FUDMA JOURNAL OF MANAGEMENT SCIENCES, VOL. 7 NO. 1, JUNE 2025, ISSN: 2735- 9093

GOVERNMENT EXPENDITURE ON SECURITY AND EXPORT IN NIGERIA

Abere Benjamin Olusola[1] & Fauziyat Faruk[1]

[1]Department of Economics, Edo University Iyamho,Nigeria.
Corresponding Author's Email: abere.benjamin@edouniversity.edu.ng

Abstract
This research work looks at the impact of Government expenditure on security and export in Nigeria for the period 1986-2023. In a bid to actualize the main objective of the study, data were collected from secondary sources such as 2020 editions of CBN statistical Bulletin and National Bureau of statistics. The model of this study was built based on Keynes National income model and data were analyzed using the Vector Autoregressive Technique. The result of our findings showed that one lagged period of export (ln(EPT(-1)) had a direct and significant effect on export performance using p-value The result established that two lagged period of government expenditure on emergency care (ln(GSE(-1)) had no significant but positive effect on export performance using p-value. The result established that one lagged period of government expenditure on Amnesty (ln(GSA(-1)) had no significant but positive effect on export performance using p-value. The result established that one lagged period of government expenditure on Ammunitions (ln(GSM(-1)) had a significant and positive effect on export performance using p-value. Based on the conclusion of this study, it is recommended that governments should introduce policies that will promote exports through effective spending on the security of her citizens also in areas of infrastructural development; while firms should be encouraged to spend more on fixed capital which include properties, plants, and equipment.

Keywords: National insecurity, investment, government spending on emergency case

Introduction

Economic growth in Nigeria has been retarded to a large extent because of insecurity, resources that is expected to have been channel toward providing good atmosphere for investment to thrive has been expended on security and as a result of this agricultural export has fallen drastically. Before the discovery of oil in 1960's, agriculture was the main stay of the economy and the greatest foreign exchange earner, and as a result the Nigerian government was able to execute investment projects through domestic savings, earnings from exports of agricultural products and foreign aids (Ezike & Amah, 2020). But since the advent of oil as a major source of foreign exchange earning in Nigeria since 1974, the picture has been almost that of general stagnation in agricultural exports. This led to the loss of Nigeria's position as an important producer and exporter of palm oil produce, groundnut, cocoa and rubber (NBS annual report, 2020). Between the year 1960 and 1980, agricultural and agro-allied exports constituted an average of 60% of total export in Nigeria, which is now accounted for, by petroleum oil export, (NBS annual report 2020).

However, the dominant position of the oil sector in the country's total export, foreign exchange earnings and government revenue generation cannot be overemphasized as it is the determinant

of the federal government yearly budget, (NBS annual report, 2020). Notwithstanding, the agricultural sector performance is non to be ignored as in the pre-oil boom era accounted for about 40% of the GDP; contributes around 80% of non-oil exports and generates employment for over one third of the labor force in Nigeria, (NBS annual report, 2020). The post oil boom era saw a drastic change in the composition of Nigeria's export. Ikenga & Efebeh, 2013) asserts that Nigeria experienced an "oil boom" during the period 1973-1977, and its effect lingered on through a substantial part of the second quarter of the decade of the 1970s, and well up to 1981. This oil boom, did not only create tremendous changes in the patterns of economic indicators such as consumption, investment and production but also altered the country's societal values, political and economic style of management. A further effect is on the perception and the role of government in the economy, which is reflected in the policies and programs that it embarked upon through the various development plans implemented from 1970-1980.

Boko Haram emerged as radical fundamentalist Islamic sect, formed by Mohammed Yusuf, in (2002) in Maiduguri, Borno state. In 2004, it moved to Kanamma, Yobe state, where it set up a base called Afghanistan (Ikenga & Efebeh, 2013). The sect officially calls itself "jama'atul Alhul Sunnah Liddo' wati Wal Jihad" which means "people committed to the propagation of the prophet's teaching and Jihad" (Ikenga & Efebeh 2013, Nwanegbo & Odigbo, 2020). Their violent activity started in 2009. The report by world bank (2021) on conflict, security and development reveals that about 1.5 billion people live in countries affected by political and criminal violence, which has exacerbated human misery and disrupted development. Consequently, more proactive initiatives regarding tackling menace of insecurity are needed in Nigeria since security is to growth and development, and the national transformation agenda of the current administration may not be achieved if there is no solution to the menace of insecurity.

According to Punch "Nigeria newspaper of October 31st, 2018", over 1.1 million Nigerians have stripped into extreme poverty through loss of job, loss of business and displacement from Boko-haram insurgencies areas in just four months which brings the total number of Nigerians living below poverty mark of $1.90 per day to 88million, overtaking India. In June (2020), the world poverty estimated that 95,816,700 are correctly living in poverty, a number that accounts for about 49% of her total population of 201million. If the issue of insecurity lingers in Nigeria poverty is likely to get worse as the gap between the rich and the poor has continued to widen. More over the issue of growing rate of unemployment in Nigeria increased to 27.30 percent in the third quarter of 2019 from 23.10 percent in second quarter (CBN 2020).

According to Grupta (2023), a country that is experiencing insecurity will be characterized with low investment which is the fundamental factor for low export in any economy. Nigeria is reputed to be buoyantly blessed with enormous minerals and human resources. Nevertheless, the country has been known to be high risk market for insecurity thus affecting investment, export and economic growth.

It is against this background that this study therefore prepares to critically provide a comprehensive analysis of national insecurity and its resultant effects on export in Nigeria. while other studies on insecurity such as Otto and Ukpere (2022), Kumain and Mathera (2023) have looked into numbers of death rolls in the country due to national insecurity, this study shall examine government expenditure on emergency case, government expenditure on ammunitions and government expenditure on amnesty as national insecurity variables.

literature review

Theoretical Framework

This paper is based on the Keynesian analysis that paved way out of depression after the second world war. In the early 1930s there was a great depression caused by war and insecurity. During this period, Keynes suggested that contrary to the ideas of the classical economists that the free market forces of demand and supply will stabilize the economy, the government should intervene through increase in the economic activities by way of increase in investment spending which guarantee the economy out of depression, by this macroeconomic model of the national income accounting is found relevant stated as follow:

$$Y = C + I + G + (X - M) \qquad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where

Y = national income

I = investment

C = consumption

G = government expenditure

X = export and

M i= import

Review of Empirical Studies

The literature on the government expenditure on insecurity–macro-economy relationship has largely been motivated by the seminal paper by Blomberg.(2004), who conducted an empirical investigation of the macroeconomic consequences of international terrorism and its interactions with alternative forms of collective violence. Their findings indicate that, on average, the occurrence of terrorism may have a significant negative impact on economic growth. They also discover that terrorism is associated with a shift in economic activity away from investment spending and toward government spending, with varying degrees of occurrence across different groups of countries.

Similarly, Gassebner and Luechinger (2023) used extreme bounds testing to evaluate more than seventy previous terrorism studies and discovered that economic activity had a robust and negative relationship with insecurity. In the case of Pakistan, Mehmood (2021) calculates the cumulative cost of terrorism to the Pakistani economy between 1973 and 2019 to be 33.02%.
Otto and Ukpere (2022) carried out a study on national security and development in Nigeria.

They observed that there is a positive relationship between security and development in Nigeria. They observed that there is a positive relationship between security and development while insecurity is debilitating to the economic development of many less developed economies.

Grupta (2023) studied the impact of armed conflict and terrorism on macroeconomic variables using sample size of 68 low and middle income counties. It was observed that conflict indirectly reduces economic growth by increasing defense spending share of government expenditure.

Kumari and Malhotra (2023) who conducted a research on trade led growth in India and China between 1980-2012 using Toda-Yamamoto (TY) approach and Cobb-Douglas production function on macroeconomic variables such as GDP per capita, export, import, gross capital formation and labour. The result found a unidirectional causality running from GDP per capita to export in India and bi-directional causality between GDP per capita and export in China.

Methodology

Model Specification

Based on the theoretical framework of this study the model for this work is specified as follows

$$EXP = \lambda_0 + \lambda_1 GSE + \lambda_2 GSA + \lambda_3 GSM + \mu i \ldots\ldots\ldots\ldots\ldots (2)$$

Where

EXP = Export

GSE = Government Spending on Emergency Case

GSA = Government Spending on Ammunitions

GSM = Government Spending on Amnesty

$\lambda_1\ \lambda_2\ \lambda_3$ = Coefficient of Insecurity Variables for the Model

μi - Stochastic Variable or Error Term.

Estimation Techniques

This study employed Vector Autoregressive approach to analyze the relationship between investment, government expenditure on emergency care, government expenditure on ammunitions and government expenditure on amnesty. The vector Auto-regression (VAR) model is one of the most successful, flexible, and easy to use models for the analysis of multivariate time series James and Mark, (2015). It is a natural extension of the univariate autoregressive model to dynamic multi-variate time series. The VAR model has proven to be especially useful for describing the dynamic behavior of economic and financial time series and for forecasting. It often provides superior forecasts to those from univariate time series models and elaborate theory-based simultaneous equations models. Forecasts from VAR models are quite flexible because they can be made conditional on the potential future paths of specified variables in the model. In addition to data description and forecasting, the VAR model is also used for structural inference and policy analysis. In structural analysis, certain assumptions about the causal structure of the data under investigation are imposed, and the resulting causal impacts

of unexpected shocks or innovations to specified variables on the variables in the model are summarized. These causal impacts are usually summarized with impulse response functions and forecast error variance decompositions

Results and Discussions

Descriptive Statistics

Table 1 displays the descriptive statistics panel for this investigation. The average REXP for the Nigerian economy was 387641.38. Within the research sample, the top and lowest REXP values were 74663.84 and 14779.86, respectively, with a standard deviation of around 18943.70. The Jacque Berra test demonstrates the normal distribution of the REXP. On average, 529.24% of Government spending on Emergency case in Nigeria were attributable to insecurity. The variation from the mean has values as low as 6.31 and as high as 7532.76, respectively. The variable has a normal distribution, much as the REXP. The table shows that the average value of government spending on ammunition is 5417.62, with maximum values of 18965.72 and 16.20, respectively. The maximum and minimum numbers of government spending on amnesty are 38.63 and 21.32, respectively, with a standard deviation of 2.68.

Table 1 Descriptive Statistics

	EXP	GSE	GSA	GSM
Mean	387641.38	529.24	5417.62	7.96
Median	23932.51	83.50	722.69	4.53
Maximum	74663.84	7532.76	18965.72	38.63
Minimum	14779.86	6.31	16.20	21.32
Std. Dev.	18943.70	1635.66	6474.46	2.68
Skewness	0.85	5.30	2.21	0.99
Kurtosis	2.71	23.75	3.26	2.93
Jarque-Bera	6.90	262.14	9.83	3.66
Probability	0.06	0.00	0.04	0.47
Sum	1132875.46	17435.67	154744.08	165.49
Sum Sq. Dev.	2178343823.32	83614053.21	1417324107.47	255.73
Observations	38.00	38.00	38.00	38.00

Table 2: Results of Vector Autoregression Model

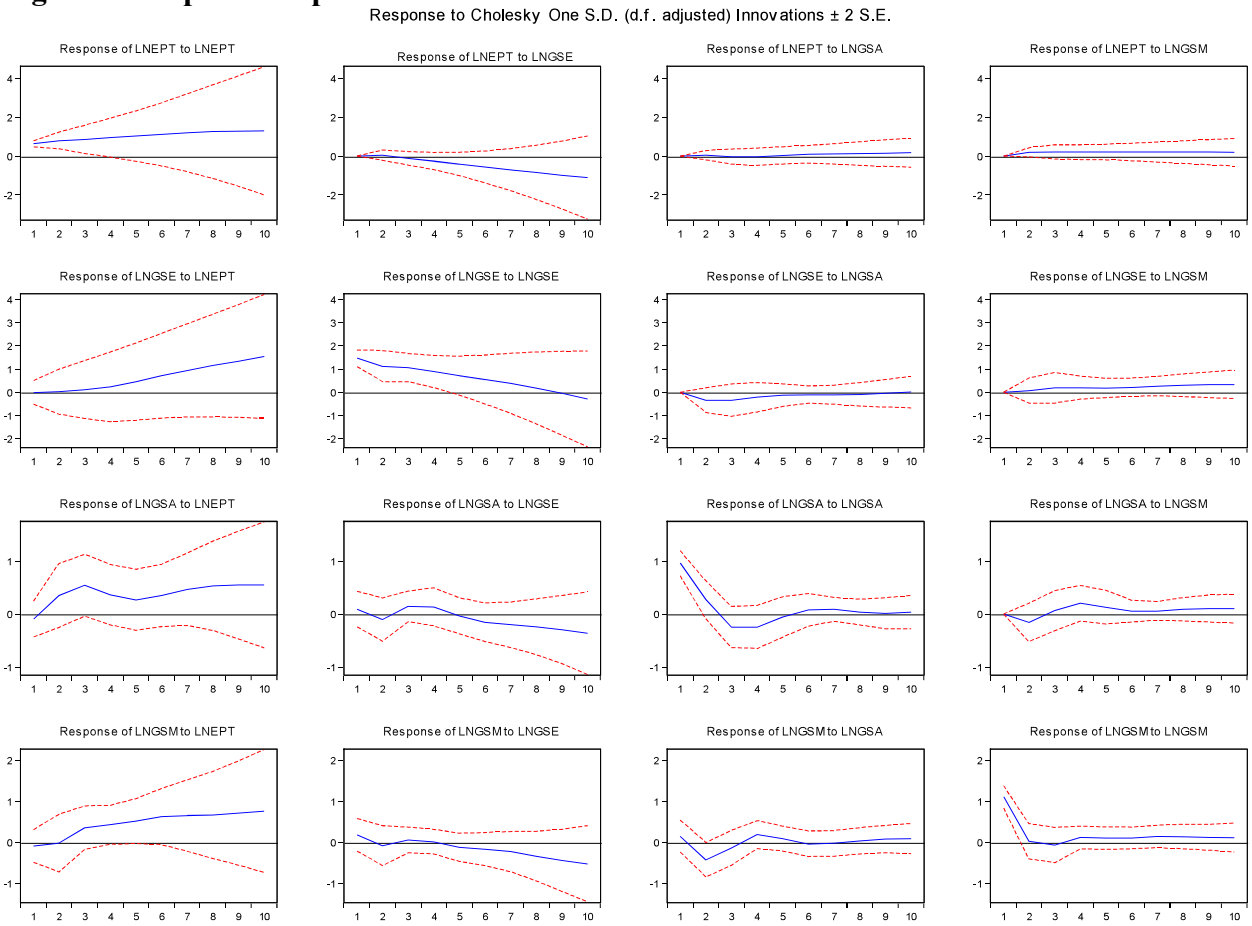
Variable	Coefficients	Standard Error	P-value
C	1.275155	0.81240	0.0117
LN EPT (-1)	1.289654	0.29939	0.0045
LN EPT (-2)	-0.283794	0.28185	0.0029
LN GSE (-1)	0.005542	0.08885	0.4002
LN GSE (-2)	-0.104402	0.08886	0.2109
LN GSA (-1)	0.017659	0.11732	0.5006
LN GSA (-2)	-0.009875	0.12093	0.1405
LN GSM (-1)	0.172857	0.10590	0.0012
LN GSM (-2)	-0.033801	0.11663	0.0430

R-Squared – 0.927320, Adjusted r-squared- 0.903093. F-Statistics – 38.27657

Source: Computed by the Authors (2024)

The results of the regression estimates from Table 4 indicates that export for one lagged period and two lagged period had coefficient values of 1.289654 and -0.283794 respectively Note that if the variable coefficient is less than 0.05 P value the variable in question is statistically significant and vice versa. The findings showed that one lagged period of export (*ln(EPT(-1))* had a direct and significant effect on export performance using p-value. In economic term, this implies that increase in sales and profits earn from the goods or service produced or manufactured in Nigeria and sold out to other developed and developing countries was due to immediate past performance in export. The one lagged and two lagged periods coefficient of government expenditure on emergency care in Nigeria were 0.005542 and -0.104402 respectively. The result established that two lagged period of government expenditure on emergency care (*ln(GSE(-1))* had no significant but positive effect on export performance using p-value. The one lagged and two lagged periods coefficient of government expenditure on Amnesty in Nigeria were 0.017659 and -0.009875 respectively. The result established that one lagged period of government expenditure on Amnesty (*ln(GSA(-1))* had no significant but positive effect on export performance using p-value. The one lagged and two lagged periods coefficient of government expenditure on Ammunitions in Nigeria were 0.017659 and -0.009875 respectively. The result established that one lagged period of government expenditure on Ammunitions (*ln(GSM(-1))* had a significant and positive effect on export performance using p-value. In economic term, this implies that increase in sales and profits earn from the goods or service produced or manufactured in Nigeria and sold out to other developed and developing countries was due to immediate past performance in export.

Figure 1: Impulse Response Function of the Model



From the first row of the figure above the response of export to itself is positive and increase gradually during the 1st to 10th period. The response of export to Government expenditure on Emergency case is negative and reduced drastically from the 3rd to 10th period. The response of export to Government spending on amnesty takes zero value from 3rd to 10th period. The response of export to Government spending on ammunition is positive but does not increase appreciably from the 3rd to 10th period.

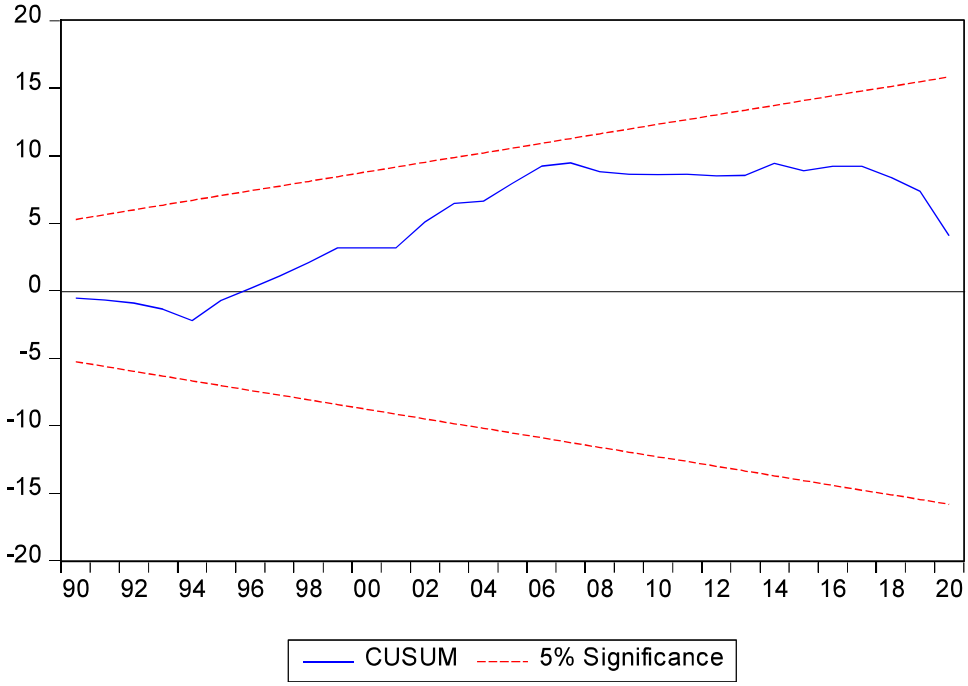
From the second row, the response of Government expenditure on Emergency case to export is positive and has increased considerably from the 2nd to 10th period. The response of GSE to itself though positive between the 1st and 9th period has reduced drastically from the 1st to 10th period, maintaining a negative value in the 10th period. The response of GSE to Government spending was negative and reducing between the 1st and 4th period and maintained a zero value from the

5th to 10th period. The response of GSE to Government spending on Ammunitions is positive with increasing value from the 1st to 10th period.

From the 3rd row, the response of Government expenditure on Amnesty to export is positive and increase appreciably from the 1st to 10th period. The response of GSA to GSE reduced to negative from 1st to 2nd period and increase up to positive value between the 3rd to 5th period and fell drastically to negative value from 5th to 10th period the response of GSA to itself maintained a high and positive value in the first period and fall drastically from positive to negative value within the 6th ad 8th period to maintain zero value from 8th to 10th period the response of GSA to GSM started reducing and maintained a negative value from the 1st to 2nd period. it increases to positive from between the 2nd and 6th period and started to fall ack to a positive value from 7th to 10th period.

From the fourth row , the response of GSM to Export started increasing from negative value from the 1st period and increased drastically from the 2nd to 10th period .the response of GSM to GSE decreased from positive to negative value within the 3rd and 4th period and later declined drastically to the negative value from the 4th to 10th period. The response of GSM to GSA drops from positive to negative value in the first period but rose back to positive in the 4th period and maintain a zero value from the 6th to 10th period. The response of GSM to itself fell ssharply from a high value to zero between the 1st and 2nd period and further reduced to negative between the 2nd and 3rd period and later maintained a positive value from the 4th to the 10th period.

Figure 2: The Stability Tests



The result of CUSUM test above obtained from the model showed that there is evidence of stability in the coefficient at 5% level of significance in CUSUM Test since the cumulative Sum is located inside the area between the two critical lines.

Discussion of Findings

The results of the regression estimates from Table 2 indicates that export for one lagged period and two lagged period had coefficient values of 1.289654 and -0.285794 respectively. The findings showed that one lagged period of export (*ln(EPT(-1))* had a direct and significant effect on export performance using p-value This is in line with the work of Ma'ale (2019) on the same topic. The one lagged and two lagged periods coefficient of government expenditure on emergency care in Nigeria were 0.005542 and -0.104402 respectively. The result established that two lagged period of government expenditure on emergency care (*ln(GSE(-1))* had no significant but positive effect on export performance using p-value This is in line with the work of Collier (2018) on the same topic. The one lagged and two lagged periods coefficient of government expenditure on Amnesty in Nigeria were 0.017659 and -0.009875 respectively. The result established that one lagged period of government expenditure on Amnesty (*ln(GSA(-1))* had no significant but positive effect on export performance using p-value This is in line with the work of Nwolise (2019)on the same topic. The one lagged and two lagged periods coefficient of

government expenditure on Ammunitions in Nigeria were 0.017659 and -0.009875 respectively. The result established that one lagged period of government expenditure on Ammunitions (*ln(GSM(-1))* had a significant and positive effect on export performance using p-value This is in line with the work of Nwogu (2017) on the same topic.

Conclusion and Recommendations

The major conclusion in this study is that the primary role of any government is to provide adequate security for life and properties of her citizens and Nigeria is not an exception. In an economy like Nigeria where there is National insecurity, killings, and kidnapping of people and destruction of farmland plantations is a re-occurrence issue. Urgent and emergence care must be taken to curb the situation speedily. On this note, this study recommends the followings:

i. government must put in adequate efforts to spend on emergency case of insecurity procure ammunitions to the Military troops and be ready to spend on Amnesty in Nigeria.

ii. government should introduce policies that will promote exports through effective spending o the security of her citizens

iii. Nigerian government should continue spending on her fixed capital formation especially in areas like infrastructural development; while firms should be encouraged to spend more on fixed capital that include properties, plant, and equipment. This is capable of facilitating movement of goods and expand investment which have a greater influence on export performance.

iv. export facilitating scheme like export bonus, export financing and export credit guarantee scheme be promptly announced to encourage the exports in Nigeria. There is also the need for more friendly environment in the economy by reducing tariff and putting exchange rate policies into efforts to favor exports

References

Achumba, I.C, Ighomereho, I. & Akpor Robaro M.O, (2019). 'Security challenges in Nigeria and the implications for business activities and sustainable development '*Journal of Economics and Sustainable Development 4(2) 56-74.*

Aghaulor K.C.(2020). "Growth impact of insecurity on the Nigerian economy". *UJAH Special Edition. 21*(3), 72-91

Bahvan, T.(2016). *International research Journal of Social Science*, 5(8), 4-8.

Blomberg, S.B, Hess, G.D, Ophandes A. (2020) "The macro-economic consequences of terrorism" *Journal of monetary Economics, 51*(5).91-109

Collier Paul (2018). Economic causes of civil conflict and their implication for policy. Oxford University Press

Eckstein, Z. & Tsiddon, D. (2019) 'Macro-economic consequences of terror; theory and the case

of Israel' *Journal of Monetary Economics, 51*(5), 37-54.

Enike G. & Amah O. 2020. Impact of government security expenditure on economic growth in Nigeria. *International Journal of Innovative Research in Social Sciences and Strategic Management Techniques* 7 (1): 210–225

Ewetan, O. & Urhie E. (2024) "Insecurity and social economic development in Nigeria" *Journal of Sustainable Development.* 5(1), 114-129.

Gaibuloevik, K & Sandler, T. (2019). 'The impact of terrorism and conflict on growth in Asia. *Journals of Economics and Politics.* 3(7), 51- 70.

Gupta, S. (2023). Fiscal consequences of armed conflict and terrorism in low and middle income countries. *European Journal of political Economy 20(*2), 64-81.

Ikenga, F.A & Efebeh, V.(2019) "Boko haram; a new wave of terrorism movement in Nigeria" Warri: Grace Communications International.

Kumain L. & Mathera O. (2023). Nigeria: Imbalanced Development Causes Insecurity in Nigeria, Thisday Newspaper, Lagos.

Memood J. (2021), Islam, Protest, and Conflict in Nigeria. Washington: Center for Strategic and International Studies (CSIS), Africa Notes No. 10.

Ma'ale, S. A.-D. (2019). "The impact of public debt and public investment on economic growth in Jordan. *International Journal of Academic Research in Accounting, Finance and Management Sciences, 9*(2), 149–157.

Mogaji, O. & Falade A. (2020). "Export performance in Nigeria and China; a comparative study". *International journal of Research and Innovation in social sciences 4*(9), 531-536.

NBS (National Bureau of Statistics). (2020). *Nigerian Gross Domestic Product Report*.

Nwanegbo C.J, & Odigbo. (2020) 'Security and national development in Nigeria; the threat of Boko Haram' *International Journal of Humanities and Social Science 4*(1), 90-106.

Nwogu, M. (2017). How Abia state governor missed gunmen‟s bullet. Daily Sun Newspaper.P.4.

Nwolise, O.B.C. (2019). National security and sustainable democracy

Otto D. & Ukpere A. (2022). National Security and development in Nigeria. *International Journals of sustainable Development. 6 (4), 201-219.*

Onime, B.E. (2018). Insecurity and economic growth in Nigeria: a diagnostic review. *European Scientific Journal* 4(8), 143-159.

Sandlers T & Ender W. (2008). 'Economic consequences of terrorism in developed and developing countries; an overview, in p keefer and n loayza eds, terrorism, economic development and political openness" Cambridge University Press.

Tavaries J. (2019). The open society asses its enemies; disasters and terrorist attack. *Journals of monetary Economics.* (6): 41-56

Usman, O. (2021). Performance evaluation of foreign trade and economic growth in Nigeria, J*ournal of Finance and Accounting*, (2):2-12.

World Bank. (2019). World development indicators 2011 [Data file]. http://data.worldbank.org/ data-catalog/world-development-indicators on May 18, 2011

World Bank Report.(2013).'Galloping poverty in Nigeria, *Journals of Sustainable Development in Africa 12(6).*

World Bank Report. (2016).Galloping poverty in Nigeria. *Journals of sustainable Development in Africa 16(4).*