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GOVERNMENT DEFENCE EXPENDITURE AND NIGERIA'S ECONOMY 1986-2020

[1]Dr. Nathan, EMMANUEL, [2]Miss. ANASTASIA, C. Okonkwo
[1,2]*Department of Economics, Faculty of Social Sciences, Niger Delta University, PMB 071, Wilberforce Island, Bayelsa State, Nigeria.*

ABSTRACT

Insecurity is an under lingering problem that its catastrophe has eaten deep into society, mostly in the developing countries thereby leading to frustrations, loss of properties, death and lack of foreign investors. The study examines the relationship between defense expenditure and Nigeria's Economy from 1986-2020. Data required for the study were sourced from CBN Statistical Bulletin of various years, NBS Bulletin of various years and Nigeria military expenditure defense budget, and the World Bank (WD). Data were subjected to pre-test and results revealed that the variables in the model are fractionally stationary, that is, at order 1 and other 0. Government Defense Expenditure (GDEX) is not statistically significant while Government Internal Security Expenditure (GINEX) is statistically significant at 5% level. Using ARDL bound test for long run equilibrium the result shows that there is a long run relationship existing between the variables. The study further shows that GINEX has a negative impact on Nigeria Economy, while GDEX does not have a beneficial impact on Nigeria's economy Therefore, the study recommends that Nigeria Government should consider cancelling or reducing funds set aside for security votes and channel the funds to key development issues, these same funds might be better used at the margin in other government program such as investment in infrastructure and creating more job opportunity or empowerment programs, the Nigerian National Security must create a strategy to incorporate components that would support wide public engagement on peace, security, and justice, policies and structures, a well-equipped, well-trained, well-organized and well-funded defense and security sector can make an important contribution towards securing our nation in the face of insecurity.

KEYWORDS: Defense spending, Nigeria Economy, National security, GINEX

1. INTRODUCTION

The implications of Nigeria's defence expenditure on the national economy are complex and warrant further examination. Nigeria, being Africa's most populous nation, wields significant influence and occupies a pivotal position in world affairs. Considering the nation's historical and persistent security issues, strategic significance, and ambitious economic development objectives, it is crucial to analyse the impact of defence spending on the economy. Moreover, comprehending public sentiment over governmental expenditures on defence relative to other essential areas, such as education and healthcare, is crucial. The public's perception can profoundly impact policy-making decisions. It is essential to evaluate the social implications of defence expenditure, encompassing its influence on quality of life and overall well-being. Nigeria, analogous to several other nations, has concerns pertaining to corruption inside the defence sector, necessitating an examination of transparency and accountability in military spending.

Government spending is the aggregate sum a nation designates from its yearly budget to support its economy and fulfil macroeconomic goals (Olukayode, 2011). Okezie (2014) asserts that government expenditure encompasses financial resources allocated for governance, public services, infrastructure development, and economic growth, all of which enhance residents' welfare. Government expenditure is a vital component of national revenue, as illustrated by the expenditure approach to estimating national income, where Y symbolises total national income, C represents consumption, I indicates investment, G implies government spending, and (X-M) reflects net exports. Within this approach, government expenditure (G) represents the segment of national revenue allocated to public services, infrastructure, and welfare programs.

The magnitude of government spending is a crucial determinant of economic scale and expansion. Although augmented governmental expenditure might enhance overall economic productivity—particularly in emerging countries facing market inefficiencies and poverty—it may also have adverse effects. Profligate expenditure can exacerbate inflation and induce cyclical economic swings, as noted by Wang (1958).

Economic growth denotes the continuous increase in the output of goods and services within an economy over a certain timeframe, usually one year. It is quantified by Gross Domestic Product (GDP) and encompasses several elements, including sectoral productivity, trade volume, economic size, and the effective allocation and utilisation of government expenditure. Economic growth is affected by several causes, with government expenditure being a crucial element.

Defence and internal security expenditures are pivotal in national budgets globally, since the defence industry allocates a significant portion of finite resources. In recent years, there have been escalating demands for cutbacks in defence expenditures. Nevertheless, both wealthy and developing countries persist in allocating significant resources to defence, sometimes to the detriment of other essential sectors. Akpan (2005) observes that governmental involvement in the defence sector has increased in developing economies. This tendency is notably apparent in Nigeria, where defence expenditures have markedly increased over the last twenty years, resulting in less funding for other sectors. The government prioritises defence expenditure to secure sufficient resources for security, acknowledging its significance in promoting long-term economic stability and progress in Nigeria. Defence expenditure is seen crucial for protecting the economy from foreign threats and maintaining stability, both of which are fundamental catalysts for economic growth and development (Yildirim, Sezgin, & Ocal, 2005). Safeguarding persons and their assets from both internal and external dangers is essential for the efficient functioning of markets and the advancement of investment and innovation. Without peace and security, economic operations are impeded, deterring both domestic and international investors, thereby diminishing capital inflows. The unequal distribution of government resources towards defence, to the detriment of more productive sectors, engenders an imbalance in the socio-economic framework. Ultimately, peace and security are essential for a prosperous economy, since they foster investor confidence, provide stability, and establish an atmosphere favourable to economic growth and progress.

Academics possess divergent perspectives, both theoretically and empirically, concerning the correlation between government spending and economic growth. Classical economists contend that government intervention is superfluous, since free markets inherently self-regulate, attaining full employment and economic stability without inflation (Jhingan, 2004, p.191). Wagner's Law posits that whereas heightened government expenditure might stimulate economic growth during initial developmental phases, it may impede expansion once essential requirements are satisfied. In contrast, Keynesian philosophy promotes government involvement via public expenditure initiatives to maintain economic growth and development. Keynes posited that increasing government expenditure may catalyse more economic growth (Jhingan, 2004, p.191).

In Nigeria, government expenditure is classified into two main categories: capital expenditure and recurrent expenditure, as seen in the government block flow chart (Mordi, 2010). Recurrent expenditure include administrative expenditures including salaries, wages, interest payments on loans, maintenance, and other associated expenses. Conversely, capital expenditure pertains to financial resources designated for long-term initiatives, encompassing infrastructure development (including roads and airports), education, defence, energy generation, and other sectors (Muritala, 2011).

Otto and Ukpere (2012) emphasise the escalating insecurity inside Nigerian society, characterised by a rising incidence of persons participating in more violent, desperate, and sophisticated criminal endeavours. Joseph (2011) observes that following the inception of the contemporary democratic framework, novel manifestations of violent crime have arisen, encompassing kidnapping for ransom, pipeline vandalism, the Boko Haram insurgency, armed robbery, sexual violence, electoral violence, the actions of Fulani herdsmen, operations of the Islamic State West African Province (ISWAP), and militancy in the Niger Delta. The aforementioned illicit activities have profoundly impacted the Nigerian economy (Joseph, 2011). National security is vital for economic and social advancement, just as economic and social growth is imperative for sustaining security.

Military expenditure is a substantial element of governmental outlay in both advanced and emerging countries. The percentage of GDP designated for military spending differs among nations, shaped by economic, social, and political considerations at both local and international scales. An in-depth analysis of the correlation between military expenditure and economic growth indicates that it is challenging to assert a uniform conclusion on the influence of defence spending on economic development, since the impacts differ based on the unique conditions of each country.

2. STATEMENT OF PROBLEM

Presently, several Nigerians contend that the national security framework is not operating at an optimum capacity. This perception is influenced by persistent security challenges, such as insurgency, pervasive militancy, abduction, piracy, banditry, conflicts between pastoralists and agriculturalists, armed robbery, ritualistic homicides, cult activities, sexual violence, and an increasing population of internally displaced persons (IDPs) (National Security Strategies, 2014). Although the Federal Government allocates considerable financial resources to improve security and satisfy its duty of safeguarding citizens, individual state governments also commit significant money referred to as "Security Votes." These monies are designated to assist security agencies, including the police, civil defence, military, and Department of State Services, in preserving order within their respective jurisdictions. Moreover, several states manage their own vigilante security organisations. Nonetheless, there is a persistent discussion about the imperative for more transparency concerning these security votes, encompassing their distribution, utilisation, and accountability.

In emerging nations such as Nigeria, the defence industry has considerable importance, with government spending in this domain rising over the years. The ongoing security issues in the nation deter foreign investors, jeopardise lives and property, and impede economic progress (Ogunnubi, 2014).

Nigeria has been contending with an escalation of assaults by armed bandits for more than two years. Originally focused on the North West region, these assaults have progressively disseminated to other areas of the country. Militant factions often kidnap individuals and solicit substantial ransom payments for their liberation. These transactions are occasionally executed through obscure governmental deals, potentially undermining the government's authority. Considering Nigeria's substantial defence obligations, it is imperative to analyse the effects of governmental defence expenditure on the national economy (Joseph, 2011).

Security spending include not just allocations for law enforcement and military personnel but also investments in research, technological innovation, and training for both local and foreign security forces. A substantial amount of security funds is allocated for the procurement of materials and equipment, encompassing armaments. National security and defence encompass military readiness and the safeguarding of essential resources vital for national stability, ensuring protection against foreign threats or internal subversion (Otto & Ukpere, 2012).

Furthermore, several critical elements are inadequately examined in current research, especially on the causal link between public defence spending and economic development in Nigeria. The discourse concerning the correlation among these parameters remains inconclusive. Consequently, there is an urgent necessity for a comprehensive analysis of government defence spending and its ramifications for Nigeria's economy. This study seeks to fill existing gaps in the literature by examining critical defense-related sectors as variables of interest, providing new insights and a unique viewpoint relative to prior research in the domain.

Hypotheses of the Study

Ho_1. Government Expenditure on defense does not have significant impact on Nigeria's Economy.
Ho_2. Government Expenditure on internal security does not have significant impact on Nigeria's Economy.

3. LITERATURE REVIEW

Government Defence Expenditure in Nigeria

Government defence expenditure refers to the financial resources allocated by a nation to maintain and strengthen its military and security apparatus. In Nigeria, the allocation and utilization of defence expenditure have been a subject of interest and debate, given the country's strategic position in Africa, its population, and the persistent security challenges it faces. This discourse examines the historical trends, drivers, implications, and controversies surrounding government defence expenditure in Nigeria.

Defence spending in Nigeria has evolved alongside the nation's political and economic developments. At independence in 1960, Nigeria's defence expenditure was modest, primarily focused on maintaining internal security and ensuring territorial integrity. However, the outbreak of the Nigerian Civil War (1967–1970) significantly altered the trajectory of defence spending. The government ramped up military expenditures to fund the war effort, leading to a substantial increase in the defence budget (Fayemi, 2019).

Post-civil war, the Nigerian government continued to prioritize defence spending, reflecting the need to rebuild and modernize the military. During the military regimes of the 1970s and 1980s, defence expenditure remained high, driven by the perception of internal and external threats. For instance, the government's focus on border security and peacekeeping missions in Africa contributed to elevated defence budgets (Eze, 2020).

The return to democratic governance in 1999 ushered in a new era of defence expenditure management. While civilian administrations initially sought to reduce military dominance in governance, the emergence of security challenges such as insurgency, banditry, and militancy necessitated increased allocations to the defence sector. Between 2010 and 2020, Nigeria's defence spending witnessed a significant surge, largely due to the Boko Haram insurgency and other security threats in the North-East and other regions (Nwagwu & Onuoha, 2021).

Drivers of Defence Expenditure in Nigeria

Several factors drive government defence expenditure in Nigeria, including:

1. **Security Challenges:** Nigeria faces numerous security challenges, ranging from insurgency and terrorism to banditry, communal clashes, and oil theft. The Boko Haram insurgency, which began in 2009, has been a major factor driving increased defence spending. The government's efforts to combat insurgency, including the acquisition of military hardware and the deployment of troops, have significantly influenced the defence budget (Adebayo, 2022).
2. **Regional Instability:** Nigeria's strategic location in West Africa necessitates a robust defence posture to address regional instability. The country has participated in various peacekeeping missions under the auspices of the Economic Community of West African States (ECOWAS) and the African Union (AU). These commitments require significant financial resources (Okonkwo, 2021).
3. **Political Considerations:** Defence expenditure is sometimes influenced by political considerations, including the need to appease the military and ensure their loyalty. This is particularly relevant in a country like Nigeria, with a history of military coups (Agbu, 2019).
4. **Economic Factors:** The availability of resources also plays a crucial role in determining defence expenditure. During periods of oil boom, the government has tended to allocate more funds to the military. Conversely, economic downturns, such as those experienced during the 2016 recession, have constrained defence spending (Udoh, 2020).
5. **Technological Advancements:** The need to modernize military hardware and adopt advanced technology has also driven defence expenditure. Nigeria has invested in drones, surveillance equipment, and other modern tools to enhance its defence capabilities (Olayemi, 2023).

Trends in Defence Expenditure

Data from Nigeria's budgetary allocations over the years reveal fluctuating trends in defence expenditure. For instance, between 2010 and 2015, the government allocated an average of 12% of its total budget to the defence sector, reflecting the intensity of the Boko Haram insurgency. In 2019, Nigeria allocated approximately ₦358 billion to defence, a figure that increased to ₣640 billion in 2022 (Budget Office of the Federation, 2022).

However, while nominal allocations have increased, defence spending as a percentage of GDP remains relatively low compared to global averages. According to the Stockholm International Peace Research Institute (SIPRI), Nigeria's defence expenditure was approximately 0.6% of GDP in 2021, below the recommended 2% benchmark for developing countries (SIPRI, 2021).

Implications of Defence Expenditure

1. **Economic Implications:** Defence expenditure has significant implications for Nigeria's economy. On the positive side, it can stimulate economic activities through the procurement of military hardware and the creation of jobs. However, excessive spending on defence at the expense of other critical sectors, such as health and education, can hinder economic development. For instance, critics argue that the allocation of over ₦400 billion to defence in 2021 could have been better utilized in addressing Nigeria's infrastructure deficit (Akinyele, 2022).
2. **Security Implications:** Adequate defence spending is crucial for maintaining national security. Increased allocations have enabled the government to purchase modern equipment, train personnel, and improve

military welfare. However, concerns about corruption and mismanagement have undermined the effectiveness of defence spending (Transparency International, 2020).

3. **Social Implications:** High defence expenditure can have social implications, particularly in a country with widespread poverty and unemployment. Critics argue that prioritizing defence over social services can exacerbate social inequality and contribute to unrest (Eme & Anyadike, 2021).

Controversies and Challenges

1. **Corruption and Mismanagement:** Corruption remains a significant challenge in Nigeria's defence sector. Reports of inflated contracts, misappropriation of funds, and procurement fraud have raised questions about the efficiency of defence spending. For instance, the $2.1 billion arms procurement scandal in 2015 highlighted the extent of corruption in the sector (Adeoye, 2019).
2. **Lack of Transparency:** Defence budgets in Nigeria are often shrouded in secrecy, making it difficult for citizens and civil society organizations to scrutinize expenditures. This lack of transparency has fueled suspicions of misuse and inefficiency (Ogundele, 2021).
3. **Inadequate Oversight:** The National Assembly's oversight of defence spending has been criticized as weak and ineffective. Lawmakers often lack the expertise and resources to thoroughly evaluate defence budgets and expenditures (Nwankwo, 2022).
4. **Balancing Competing Priorities:** The government faces the challenge of balancing defence spending with investments in other critical sectors. While security is essential, neglecting sectors like health, education, and infrastructure can undermine long-term development (Osagie, 2021).

Policy Recommendations

1. **Enhancing Transparency and Accountability:** The government should prioritize transparency and accountability in defence spending. This can be achieved through the publication of detailed defence budgets and the establishment of independent audit mechanisms (Transparency International, 2020).
2. **Strengthening Oversight Mechanisms:** The National Assembly should enhance its oversight of defence expenditures by employing experts to evaluate budgets and monitor implementation (Nwankwo, 2022).
3. **Addressing Corruption:** Corruption in the defence sector should be addressed through stringent anti-corruption measures, including the prosecution of offenders and the implementation of robust procurement processes (Adeoye, 2019).
4. **Investing in Human Capital:** The government should balance defence spending with investments in education, health, and other sectors to promote holistic development (Eme & Anyadike, 2021).
5. **Leveraging Technology:** The adoption of advanced technology can enhance the efficiency of defence spending. Investments in surveillance systems, drones, and cyber security can reduce costs and improve outcomes (Olayemi, 2023).

Government defence expenditure in Nigeria is a critical aspect of national development and security. While the country faces numerous security challenges necessitating substantial investments in defence, concerns about corruption, inefficiency, and misplaced priorities remain. Addressing these challenges requires a comprehensive approach that prioritizes transparency, accountability, and the effective utilization of resources. By striking a balance between defence and other developmental needs, Nigeria can achieve sustainable security and development.

4. THEORETICAL REVIEW

Diverse economic theories offer contrasting viewpoints on the impact of government expenditure on a nation's economy. Economists and policymakers frequently amalgamate many theoretical frameworks to cultivate a comprehensive knowledge of the correlation between government expenditure and economic development, taking into account the particular circumstances and policy objectives of a nation. This section delineates essential economic theories employed to elucidate the effects of government expenditure on Nigeria's economy.

The Keynesian Theory of Employment

The Keynesian Theory of Employment establishes a connection between public expenditure and economic growth. Keynes argued that merely increasing savings would not be sufficient to drive economic expansion; instead, he advocated for higher government spending to stimulate growth. An increase in public expenditure boosts individuals' purchasing power, prompting manufacturers to increase production, which in turn leads to job creation. Keynes emphasized that government spending has a multiplier effect on national income, functioning as an external policy tool to drive economic growth. As a result, higher government expenditure is expected to generate increased employment, higher profitability, and greater investment, all due to its impact on aggregate

demand. Ultimately, government spending enhances aggregate demand, leading to higher output through the effects of expenditure multipliers.

Security Dilemma Theory:
The security dilemma, a key premise in international relations, is chiefly credited to early theorists like John Herz and Robert Jervis. This idea, grounded on the realist paradigm, asserts that governments augment their defence expenditures in reaction to perceived external threats. The apprehension over susceptibility to assaults or coercion drives states to augment their military capabilities to secure national safety (Herz & Jervis, 2010).

Economic Interests Theory
Economists and political scientists, such as Charles Kindleberger and Mancur Olson, have examined the economic ramifications of defence spending, especially its effects on employment and industrial growth. Certain ideas propose that military expenditure can yield economic advantages, including job creation, technical advancement, and industrial expansion. This viewpoint posits that governments might invest in defence as a strategic approach to foster economic development (Kindleberger & Olson, 2004).

Supply-side Impact of Government Defense Spending
Payne and Sahu (1993) examine government defence expenditure from a supply-side viewpoint with the neo-classical production function methodology. This concept emphasises the opportunity cost associated with dedicating finite resources to defence. This perspective posits that military expenditure reallocates limited resources from more productive applications, hence cutting civilian consumption, impairing social welfare, and reducing both private and state savings and investments.

Feder (1983), in his seminal research, presents the supply-side theory of economic growth, highlighting sectoral externalities and disparities in productivity. He contends that the export industry produces beneficial externalities via enhanced procedures, sophisticated management practices, integrated technology, and a proficient staff. His two-sector concept has been extensively examined and modified for several circumstances. Ram (1986) alters Feder's model by replacing the export and non-export sectors with private and public sectors, whilst Biswas and Ram (1986) enhance it by distinguishing between military and non-military sectors.

Negative Impact
Neo-classical ideas frequently contend that defence expenditure adversely affects economic growth. The "guns-butter tradeoff" hypothesis posits that dedicating resources to military spending is wasteful, since these resources may be better utilised for social programs, public infrastructure, and other economically beneficial endeavours. Economics, as the examination of finite resource allocation, emphasises the significance of effective resource utilisation to attain economic goals. Proponents of this viewpoint assert that defence expenditure has a considerable opportunity cost, since resources may be more effectively allocated to sectors that promote societal enhancement and economic advancement. While defence expenditure guarantees security, it reallocates resources from sectors that may otherwise stimulate economic growth. This tradeoff is seen in the distribution of budgetary resources, the use of natural resources, and the capital stock allocated between defence and other investment priorities.

Due to the restricted availability of resources, opportunity costs are accentuated. Prioritising defence expenditure sometimes leads to less financing for social welfare initiatives, impacting essential sectors such as education and healthcare—crucial determinants of economic growth. Critics contend that defence expenditure impedes progress by diminishing both public and private expenditures in human capital development. Individuals with military experience can subsequently enhance the civilian workforce, improving human resource quality and applying their talents across many economic sectors. Moreover, an escalation in defence expenditures, as part of government expenditure, may result in elevated taxes, an expanded fiscal imbalance, or both. Critics assert that defence expenditures constitute a misallocation of resources, diverting vital civil investments.

Positive Externalities Spinoff and Spillovers
While the supply-side perspective often indicates that defense spending negatively impacts economic growth, the evidence reviewed in this thesis suggests that defense expenditure can also generate positive spillover effects. Benoit (1973) identified a favorable relationship between defense spending and economic growth, provided other factors remain constant. He emphasized that defense programs play a vital role in offering employment, education, and vocational or technical training to a significant portion of the population. As a result, defense expenditure helps alleviate some of the economic and social burdens traditionally shouldered by the private sector. For

example, military-trained pilots can transition to operating commercial aircraft, and technicians or healthcare providers with military backgrounds can secure jobs in the private sector (Benoit, 1973).

Defense spending also influences technology transfer and human resource development. Defense-related activities can drive innovation and generate substantial benefits for the civilian economy, particularly in high-tech industries such as electronics and aerospace. The application of military technologies can give businesses a competitive advantage in domestic and international markets. Moreover, defense expenditure contributes to infrastructure development and stimulates consumption and investment through salaries and payments in the defense sector. While certain aspects of defense spending, such as weapons production, may be considered less productive, other activities yield tangible economic benefits (Payne & Sahu, 1993).

Demand-side Impact of Defense Expenditure

From a Keynesian viewpoint, defence spending is considered a part of aggregate demand. Keynesians often posit the presence of underutilised resources, including labour and capital, in the economy. An escalation in military expenditure can augment aggregate demand, thus elevating national production and employment rates. In less developed nations (LDCs), increased defence expenditure can invigorate the economy by tackling problems of insufficient aggregate demand and unemployment. Nevertheless, if the economy is functioning at full employment, heightened defence spending may lead to inflationary pressures or balance of payments issues.

Defence expenditure fosters economic growth by enhancing national production and effective demand, a correlation influenced by the income multiplier effect. Increased defence spending can result in more effective capital stock utilisation, reduced resource costs, and enhanced profitability, hence fostering investment and job development. This dynamic can provide both a short-term multiplier impact and sustained economic growth (Benoit, 1973).

Security Implications

Adam Smith contended that the government's principal duties are to safeguard society from external dangers and uphold justice and equity by protecting citizens against tyranny or injustice (Smith, 1983). Military expenditure enhances societal security, stimulates investment, drives innovation, and promotes economic prosperity. A robust military augments a nation's leverage in economic, commercial, and security discussions with other nations (Benoit, 1973). Nevertheless, military expenditure may yield adverse global consequences, including an arms race. The Richardson framework posits that states augment their military expenditures in reaction to perceived external threats. This escalation is driven by economic motives, animosity, and exhaustion, as nations respond to increased defence expenditures from rivals.

The correlation between defence spending and economic development is intricate and presents significant causality difficulties. A positive connection between the two does not definitively establish the direction of causality, necessitating more inquiry. Enhanced economic performance may need augmented military expenditure to secure the economy and defend against internal and external threats. The magnitude of defence expenditure is contingent upon a nation's perceived threats and its readiness or financial capability to uphold its preferred degree of security. Consequently, security, economic, and foreign policy all impact decisions on defence expenditures.
Both affluent nations and less developed countries (LDCs) prioritise defence expenditures, while the economic ramifications vary considerably between the two. In affluent countries, heightened defence spending elevates aggregate demand, hence enhancing production, income, and employment levels. It may also augment productivity in the private sector. In LDCs, increased military expenditure frequently reallocates resources away from more productive expenditures, possibly obstructing economic growth and development.

Empirical Review

Abu-Bader and Abu-Qarn (2003) performed a comprehensive analysis to investigate the causal link between government expenditure and economic development in Egypt, Israel, and Syria. Their study employed sophisticated econometric approaches, particularly multivariate cointegration and variance decomposition, to elucidate the impact of several types of government spending on economic growth. The findings demonstrated that the financial strain of defence expenditures adversely impacted economic development in all three nations, implying that elevated military spending can redirect resources from beneficial economic endeavours. Nonetheless, the study also underscored a divergent tendency for non-military government investments, which were seen to positively influence economic development in both Israel and Egypt. This contrast highlights the significance of government expenditure mix in influencing economic results.

Lai, Huang, and Yang (2005) examined the relationship between defence expenditure and economic development in China and Taiwan from 1953 to 2000. Utilising Vector Autoregression (VAR) and multivariate threshold models, they revealed intricate causal linkages between military expenditure and economic development. Their findings indicated that in China, defence expenditure Granger-causes economic growth, suggesting that increases in military budgets precede and possibly boost economic progress. In Taiwan, the link was bidirectional, indicating a feedback loop in which defence expenditure and economic growth mutually impact one another. The analysis also revealed a distinct unidirectional causative relationship: an increase in China's defence expenditures Granger-causes a subsequent rise in Taiwan's defence expenditure, highlighting the geopolitical tensions and security concerns between the two areas.

Oriavwote and Eshenake (2014) conducted a study in Nigeria, examining the correlation between military expenditure and economic development from 1980 to 2010. Their findings revealed that military expenditure adversely impacted Nigeria's economic growth, emphasising the potential opportunity costs of diverting significant resources to defence instead of productive sectors. The writers highlighted the essential importance of investing in domestic security as a more effective approach to attaining economic growth objectives. Furthermore, their study indicated insufficient supply elasticity, implying that variations in military expenditure did not substantially affect economic production as anticipated. The variance decomposition findings corroborated this conclusion, demonstrating that differences in military expenditure had a negligible impact on economic development over the analysed period.

Taheer and Asmau (2017) broadened their study to investigate the impact of defence and healthcare spending on Nigeria's economic performance from 1970 to 2015. The study utilised Granger causality tests and the Error Correction Mechanism (ECM) to elucidate the short-term and long-term effects of government expenditure in various areas. The ECM model indicated that, in the near term, defence expenditure exerted a positive and statistically significant influence on Nigeria's economic development. This research indicates that, under some situations, military investment may enhance economic activity, potentially through job creation and infrastructure development linked to defence initiatives. Diagnostic tests validated the integrity of their model, indicating a normal distribution of residuals and the absence of autocorrelation. The Granger causality study revealed unidirectional causal relationships: defence expenditure impacted GDP growth, and healthcare spending likewise influenced GDP, with no reciprocal effects seen. Their research emphasised the need of analysing the individual elements of defence expenditure to gain a clearer understanding of their macroeconomic effects, especially in relation to how government spending in security sectors influences wider economic patterns.

Olofin (2012) examined the correlation between elements of the defence budget and initiatives aimed at alleviating poverty in Nigeria from 1990 to 2010. The research included four models utilising the Dynamic Ordinary Least Squares (DOLS) methodology. Two models utilised infant mortality rates as the dependent variable, whilst the other two employed a poverty indicator derived from human development indices.

Otto and Ukpere (2012) examined the relationship between national security and Nigeria's economic growth, emphasising the impact of defence expenditure on economic development. Their research demonstrated a positive correlation between national security and development, emphasising that economic growth is essential for development. They underscored that a stable environment promotes advancement and enhances communal well-being.

Mohammed and Lawong (2016) employed a dynamic modelling methodology to evaluate the impact of insecurity on several macroeconomic variables, utilising time-series data from 1960 to 2014. Their findings indicated that insecurity significantly influences short-term macroeconomic decisions, especially in the international sector. The study indicated that the impacts of insecurity are more significant on fiscal and external factors than on domestic policy variables.

Addressing insecurity is essential for formulating efficient short-term macroeconomic strategies due to its significant influence on fiscal and external dynamics. Strategies to alleviate insecurity are essential for preserving stability and attaining positive results in these domains.

Military Spending and Economic Growth

Kalyoncu and Yucel (2006) investigated the influence of military expenditure (MILEX) on economic growth in Turkey and Greece, emphasising the causal link between increasing defence expenditures and gross national product (GNP). They employed yearly data from 1956 to 2003 to conduct logarithmic unit root tests and Engel-

Granger cointegration analysis. The findings indicated a unidirectional causal relationship between economic development and military expenditure in Turkey.

Olofin (2012) examined the relationship between factors including commerce, population, per capita output squared, and military spending per soldier in connection to poverty in Nigeria. The data indicated that military spending and some variables had a positive correlation with poverty, whereas indicators such as per capita output, secondary school enrolment, and military expenditure shown a negative correlation with poverty. This underscores the trade-off between alleviating poverty and sustaining a capital-intensive military in Nigeria.

Khalid and Mustapha (2014) examined the influence of military expenditure on India's economic development via a multivariate approach. They utilised the Autoregressive Distributed Lag (ARDL) cointegration approach in conjunction with Granger causality tests to analyse data from 1980 to 2011. The research identified a notable short-term correlation between military expenditure and economic expansion. Nonetheless, the long-term outcomes varied, since Granger causality indicated a unidirectional link between GDP and military expenditure.
Apansile and Okunlola (2014) examined the impact of military expenditure on Nigeria's economic production in both the short and long term. A substantial adverse short-term effect was identified, alongside a beneficial long-term effect, demonstrating a dynamic link. Their research emphasised the pivotal importance of labour and capital, with labour exhibiting the largest long-term coefficient. The report recommended prioritising human capital development above military spending because of its minimal medium-term productivity impact.

Ajefu (2015) examined the correlation between defence burden and Nigeria's real GDP via Johansen's Cointegration Approach with yearly time series data. The research identified a negative long-term association between defence expenditure and GDP growth, highlighting that reallocating defence funds to alternative sectors might promote economic advancement.

Aregbeyen (2015) performed a time-series analysis of military expenditure and economic development in Nigeria spanning several decades. The data indicated that military expenditure positively influenced economic growth at specific intervals, but its impacts have waned in recent years, highlighting the necessity of effective resource allocation.

Idoko and Iorember (2017) employed panel data to evaluate the influence of military expenditure on Nigeria's economic development. Their analysis demonstrated that although military expenditure had a favourable impact on growth, its effect was less significant than that of other factors such as infrastructure investment and human capital development. This indicates that prioritising military expenditure over other areas may adversely affect the economy.

Churchill and Yew (2018) examined the correlation between military expenditure and economic development by utilising 272 meta-findings derived from 48 research. Their findings consistently indicated a detrimental effect of MILEX on economic growth, with this impact being more significant in poor countries compared to industrialised nations.

Kollias and Paleologou (2019) examined the correlation between military expenditure, investment, and growth rates in 65 countries from 1971 to 2014 utilising the panel vector autoregression (PVAR) methodology. Their findings indicated disparities in these associations among various socioeconomic groups.

Zaman (2019) investigated the relationship among military expenditure, business policies, and economic progress in G-7 countries. The research identified bidirectional causation between income and growth, endorsing military-driven trade liberalisation, business-driven military expenditure, and income-driven military expenditure.

Olabisi (2019) examined the economic ramifications of military spending in Nigeria, emphasising resource distribution and opportunity costs. The report contended that augmented defence expenditure resulted in insufficient investment in essential sectors such as education and healthcare, obstructing human capital development and general economic advancement.

Methodology and Model Specification

This research uses the Keynesian demand-side growth model as its theoretical foundation. The Keynesian demand-side growth model, created by acclaimed British economist John Maynard Keynes, underscores the significance of aggregate demand in influencing economic development and stability. This approach is especially

pertinent during economic downturns or recessions, when the economy may have underutilised resources and slow growth.

Keynes emphasised the significance of government intervention via fiscal measures, including augmented public expenditure, to invigorate economic activity. In this context, the model establishes a basis for examining the influence of government spending, especially on defence, on economic performance. Through the management of aggregate demand, defence spending might possibly mitigate underemployment, enhance productivity, and facilitate overall economic recovery and development.

This study utilises this paradigm to examine the link between government defence expenditure and economic growth in Nigeria, assessing its implications for national economic stability and progress.

The preferred model for this study is presented as follows:
RGDP = f(GDEX, GINEX) 3.1

In the econometric model, the variables are delineated as follows: RGDP denotes Nigeria's Real Gross Domestic Product, GDEX signifies Government Defence Expenditure, and GINEX pertains to Government Expenditure on Internal Security. The model is organised as a vector, integrating a singular equation that concurrently includes all its constituent equations.
$RGDP = \alpha_0 + \alpha_1 GDEX + \alpha_2 GINEX + \mu_i$ 3.2
μi denotes a stochastic variable, whereas α0, α1, and α2 are estimable parameters. According to Keynesian assumptions, α1 and α2 are expected to positively impact Nigeria's economy. This expectation can be quantitatively represented as $\alpha 1, \alpha 2 > 0$.

5. RESULTS AND DISCUSSION

Descriptive Statistics
Evaluating the model variables without assessing their trends would limit the validity of the findings and generalisations derived from the study. Consequently, descriptive statistics were employed to analyse the patterns of the variables, as seen in Table 4.1. Each variable exhibits distinct and distinctive trends.

Table 1: Descriptive Statistics

	RGDP	GDEX	GINEX
Mean	4.439451	0.531201	208.9030
Std. Dev.	3.861305	0.150307	197.7182
Skewness	0.426849	1.392549	0.849889
Kurtosis	3.665752	4.226244	2.783881
Jarque-Bera	1.318530	10.41800	3.302946
Probability	0.517231	0.005467	0.191767
Observations	27	27	27

Source: Authors computation 2024 with E-views 10.

The dependent variable, Real Gross Domestic Product (RGDP), has a mean of 4.439451 and a standard deviation of 3.861305, reflecting variability in economic performance. The skewness of the distribution, quantified as 0.426849, indicates a little positive asymmetry, implying a larger tail on the right side. The kurtosis score of 3.665752 indicates that the distribution is somewhat platykurtic, signifying it is less peaked than a normal distribution. The Jarque-Bera statistic is 1.318530, with a non-significant p-value of 0.517231, above the 5% significance level. This result corroborates the assertion that the RGDP data conforms closely to the attributes of a normal distribution.

The average government defence expenditure in Nigeria is 0.531201, with a standard deviation of 0.150307, indicating minimal variance. A skewness score of 1.392549 indicates a significant rightward skew, signifying a concentration of data at the lower end with a tail extending towards greater expenditures. A kurtosis score of 4.226244 indicates a fairly platykurtic distribution. The Jarque-Bera statistic of 10.41800, accompanied with a significant p-value of 0.005467 (below the 5% significance threshold), indicates that the data deviates from normalcy. This suggests that extreme values or outliers may affect the distribution, necessitating more investigation.

The average government expenditure on internal security is significantly elevated at 208.9030, accompanied by a standard deviation of 197.7182, signifying considerable fluctuation in expenditures. A skewness of 0.849889 signifies a moderate positive skew, indicating a small tail on the right side of the distribution. The kurtosis value of 2.783881 supports the notion of a relatively flat distribution, consistent with the traits of a platykurtic curve. The Jarque-Bera statistic of 3.302946 and a non-significant p-value of 0.191767 (exceeding the 5% barrier) indicate that this variable conforms to normalcy.

Pre-test results: This part contains the unit root test, co-integration test, and error correction test.

Table 2: Unit root test using Augmented Dickey-Fuller (ADF)

Variable	ADF	Critical 5%	Order	Remarks
RGDP	-3.576938	-3.548490	I(0)	Reject H_0
GDEX	-5.193659	-3.548490	I(0)	Reject H_0
GINEX	-5.219965	-3.658446	I(1)	Reject H_0

Source: Authors computation 2024 with E-views 10.

The results in Table 4.2 indicate that the model variables exhibit fractional stationarity at orders 1 and 0, or integration at orders 1 and 0, represented as I(1) and I(0). Thus, the null hypothesis (H0) is rejected for all variables, signifying that they are stationary and do not have unit root characteristics.

ARDL Bound Test for Long Run Equilibrium

Pesaran, Shin, and Smith (2001) assert that the Autoregressive Distributed Lag (ARDL) methodology for co-integration is especially appropriate for cases when the variables display a mixed order of integration, namely I(0) and I(1). The flexibility of the ARDL model renders it a viable instrument for examining interactions among variables that do not consistently conform to a singular integration level.

The ARDL Bound test use the F-statistic to assess the joint null hypothesis, which asserts the nonexistence of a long-run equilibrium link among the model's variables. The test ascertains the existence of a long-term association by comparing the estimated F-statistic to critical value thresholds. The rejection of the null hypothesis indicates the existence of at least one co-integrating link.

Table 4.3 summarises the findings of the ARDL Bound test, which analyses the various factors in the research. These findings offer essential insights into the long-term dynamics and interrelationships among the examined variables.

Table 3. F-Bound Test for the Model

Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	3.991362	10%	2.63	3.35
k	2	5%	3.1	3.87
		2.5%	3.55	4.38
		1%	4.13	5

Source: Authors computation 2024 with E-views 10

The Wald test findings (F-statistics) in Table 4.3 demonstrate that the calculated F-statistic of 3.991362 surpasses the upper bound critical value of 3.87 at the 5% significance level. This discovery offers compelling evidence of a long-term co-integration connection inside the designated ARDL model. Therefore, the null hypothesis, which claims there is no co-integration among the variables, is unequivocally rejected. These results highlight a consistent and strong long-term correlation among the analysed variables, affirming the model's validity for examining their interrelationships.

ARDL Estimates of the Long Run Regression

The results of the ARDL estimates of the long run relationship in the model are presented in tables4.4.

Table 4. ARDL Long Run Regression Estimates for the Model

Dependent Variable: RGDP

Levels Equation Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDEX	-0.857334	15.89442	-0.053939	0.9583
GINEX	-0.035450	0.015103	-2.347167	0.0469
C	9.438079	9.298927	1.014964	0.3398
EC = RGDP - (-0.8573*GDEX -0.0355*GINEX + 9.4381)				

Source: Authors computation 2024 with E-views 10

The long-term regression analysis results, provided in Table 4.4, demonstrate that government defense expenditure (GDEX) has a negative connection with economic growth, measured by real gross domestic product (RGDP), which violates traditional economic theory. Specifically, a one-unit rise in GDEX corresponds to a drop of 0.857334 units in Nigeria's economic growth, assuming all other parameters stay intact. From a statistical standpoint, GDEX is negligible, evidenced by a p-value of 0.9583, which surpasses the 5% significance threshold, so contradicting original predictions.

Furthermore, the second variable, Government Internal Security Expenditure (GINEX), demonstrates a negative correlation with economic activity in Nigeria, contrary to theoretical predictions. In contrast to GDEX, GINEX demonstrates statistical significance, evidenced by a p-value of 0.0469, which is below the 5% significance level. A one-unit rise in GINEX results in a decrease of 0.035450 units in Nigeria's economic growth, if all other variables are held constant. The data indicate that GINEX has negatively affected the country's economic growth performance.

4.5 ARDL-ECM Test for Short Run

The ARDL Bound test findings demonstrated a long-run cointegration connection among the variables, prompting the execution of the ARDL-ECM test to address short-run modifications. The results collected are displayed in Table 4.5.

Table 5. ARDL-ECM Test for the Model

Dependent Variable: D(RGDP)

ECM Regression **Case 2: Restricted Constant and No Trend**				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(RGDP(-1))	0.067353	0.139926	0.481350	0.6432
D(RGDP(-2))	0.116819	0.117550	0.993779	0.3494
D(RGDP(-3))	-0.533824	0.115033	-4.640624	0.0017
D(GDEX)	-2.709807	2.592030	-1.045438	0.3264
D(GDEX(-1))	1.689100	2.830817	0.596683	0.5672
D(GDEX(-2))	-5.020376	2.682670	-1.871411	0.0982
D(GDEX(-3))	11.14276	2.231997	4.992281	0.0011
D(GINEX)	-0.004506	0.008538	-0.527683	0.6120
D(GINEX(-1))	0.031737	0.010547	3.009147	0.0168
D(GINEX(-2))	0.029367	0.010220	2.873448	0.0207
D(GINEX(-3))	0.030563	0.011495	2.658881	0.0289
CointEq(-1)*	-0.487200	0.103984	-4.685348	0.0016
R-squared	0.899731	Mean dependent var		-0.205711
Adjusted R-squared	0.799463	S.D. dependent var		3.430106
S.E. of regression	1.536049	Akaike info criterion		4.002184
Sum squared resid	25.95393	Schwarz criterion		4.594616
Log likelihood	-34.02512	Hannan-Quinn criter.		4.151179
Durbin-Watson stat	2.384044			

Source: Authors computation 2024 with E-views 10

The short-run dynamics of the model, as shown in Table 4.5, reveal that the regression analysis of the ARDL-ECM equation produces an Adjusted R^2 value of 0.899731. This indicates that almost 90% of the fluctuations in economic development are explained by the independent variables, indicating a robust model fit.
Additionally, the Durbin-Watson (DW) statistic of 2.384044 verifies the lack of serial correlation. The error correction term exhibits the anticipated negative sign and is statistically significant at the 5% threshold. This indicates that any historical disequilibrium will progressively realign towards long-run equilibrium at a rate of -0.487200, or around 49% year, which is rather substantial. The predicted coefficient of the error correction term (-0.487200) signifies that about 49% of the discrepancies from the prior period will be rectified in the current year.

Diagnostic Test
The diagnostic tests considered in this study are normality test, serial correlation test, heteroscedasticity test and Ramsey reset test as presented in table 4.6 given below:

Table 6: Model Diagnostic Test Results

Diagnostic Tests for the Model	F- test Results	Prob.	Decision
Ramsey RESET Test	1.644980	0.2405	Reject
Normality Test (JarqueBera)	1.131411	0.5679	Reject
Heteroskedasticity (Glejser Test)	10.01836	0.7608	Reject
Breusch-Godfrey LM Test	7.849676	0.1197	Reject

Source: Authors computation 2024 with E-views 10

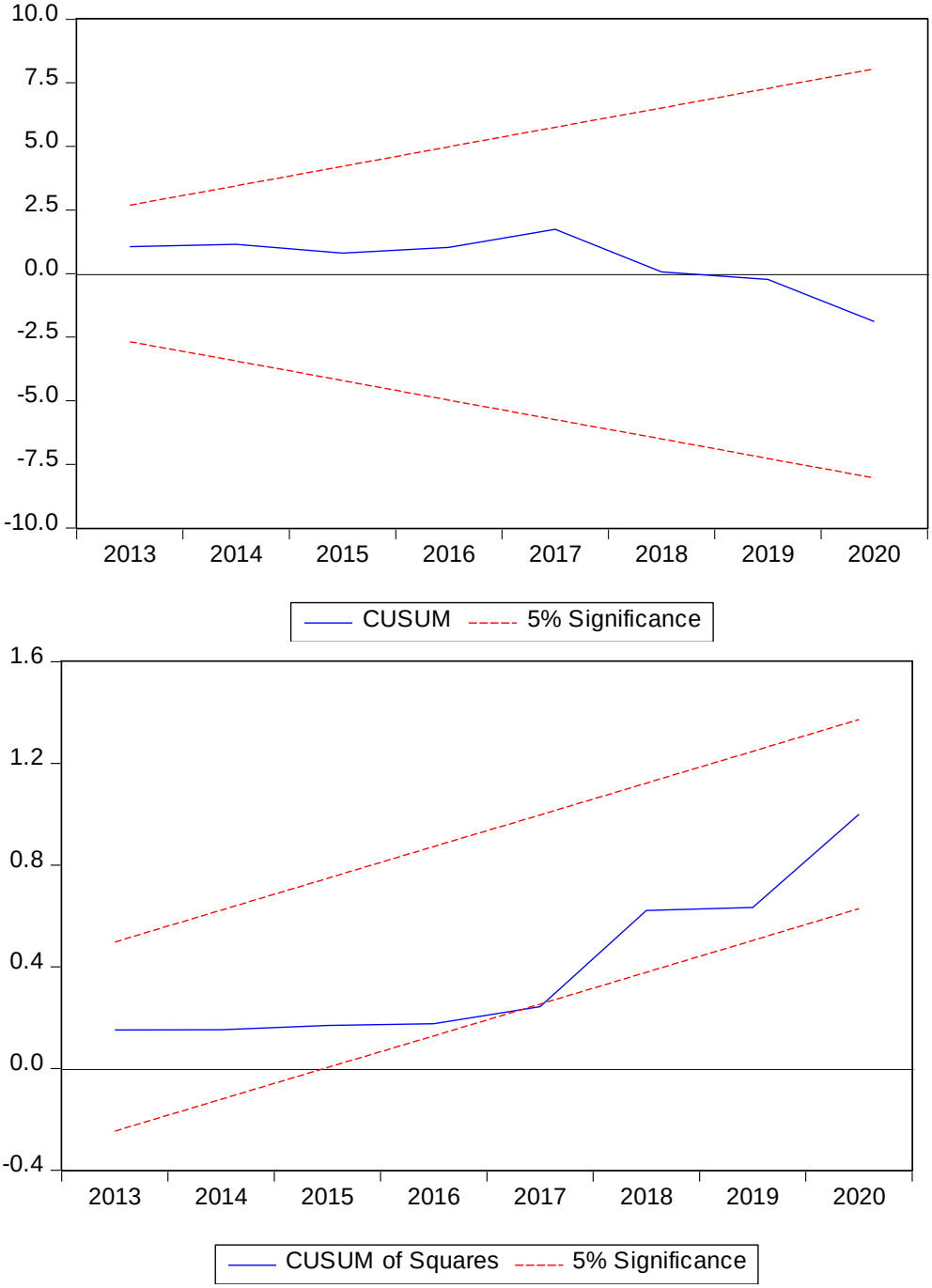
The F-Statistic findings in Table 4.6 demonstrate that the error term adheres to a normal distribution with a mean of zero. Furthermore, there is an absence of evidence for homoscedasticity, indicating that the variance of the error term is consistent throughout time. The findings further validate the model by confirming the lack of serial reliance in the error term.

The null hypotheses about normality, constant error variance, serial independence, and accurate functional specification were all dismissed. This indicates that the calculated model possesses a uniformly distributed error component with constant variance and absence of serial correlation. Additionally, the Ramsey Regression Specification Error Test (RESET) statistic corroborates the accuracy of the model specification, consistent with the conclusions of Gujarati (2013).

Stability Tests

Pesaran, Shin, and Smith (2001) advised that the stability of the calculated coefficients in the error correction model should be evaluated visually. A graphical depiction of the Cumulative Sum (CUSUM) test was executed to accomplish this. Figure 4.1 displays the CUSUM plot, which provides a recursive estimation of the model, demonstrating the stability of the coefficients over the sample period.

Figure 1A: Cumulative Sum for the Model



Both the CUSUM and the CUSUM square graph revealed that the model is stable and is statistically significant at 5% level.

Evaluation of Estimate

The projected outcomes are evaluated according to three principal criteria: economic criteria (a priori expectations), statistical criteria, and econometric criteria.

Economic Criteria (a-priori expectation)

Table 6: A-Priori Expectation

Independent variables	A-priori expectation signs
Government defenceExpenditure (GDEX)	Negative
Government internal security Expenditure (GINEX)	Negative

Source: Researchers' Computation 2024.

Table 7: a-priori expectation

Independent variables	Exp. Signs	Obtained results	Remarks
GDEX	+	-0.857334	Did not Conform to a-priori
GINEX	+	-0.035450	Did not Conform to a-priori

Source: Researchers' Computation 2024 with E-views.

Government defence expenditure (GDEX) deviated from theoretical predictions. Similarly, government internal security spending (GINEX) did not demonstrate the anticipated correlation.

Statistical criteria

Table 8: T- test statistic

Independent Variables	t-computed	Probability	Remarks
GDEX	-0.053939	0.9583	Accept H_0
GINEX	-2.347167	0.0469	Reject H_0

Source: Researchers' Computation 2024 with E-views 9.

Ho1: The hypothesis asserting that government defence spending (GDEX) does not significantly impact Nigeria's economy was accepted, as GDEX is not statistically significant. The second hypothesis (Ho_2) was rejected due to the statistical significance of government internal security spending (GINEX).

The estimated coefficient of determination (R^2) for the model is 0.899731, signifying that GDEX and GINEX together account for 90% of the fluctuations in real gross domestic product (RGDP). This indicates that the model is statistically significant and has a strong fit.

Assessment of Research Hypotheses

The hypotheses of this study are supported by various statistical techniques, including the use of the t-statistic.

H_{01}: Government spending on defence does not substantially influence Nigeria's economic progress.

Decision Rule: Accept the null hypothesis (H0) unless indicated differently, and reject H0 if the p-value is less than 0.05 at a 5% significance level.

The t-test findings and p-value demonstrate that GINEX exerts no statistically significant influence on government expenditure for internal security.

H_{02}: Government spending on internal security does not significantly impact economic growth in Nigeria.

Decision Rule: Unless specified differently, accept the null hypothesis (H0) and reject it if the p-value is less than 0.05 at a 5% significance threshold.

The t-test findings and p-value demonstrate that GINEX significantly influences government expenditure on internal security.

Discussion of Findings

The discussion of this study's findings is on the outcomes derived from the models employed to meet its aims. Both economic and statistical factors were emphasised for analysis. Moreover, the findings were juxtaposed with empirical research from the literature and the theoretical framework employed in the study.

Table 9: Discussion of Findings

Variables	**Economic expectation**	**Statistic test (T)**
GDEX	Did not Conform to a –priori	Insignificant
GINEX	Did not Conform to a –priori	Significant

Source: Author's computation

The model estimate findings indicate that government defence expenditure (GDEX) is inconsistent with economic expectations and lacks statistical significance. Conversely, government internal security spending diverges from economic forecasts yet remains statistically significant.

The statistical research indicates that total government expenditure substantially influences Nigeria's economic development in the near term. This discovery opposes Keynesian theory, which asserts that government expenditure serves as an impetus to foster economic growth. It is noteworthy that a prior research by Ighodaro and Okiakhi (2017) indicated a detrimental effect of government expenditure on economic growth in Nigeria. This study's conclusions do not entirely corroborate the Keynesian perspective on government expenditure and only partially accord with it.

i. The study results indicate that total government expenditure has a substantial impact on Nigeria's economic growth in both the short term and the long term. This outcome contradicts the Keynesian premise that government spending acts as an injection to promote economic development.
ii. The research indicates that Government Internal Expenditure (GINEX) exerts a negative yet statistically significant influence on economic development, implying that government defence spending is a crucial factor in Nigeria's economy.
iii. In contrast, the analysis indicates that Government Defence Expenditure (GDEX) is not statistically significant, suggesting it does not substantially affect Nigeria's economy.

6. CONCLUSION

Government defence expenditure (GDEX) does not favourably impact Nigeria's economy, signifying a negative association between the two variables. Likewise, government internal security spending (GINEX) adversely impacts the economy, demonstrating an unfavourable correlation, albeit statistically significant at the 5% level. The study included a historical analysis, economic impacts, resource allocation, foreign assistance, security ramifications, corruption, and other pertinent factors.

Recommendations

Highlighting honest and effective resource allocation in defence expenditure is essential for comprehending its effects on Nigeria's economic framework. This suggestion seeks to advance responsible resource management that adeptly reconciles national security imperatives with economic development goals. In light of the study's results and conclusions, the subsequent recommendations were put out:

i. Nigeria should consider reducing its defense funding and redirecting those funds towards critical sectors that can stimulate economic growth. High defense expenditure diverts resources from other essential sectors, potentially impacting infrastructure development, education, and healthcare, which are crucial for long-term economic growth and human development. Over the past two decades, high defence funding has not yielded significant results in terms of reducing violent conflicts and crimes. Policymakers should restructure the national security planning and budgeting to allocate resources more effectively.
ii. Nigeria should evaluate the effectiveness of security votes and explore the possibility of reallocating those funds to address key development issues. These funds could be utilized more efficiently in areas such as infrastructure investment, job creation, and empowerment programs. Despite significant budgetary allocations for security, insecurity continues to persist across the country.
iii. It is crucial to establish a well-equipped, well-trained, well-organized, and well-funded defence and security sector. Drawing on the experiences of industrialized nations, such a sector can make a significant contribution to securing the nation in the face of insecurity.
iv. Government should evaluate the economic and security results of defense expenditure through rigorous cost-benefit analyses. This will help determine the effectiveness and efficiency of resource allocation.

The recommendation advocates for a holistic approach to defense Expenditure, taking into account its broader economic implications and highlighting the necessity of transparent, accountable, and efficient resource allocation. Conciliating Nigeria's security needs with its wider economic and social development ambitions can be achieved by policymakers using such an approach, ultimately leading to sustainability and prosperity.

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