, the long-term and short-term effects of government spending on private consumption are nearly identical.

This study is significant because it offers insights into Nigerian consumption patterns and the impact of shifting government expenditures. This data could serve as a foundation for political and economic decision-makers regarding the nation's financial policy, forecasting consumer behavior in the local market as a result of policy changes, and managing the course of that behavior in line with Nigeria's long-term development goals.

3.0 Methodology

3.1 Model Specification

The following econometric model was generated to examine the impact of government consumption on private consumption. Following Bailey (1971), we define effective consumption as:

$$\log HC_t = \alpha_i + \gamma_i \log Y_t + \beta_i \log G_t + \Omega \ln f \mu_t \quad (1)$$

Where, Y_t represents income, Gt represents government consumption, Ct represents household consumption, INF represents inflation, a control variable, and μ_t represents the stochastic disturbance term, which is thought to have a normal distribution. It is anticipated that the income coefficient will be positive and less than one. It's unclear about government consumption; inflation will be negative because it erodes purchasing power and raises uncertainty. The complementary (substitutional) link between public spending and private consumption is represented by the positive (negative).

3.2 Data and Estimation Techniques

Given the model with Household Consumption (HC) as the dependent variable, and Government Expenditure (G), Inflation (INF), and Income (GDP/ Y) as independent variables for Nigeria:

3.3 Data Definition

3.3.1 Household Consumption (HHC):

Any visible and unseen things, such as commodities and services that households buy to meet their needs and desires, can be referred to as private consumption. Both durable and non-durable items are included. It includes imputed rent for owner-occupied dwellings but excludes residences used for business (Akpan and Atan, 2020). Private home consumption, measured in Naira's, is the total of all expenses that are sub-components of consumption, which itself is one of the components of aggregate demand.

3.3.2 Government Expenditure (GC)

The term "government consumption," sometimes known as "government final consumption," describes all of the money that the government now spends on investments, transfers, and social assistance payments to its constituents. The amount spent within the specified time can be used to gauge government consumption.

3.3.3 Inflation (INF)

The rate at which prices have increased over a specific time is known as the inflation rate. As a macroeconomic aggregate, inflation can be used to quantify the increase in the cost of a collection of products and services over a given time, often a year, or the cost of living in a nation as determined by the consumer price index. The consumer price index (CPI), which is calculated as the percentage change in the basket price of items in a current period relative to a base (particular prior) year price, is used to measure inflation.

3.3.4 Income (GDP)

The entire monetary worth of all goods and services produced in a nation over a specific time, typically a year, is represented by the gross domestic product, or GDP. The entire worth of all

products and services generated in a nation during a specific time—typically one year—is added up to determine GDP.

Period: 1981–2023 (annual, 42 observations). The direct estimation of elasticities is obtained by converting each variable into a natural logarithm.

3.4 Progress of the study variables during the period 1981–2023

While government consumption increased (32.15%) in 1983, household consumption decreased (-11.68%) (see Fig. 1). There was an approximate reduction in government consumption (-3.08%) in 1990, but a modest gain in household spending (1.6%) and a considerable increase in government consumption (38.03%) in 2000. By 2010, government consumption had drastically decreased (-26.76%), while household consumption had grown moderately (1.98%). In contrast, government consumption increased by 105.1% in 2020, while household consumption decreased by 1.6%, and in 2023, household consumption decreased by -10.89%, while government consumption increased by 19.9%.

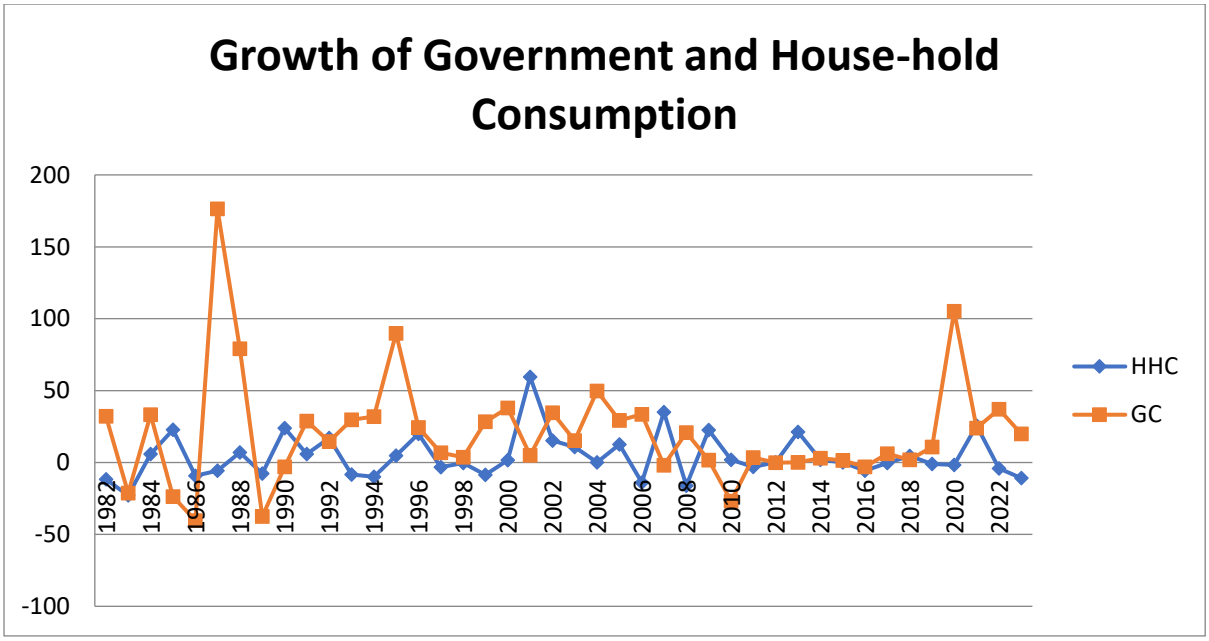

Fig. 1: The Growth of Private Consumption, Government Expenditure.

Source: Author's computation using data from CBN Statistical Bulletin

The growth rates of household and government consumption frequently went in different directions, and they both experienced notable oscillations throughout time. These patterns might be a reflection of different economic circumstances, modifications to policies, and outside forces affecting Nigeria's economy.

Understanding these trends can inform strategies for economic development and fiscal policy decisions. These patterns illustrate the complexity of Nigeria's economy and the need for meticulous policymaking.

Fig. 2. In general, Nigeria's household consumption growth has been erratic due to a number of economic issues. Nigeria's economic instability and sensitivity to several economic conditions are shown in this fluctuation.

A significant growth of 59.6% in 2002 indicates a notable rise in household expenditure, which may have been fueled by increased income or economic expansion. A positive growth rate of 25.5% by 2021 suggests that household consumption has increased, with people spending more on goods and services. The World Bank has determined that this growth rate is around 25.62%.

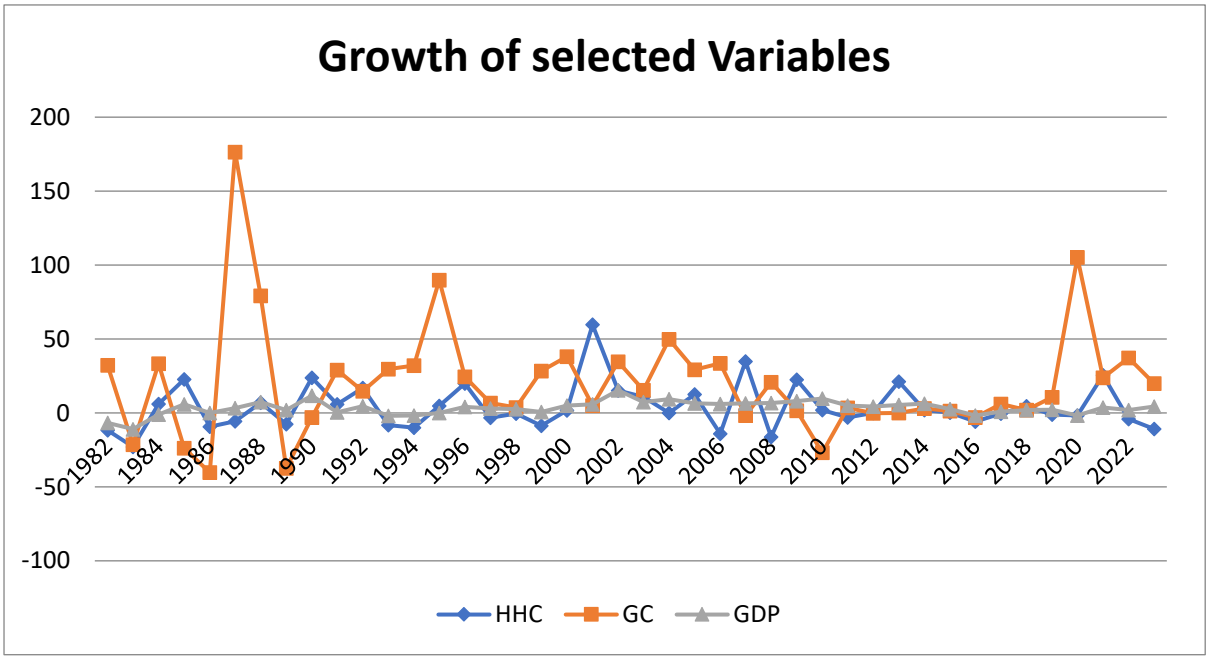

Fig. 2: The Growth of Private Consumption, Government Expenditure and Economic growth.

Source: Author's computation using data from CBN Statistical Bulletin

In contrast, negative growth in 2023 (-10.8%) indicates a drop-in household spending, which could be brought on by inflation, economic difficulties, or a decrease in disposable income.

Nigeria's government spending increase exhibits notable oscillations. A growth rate of 176.4 in 1987 denotes a significant rise in government expenditure. (1990). A growth rate of -3.08 indicates that the government is somewhat shrinking. A noteworthy rise in government spending is indicated by the year 2000 growth rate of 38.037.

Nigeria's GDP growth exhibits oscillations. Economic expansion is indicated by growth rates of 5.94%, 11.7%, 5.01%, and 9.7%. Positive growth was observed in 1987, 1990, 2000, and 2010. A growth rate of -1.79% in 2020 indicates an economic downturn, which could be brought on by either internal or international sources. A growth rate of 4.25% in 2023 denotes economic expansion, which can be the result of better circumstances or legislative initiatives.

3.5 Estimation Techniques

The macro time series' long-term trends are fundamental to the co-integration idea. Thus, testing variables for unit roots is required. To check for unit root, we employed the Phillips and Perron, 1988 (PP) and Augmented Dickey Fuller (ADF) tests. The ADF and PP test results are shown in Table 1.

3.6 Stationary Test

Unit root tests were performed to determine the order of integration of series before testing for cointegration. To achieve this, the levels and different forms of time series were subjected to

Phillips-Perron (PP) (Phillips and Perron, 1988) and Augmented Dickey Fuller (ADF) (Dickey and Fuller, 1979). Table 1 displays the results of the unit root testing. All variables are stationary, as shown by the results of the ADF and PP unit root tests. However, it is evident that some of the variables (like government expenditure, household consumption, and gross domestic product) are integrated into order I(1), and inflation was determined to be stationary at level I(0).

We employ the ARDL approach to estimate the long-term relationship and investigate the existence of a cointegration relationship between the variables due to the difference in the order of stationarity of the variables.

Table 1: Unit Test

	ADF		PP		
Variables	ADF@Level	ADF@1st Diff.	PP@Level	PP@1st Diff	Remarks
LGC	-0.3948	-6.076	-0.3948	-6.076	1(1)
LGDP	-0.9249	-4.102	-0.3584	-3.9874	1(1)
LHHC	-0.4779	-7.2305	-0.2643	-7.8005	1(1)
LINF	-3.4402	-7.1043	-3.2748	-8.6794	1(0)

Source: Author's computation using E-Views 9.0

3.7 Cointegration Test

Instead of using the Johansen cointegration method, which estimates long-run linkages using a system of equations, the bound test methodology is employed to determine the cointegration relationship among the variables used for this study.

Table 2: ARDL Bound Test (Pesaran et al., 2001)

F-statistic	**Lower bounds Critical Value**	**Upper Bound Critical Value**	**Level of significance**
5.81788	4.31	5.544	1%
5.81788	3.1	4.088	5%
5.81788	2.592	3.454	10%

Source: Author's computation using E-Views 9.0

At all significance levels (1%, 5%, and 10%), the computed F-statistic is higher than the critical value, indicating that the model captures a cointegration relationship between the explaining variables and the dependent variable and supports the findings of the F-bound test

4.0 Results and Discussion

This section explains the data and the estimating method that were employed to evaluate the theoretical model. Next, we go over how we estimate the exogenous processes and endogenous parameters associated with the model. Lastly, we display the primary estimation findings.

4.1 The ARDL Short and Long Run Result

Table 3a: Short run Error Correction model using ARDL

Selected model: ARDL (1,0,0,0)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HHC(-1)	-0.59343	0.136571	-4.34519	0.0001
LGC	-0.12716	0.04639	-2.74109	0.0104

LINF	-0.00832	0.024591	-0.3384	0.737
LGDP	0.696663	0.167388	4.161955	0.0002
C	-15.6141	3.974505	-3.92857	0.0004
ECM(-1)	-0.59343	0.118213	-5.01999	0
R-squared	0.660755	Mean dependent var		0.030937
Adjusted R-squared	0.599749	S.D. dependent var		0.140482
S.E. of regression	0.099361	Akaike info criterion		-1.64855
Sum squared resid	0.355414	Schwarz criterion		-1.40031
Log likelihood	40.61955	Hannan-Quinn criter.		-1.55756
F-statistic	9.191775	Durbin-Watson stat		2.035063
Prob(F-statistic)	0.000011			

Source: Author's computation using E-Views 9.0

From table 3a, it is evident from the ARDL results that shifts in government consumption have a negative impact on private consumption. Private consumption decreases by 0.127 percent for every 1% increase in government consumption spending. It suggests a crowding-out impact rather than a crowding-in effect. The negative relationship between private consumption and government is in line with the findings of Omitogun (2018) and Akpan & Atan (2020).

The GDP coefficient is 0.70, is positive and statistically significant at the 5% level of significance, and indicates that private consumption will rise by 0.77 for every 1 increase in income. The findings also demonstrate a strong and positive relationship between current income and consumption. Household consumption is highly dependent on current income, as indicated by the fact that the coefficient on real total income is larger than the one on government consumption. The Keynesian Absolute Income Hypothesis and other empirical research (Sekantsi, 2016; Ofwona, 2013) support this conclusion, although Chioma (2009) and Nwabueze (2009) found no discernible relationship between GDP and private consumer spending.

This conclusion indicates that private consumption in Nigeria is significantly impacted by increases in economic growth. This result contrasts with that of Nwabueze's (2009) study, which found no significant correlation between Nigerian private consumption expenditures and income. The findings also demonstrate that income has a higher elasticity than government consumption (Table 3a).

The adjusted R^2 value of 0.60 indicates that the independent variables account for around 60% of changes in household consumption. As a result, given the high R^2 percentage, the model can be said to have a good fit. At the 1 percent level, the ECT's coefficient is also determined to be negative and significant. This shows that the model exhibits a high rate of convergence, moving toward equilibrium by 59% every year. Additionally, the Durbin-Watson test confirms that there is no autocorrelation in the model.

Table 3b: Estimated Long Run Coefficients Using ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LGC	-0.05096	0.061414	-0.82978	0.4118
LINF	-0.01402	0.04124	-0.34003	0.7357
LGDP	1.173968	0.148122	7.925692	0
C	-26.3118	4.214283	-6.24348	0

Source: Author's computation using E-Views 9.0

According to the outcome, the government consumption coefficient is statistically insignificant and positively signed. The consequence is that, in the short term, rising government consumption is probably going to lead to rising household consumption. It implies that in the short term, crowding-in impacts can outweigh crowding-out effects. The impacts of crowding might change depending on the state of the economy, such as a boom or recession.

Given the variables' probability values exceeding 5%, we accept the hypothesis that inflation (INFL) has no discernible impact on household consumption in Nigeria. It aligns with the money illusion proposed by Keynes in 1936. In other words, when earnings fall behind inflation, buying power declines, which in turn causes consumption to decline. The income coefficient is significant and positive. On average, private consumption rises by 0.89 percent for every 1% increase in income. The outcomes are comparable to those in the short run.

4.2 Diagnostic Test

The L.M. test for serial correlation, the heteroscedasticity test of residuals, and the J.B. normality test are the typical diagnostic and stability tests used in this work to assess the model's goodness of fit.

Table 4: Diagnostic Test Result

Heteroskedasticity Test: Breusch-Pagan-Godfrey	12.89313 (0.0118)
Breusch-Godfrey Serial Correlation LM Test:	1.327801 (0.5148)
Jarque-Bera	0.915067 (0.632843)

Source: Author's computation using E-Views 9.0

In this work, the standard stability and diagnostic tests for the model's goodness of fit are used. The L.M. test for serial correlation, the J.B. normality test, the stability test, and the heteroscedasticity test of residuals are the diagnostic tests utilized in this investigation. The Breusch-Godfrey normality test is normally distributed, according to Table 4. Additionally, there is no serial correlation, and heteroscedasticity is not an issue. The Jacque-Bera (J.B.) test, which was used to determine if the variables used in this study were normally distributed, shows that they are normally distributed with a probability greater than 0.05. Likewise, the CUSUM and CUSUMSQ test results are shown in Figures 3 and 4, respectively. The model's regression parameters are comparatively stable, according to the CUSUM test. The crucial line that falls inside the 5% critical level of significance makes this clear. However, the CUSUMQ test indicates that the model is completely stable. However, given that the parameters' stability has been verified by the CUSUM test, the model's stability is further supported by the stability test result.

5.0 Conclusions and Recommendations

In this paper, we investigate this problem in nonstationary data using the ADF and PP (1999). The cointegration hypothesis is tested using the Bound Test cointegration test, which was developed by Pesaran et al. in 2001. The process by which an increase in government spending reduces other aspects of aggregate demand and, consequently, the government expenditure multiplier impact on generating aggregate demand is known as the crowding-out phenomenon.

The government expenditure multiplier would be lower than expected if the crowding-out effect existed. In addition to employment levels, the crowding-out effect is associated with funding methods and an increase in government expenditures.

This multiplier, which reflects the fact that fiscal action has no effect on the amount of the government's budget deficit or surplus, is known as the balanced-budget multiplier when taxes

are used to pay an increase in government spending. To pay the additional taxes, consumers in this situation cut back on their consumption spending. The multiplier is smaller because the rise in government spending is somewhat countered by the decline in consumer demand. Because some funding for additional taxes does not come from lowering consumption, the offset is only partially effective. Some result from a decrease in saving, which isn't a part of total demand. Furthermore, the multiplier process typically assumes that the government will sell bonds to finance an increase in spending, which in this situation would lead to additional crowding out in two ways.

It increases the interest rate first. The government must boost the interest rate to make bonds more appealing to buyers. All elements of aggregate demand are crowded out by the increased interest rate. Second, bondholders must receive principal and interest payments when the bonds mature. According to the Ricardian equivalency, consumers would anticipate greater taxes in the future as a result, and in response, they would increase their savings to accumulate a reserve that would allow them to pay the expectedly higher taxes without affecting their future levels of consumption. There are several reasons that drown out aggregate demand during the multiplier process. Crowding-out pressures cause the multiplier's amplitude to decrease when government spending is financed by raising taxes or issuing bonds to the general population.

Printing money to finance projects may temporarily prevent the crowding-out effect, but it will eventually lead to inflation and higher interest rates. It is still up for debate, though, whether the rise in national income is attributable to an expansion of the money supply or to an increase in government expenditure. According to this article, the Keynesian argument for expansionary fiscal policy is unpersuasive due to crowding out.

The study's empirical findings contradict the theoretical beliefs that factors like inflation and government spending would have a major impact on private consumption. A plausible rationale for the dearth of noteworthy results may be the intricate structure of Nigeria's economy, wherein other unanalyzed elements, such as social dynamics, income distribution, and political stability, may have a greater influence on consumer behavior.

The government is advised to concentrate on food and gasoline since these two issues cause inflation, which disproportionately affects the poorest people. To increase output and lower food inflation, the government could subsidize necessary food inputs like seeds and fertilizer (e.g., the Anchor borrowers program). Grain reserves and strategic supplies like rice and maize are also anti-inflation buffers that are released during increases. The government ought to gradually deregulate and provide subsidies for transportation.

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