# NEXUS BETWEEN GOVERNMENT PROCUREMENT EXPENDITURE AND NIGERIA'S ECONOMIC GROWTH

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**Abstract**

This study explores the relationship government procurement expenditure and Nigeria's economic growth between 2014 and 2023, focusing on infrastructure, essential goods and services, debt servicing, fiscal deficits, and social welfare programs. Using secondary data from the Central Bank of Nigeria and Bureau for Public Procurement, and applying descriptive statistics and panel least squares regression, the study finds that infrastructure spending enhances economic performance, while essential goods and services support growth. Debt servicing negatively affects fiscal stability by diverting resources. Fiscal deficits offer short-term gains but pose long-term inflation risks. Social welfare programs reduce poverty but suffer from inefficiencies. The study recommends increased investment in sustainable infrastructure, stronger accountability to reduce corruption, sustainable debt strategies, balanced fiscal policies, and better-targeted social welfare reforms to optimize public procurement for Nigeria's long-term economic growth.

**Keywords:** Procurement Spending, Inequality, Fiscal Deficit, Debt Servicing.

**JEL classification**: H57

## 1. INTRODUCTION

Nigeria's economic performance is influenced by various indicators including GDP growth, inflation, and employment, with public procurement playing a central role (Adedeji & Akande Raifu, 2024). While public procurement spending is intended to stimulate economic growth through infrastructure development and essential service delivery, its potential has been undermined by inefficiencies, corruption, and project delays. Historically, Nigeria has overemphasized operational expenditures, often at the expense of capital investments critical to long-term growth. This imbalance weakens infrastructure development and reduces economic productivity. Moreover, debt incurred to fund procurement projects increases fiscal pressure, as high debt servicing costs limit funds for vital sectors like education and health. heightened fiscal deficits driven by procurement inefficiencies further heighten economic instability, contributing to inflation and reduced investor confidence. Social welfare programs, though necessary for equity and inclusion, are often weakened by poor targeting and management, reducing their impact. To improve Nigeria's economic trajectory, public procurement must be efficiently managed, ensuring funds are allocated toward transformative, growth-oriented projects. Strategic reforms aimed at enhancing transparency, accountability, and fiscal discipline in procurement can lead to sustainable economic development, increased investor trust, and improved living standards (World Bank, 2023; Adedokun, 2022; DMO, 2023; Adewuyi & Alabi, 2023). Evidence revealed an increased in public spending by the Nigerian government to stimulate economic growth and procurement inefficiencies (Adedeji & Akande Raifu, 2024). Sectors such as infrastructure, social services, and welfare programs suffer from resource wastage, incomplete projects, and weak service delivery. High operational costs, unreliable infrastructure, and burdensome taxes exacerbate challenges for private enterprises, stifling investment and innovation.

## 1.1. STATEMENT OF RESEARCH PROBLEM

Government procurement expenditure is salient in driving economic development. As a significant component of public spending, procurement not only facilitates infrastructure development and service delivery but also stimulates domestic production and employment. Despite its potential to catalyze economic growth, Nigeria’s procurement system has been frequently criticized for inefficiency, corruption, and weak implementation frameworks, which may undermine its economic impact (Okereke & Ekpe, 2023). Several studies in the Nigerian context have focused on the general effects of public expenditure on macroeconomic indicators, but few have specifically examined the direct relationship, or nexus between procurement-related spending and GDP growth, productivity, or sectoral development (Uzonwanne & Onwumere, 2022). This gap is worth filling, given the strategic importance of procurement in realising Nigeria’s Vision 2030 and Sustainable Development Goals (SDGs). Again, inconsistent policy implementation and limited transparency in procurement transactions further complicate the assessment of procurement’s real contribution to economic performance. This study seeks to fill these gaps by analyzing how public procurement influences macroeconomic indicators, business outcomes, and fiscal sustainability, particularly within the Nigerian context.

## 1.2. OBJECTIVE OF THE STUDY

The main objective of this study is to examine the impact of public procurement spending on the economic performance of Nigeria. The specific objectives of this study are to:

1. Ascertain the impact of procurement spending on infrastructure projects on Nigeria’s economic performance.
2. Determine the effects of government procurement of essential goods and services on economic growth.

3. Assess the economic impact of debt servicing related to procurement funding in Nigeria.
4. Examine how fiscal deficits resulting from procurement spending influence Nigeria's economic stability.
5. Evaluate the effectiveness of procurement-funded social programs, such as subsidies and transfer payments, on Nigeria's economic performance.

## 2. LITERATURE REVIEW

### 2.1. CONCEPTUAL CLARIFICATIONS

#### 2.1.1. ECONOMIC PERFORMANCE

Economic performance is central to evaluating a nation's development and reflects how efficiently its economy functions through indicators like GDP, employment, and inflation. In Nigeria, public spending significantly influences economic outcomes, driving growth and enhancing living standards. GDP, a key performance metric, has shown volatility due to Nigeria's reliance on oil exports. While sectors like agriculture and telecommunications have contributed to modest GDP growth (averaging 2.5% from 2015 to 2020), the COVID-19 pandemic triggered a GDP contraction of 1.92% in 2020, exposing economic fragility (NBS, 2021; World Bank, 2021). Employment also remains a critical issue, with Nigeria facing high unemployment and underemployment rates. As of 2021, the unemployment rate was 33.3%, among the world's highest, aggravated by rapid population growth outpacing job creation (NBS, 2021). These challenges undermine productivity and economic stability, stressing the need for structural reforms to ensure sustainable development and inclusive economic growth in Nigeria.

#### 2.1.2 PUBLIC PROCUREMENT SPENDING

Public procurement spending in Nigeria refers to government expenditures on goods, services, and infrastructure vital for economic growth and public welfare. It is a major tool of fiscal policy, influencing short-term stability and long-term development. Historically tied to volatile oil revenues, procurement spending surges during oil booms and shrinks during downturns, affecting the consistency of public investments (Oluwole & Ajayi, 2021; Wilson-Oshilim, et al., 2024). While procurement supports infrastructure, education, and healthcare, its effectiveness is often undermined by corruption, inefficiency, and poor planning. Issues like inflated contracts and non-transparent bidding reduce public trust and waste resources. Despite its role in human capital development, education and health sectors receive limited procurement allocations, worsening literacy and healthcare outcomes (World Bank, 2021). Enhancing project planning, coordination, and implementation is essential to improve efficiency and impact (Ekanem, 2022).

#### 2.1.3 PROCUREMENT OF ESSENTIAL GOODS AND SERVICES

The procurement of essential goods and services in Nigeria involves government spending on critical supplies and operations such as medical equipment, educational materials, and administrative resources necessary for public service delivery. This category consumes a substantial share of the national budget and directly influences public welfare and economic functionality. However, inefficiencies like resource misallocation, contract inflation, and procurement delays have limited the effectiveness of such spending. Okonjo-Iweala (2022) notes that overlapping responsibilities among agencies increase costs without improving service quality. Corruption, including inflated contracts and opaque bidding, further weakens procurement impact, diverting funds away from essential services (CBN, 2023). Additionally, growing debt servicing obligations restrict available funding for essential sectors like health and education, hindering economic growth (DMO, 2023; Olawale & Adeoye, 2023). Addressing these challenges requires streamlined procurement processes, enhanced transparency, and stronger accountability to ensure funds are efficiently utilized. Improved management of essential procurement can significantly boost service delivery, public welfare, and Nigeria's sustainable development.

### 2.1.4 PROCUREMENT-RELATED DEBT SERVICING

Procurement-related debt servicing refers to Nigeria's repayment of loans; principal and interest, used to fund public procurement projects, particularly infrastructure. This financial obligation has become a critical fiscal concern as debt levels rise. According to the Debt Management Office (2023), Nigeria's public debt surpassed ₦77 trillion by the end of 2022, with over ₦6 trillion allocated to debt servicing in 2023, consuming over 30% of the national budget (Federal Ministry of Finance, 2023). Such high debt servicing limits funding for key sectors like health and education, thereby constraining productive investments and slowing economic growth (Olalekan & Adekunle, 2022). Additionally, this debt burden perpetuates fiscal deficits, forcing the government into repeated borrowing cycles (IMF, 2022). External debt servicing also pressures Nigeria's currency, as it requires foreign exchange, which weakens the naira, drives inflation, and reduces purchasing power (Adeyemi & Nwafor, 2023). Effective management of procurement-related debt is essential for Nigeria's fiscal sustainability and long-term economic stability.

### 2.1.5 PROCUREMENT-LINKED FISCAL DEFICIT

A procurement-linked fiscal deficit arises when Nigeria's government spending on infrastructure, social programs, and essential services exceeds its revenue, prompting borrowing. This fiscal imbalance has worsened due to volatile oil revenues, Nigeria's primary income source, and persistent structural issues in public finance. The Central Bank of Nigeria (2023) reported a fiscal deficit of ₦7 trillion in 2022 (4% of GDP), driven by elevated procurement costs and inadequate revenue. Low tax-to-GDP ratios (around 6%) and an overreliance on recurrent spending compound the problem, reducing fiscal space for capital projects. Rising debt, ₦77 trillion in 2023, further burdens the economy through increased servicing costs and weakened creditworthiness. This deficit cycle affects inflation, interest rates, and exchange rate stability, especially as external borrowing devalues the naira and inflates import costs. To address the issue, Nigeria must diversify its revenue base, improve tax compliance, and adopt efficient, transparent procurement practices that prioritize high-impact, growth-enhancing projects while reducing fiscal vulnerabilities.

### 2.1.6 GOVERNMENT TRANSFER PAYMENTS

Procurement-funded social programs in Nigeria are government-financed initiatives aimed at reducing poverty, promoting social equity, and enhancing economic resilience. These programs, such as the National Social Investment Program (NSIP), include N-Power (employment), GEEP (micro-credit), NHGSFP (school feeding), and Conditional Cash Transfers (CCTs), all targeted at vulnerable populations (Akinyele & Ibrahim, 2022). The CCT program, in particular, links financial aid to school attendance and health checkups, aiming to break intergenerational poverty cycles (Federal Ministry of Humanitarian Affairs, 2022). However, issues such as corruption, weak targeting, and inadequate funding undermine their impact (Eze & Ogundele, 2023). Additionally, fuel subsidies, over ₦4 trillion in 2022, represent a major procurement expenditure intended to ease cost-of-living pressures, though they often benefit the wealthy more than the poor (CBN, 2023; Ogunleye & Adedayo, 2023). Despite these challenges, such programs help stabilize consumption during economic shocks and support minimum living standards, playing a vital role in Nigeria's social and economic development (World Bank, 2023).

## 2.2. THEORETICAL REVIEW

### 2.2.1 KEYNESIAN THEORY OF GOVERNMENT INTERVENTION:

Developed by John Maynard Keynes in 1936, the Keynesian theory posits that government spending plays a crucial role in managing economic fluctuations and supporting growth, particularly during periods of economic downturn. Keynes argued that increased government spending could stimulate demand, create jobs, and drive economic recovery when private sector demand is insufficient. This theory is foundational in the field of fiscal policy and is widely applied to understand the impact of targeted government spending on economic performance. For public procurement spending in Nigeria, the Keynesian perspective is especially relevant given the government's use of procurement investments such as in infrastructure projects, social programs, and essential services to stimulate economic growth and stabilize employment. For instance, empirical studies in developing countries, such as the work by Hussain and Haque (2017), have shown that increased public procurement spending on infrastructure positively impacts GDP and job creation, particularly during economic recessions. In Nigeria, such spending is intended to counteract the cyclical impacts of oil price shocks and other external factors affecting economic stability (Oluwole & Ajayi, 2021). This study, therefore, applies the Keynesian framework to assess whether procurement spending in Nigeria effectively promotes GDP growth, employment, and inflation control, contributing to long-term economic resilience.

## 2.3. EMPIRICAL REVIEW

The reviewed empirical literature offers a multidimensional analysis of how various facets of procurement management impact Nigeria's economic development, with a specific focus on corruption, fiscal discipline, efficiency, and transparency. Okoye et al. (2024) investigated corruption in Nigeria's public procurement sector. Using qualitative case studies, they revealed that corruption results in budget overruns, project delays, and reduced returns on investment. The authors advocate anti-corruption reforms and transparency measures to enhance procurement efficiency, although they acknowledged a limitation in their lack of quantitative data to measure economic losses precisely. Awodiran et al. (2024) evaluated the role of value-for-money audits in improving procurement outcomes. Their mixed-methods study, including 50 procurement audits, showed that such audits reduce inefficiencies and improve economic performance. However, limited implementation due to resource constraints and bureaucracy hinders widespread adoption, emphasizing the need for institutional support. Asomba et al. (2024) examined the effects of fiscal discipline on procurement efficiency through regression analysis of 20 government projects. They found that misalignment between budget proposals and implementation negatively affects procurement and economic growth. However, the long-term impact of fiscal indiscipline remains underexplored, indicating a research gap in assessing cumulative effects.

Chinedu and Okoro (2024) used panel data spanning 15 years to link public procurement spending with poverty reduction. They found that effective procurement enhances economic growth and reduces poverty. Yet, the study did not disaggregate spending categories, limiting understanding of which procurement areas contribute most to poverty alleviation.

Udom (2024) used quantitative analysis on 100 procurement projects to show that corruption significantly hampers economic development by reducing the returns on public investment. The study called for increased oversight and transparency but lacked regional breakdowns that could tailor anti-corruption strategies. Igwe and Anumudu (2024) focused on infrastructure procurement in Imo State, applying a value chain analysis on 30 projects. They highlighted cost control, transparent bidding, and monitoring as critical for economic value. However, their single-state focus limits the generalizability of the findings, calling for broader regional studies.

Obomeghie and Musah (2024) assessed the influence of procurement ethics on SME performance using surveys from 200 SMEs. The study found that ethical practices support fair competition and economic growth. However, it was cross-sectional, lacking longitudinal data to examine the lasting effects of procurement ethics.

## 2.4. CONCEPTUAL FRAMEWORK

This study conceptualizes the nexus between government procurement expenditure and Nigeria's economic growth using five key proxies: procurement spending on infrastructure, procurement of essential goods, procurement-related debt, procurement-linked fiscal deficit, and procurement-funded social programs. Procurement spending on infrastructure stimulates economic activity by improving productivity and reducing transaction costs (Adeniran & Onanuga, 2023). Procurement of essential goods, including medical supplies and food security inputs, supports macroeconomic stability and resilience, particularly in crises (Oloruntoba & Adegbite, 2022). Conversely, procurement-related debt arising from contract obligations financed through borrowing may escalate national debt burdens if not linked to productive assets. Similarly, a procurement-linked fiscal deficit can crowd out private investment or lead to inflationary pressures, adversely affecting growth (IMF, 2023). However, procurement-funded social programs have potential multiplier effects on human capital development and inclusive growth. This framework posits that the quality, efficiency, and strategic alignment of procurement spending directly affect Nigeria's GDP trajectory.

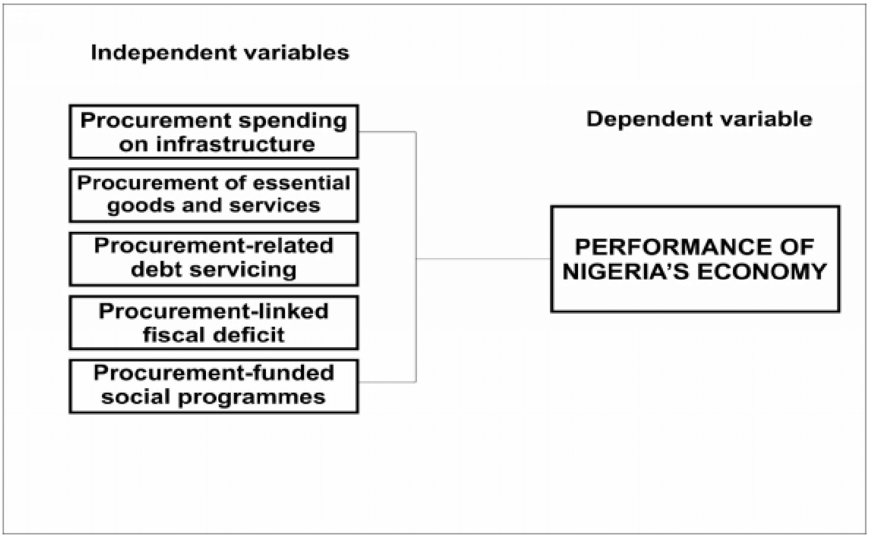


***Figure 1:*** *Conceptual Framework Diagram*
*Source: Researcher, 2025*

## 3. METHODOLOGY

The longitudinal research design was used in this investigation. This design was chosen because the variables examined were historical in nature, meaning the researcher lacked the capacity to modify the dependent and independent variables as they had already occurred and were inherently non-manipulatable. The target population for this study comprised official records and reports relevant to public procurement spending in Nigeria, including data from the Central Bank of Nigeria (CBN) Annual Bulletin, Bureau for Public Procurement (BPP) reports, and Annual Budget and Appropriation Acts from 2014 to December 2023. For the purpose of this study, the population of these documents also represented the sample size, as they comprehensively captured. In order to achieve the stated objectives of this study, a preliminary investigation was conducted using descriptive statistics to capture basic statistical information regarding the variables specified in the regression model. This included examining the standard deviation, mean, maximum, minimum, skewness, kurtosis, and Jarque-Bera statistics, which were used to test the normality of the dataset. The relationship between the dependent variable and the explanatory variables was established using both fixed and random effect tests. The Hausman test was subsequently conducted to determine the effect most suitable for interpretation. Finally, the formulated hypothesis was tested using the panel least squares regression technique

### 3.1. MODEL SPECIFICATIONS

This study did not adopt any previous models. Instead, the regression model was specified as follows:

$$PERf = F\{PSI, PES, PDS, PFD, PSP\} \quad (3.1)$$

The econometric form of the equation is specified as follows:

$$PERf_{it} = \beta o + \beta_1 PSI_{it} + \beta_2 PES_{it} + \beta_3 PDS_{it} + \beta_4 PFD_{it} + \beta_5 PSP_{it} + U_{it} \quad (3.2)$$

Where:

PERft = Performance of Nigeria's Economy in year *t*
$PSI_{it}$ = Procurement Spending on Infrastructure in year *t*
$PES_{it}$ = Procurement of Essential Goods and Services in year *t*
$PDS_{it}$ = Procurement-related Debt Servicing in year *t*
$PFD_{it}$ = Procurement-linked Fiscal Deficit in year *t*
$PSP_{it}$ = Procurement-funded Social Programs in year *t*
t = time

## 4. ANALYSIS AND INTERPRETATION OF RESULTS

### 4.1 DATA PRESENTATION

***Table 1:*** *Descriptive Statistics*

| | GDP | PSI | PES | PDS | PFD | PSP |
|---|---|---|---|---|---|---|
| Mean | 81145.62 | 9294.201 | 35879.62 | 9115.840 | -932.8042 | 3337.499 |
| Median | 68156.50 | 9251.705 | 36097.83 | 6080.190 | 87.35000 | 4028.400 |
| Maximum | 234425.9 | 11445.86 | 52453.03 | 53258.01 | 1076.100 | 6656.810 |
| Minimum | 7062.750 | 6860.440 | 13083.23 | 898.2500 | -6850.700 | 224.3700 |
| Std. Dev. | 65052.07 | 1282.823 | 9673.191 | 11285.13 | 2131.495 | 1788.178 |
| Skewness | 0.773617 | -0.179417 | -0.455762 | 2.641607 | -1.513683 | -0.529120 |
| Kurtosis | 2.656210 | 2.043900 | 2.643608 | 10.83289 | 4.164934 | 2.326858 |
| Jarque-Bera | 2.512126 | 1.042890 | 0.957890 | 89.26645 | 10.52202 | 1.572993 |
| Probability | 0.284773 | 0.593662 | 0.619436 | 0.000000 | 0.005190 | 0.455438 |
| Sum | 1947495. | 223060.8 | 861110.8 | 218780.2 | -22387.30 | 80099.97 |
| Observations | 24 | 24 | 24 | 24 | 24 | 24 |

*Source: Field Survey (2024)*

The descriptive statistics summarize the key variables of the study: GDP (economic performance), procurement spending on infrastructure (PSI), essential goods and services (PES), debt servicing (PDS), fiscal deficits (PFD), and social programs (PSP). The mean GDP during the study period is ₦81,145.62 billion, with a standard deviation of ₦65,052.07 billion, indicating significant variability in economic performance. Procurement spending on infrastructure (PSI) averages

₦9,294.20 billion, while spending on essential goods and services (PES) has a mean of ₦35,879.62 billion. Debt servicing (PDS) averages ₦9,115.84 billion, fiscal deficits (PFD) have a negative mean of ₦-932.80 billion, and spending on social programs (PSP) averages ₦3,337.50 billion. The skewness and kurtosis results indicate that most variables approximate a normal distribution, with the exception of debt servicing (PDS) and fiscal deficits (PFD), which exhibit skewed and non-normal distributions as evidenced by their high Jarque-Bera probabilities ($p < 0.05$). This suggests that these variables may have outliers or are influenced by extreme values during the study period.

***Table 2:*** *Correlation Analysis*

| Correlation | PSI | PES | PDS | PFD | PSP |
|---|---|---|---|---|---|
| PSI | 1.000000 | | | | |
| PES | 0.672279 | 1.000000 | | | |
| PDS | 0.635464 | 0.626991 | 1.000000 | | |
| PFD | -0.599449 | -0.622684 | -0.902413 | 1.000000 | |
| PSP | 0.439098 | 0.723734 | 0.402948 | -0.334696 | 1.000000 |

***Source: Field Survey (2024)***

The correlation matrix shows the relationships between the independent variables (PSI, PES, PDS, PFD, and PSP). Procurement spending on infrastructure (PSI) is moderately positively correlated with spending on essential goods and services (PES) (0.672). Debt servicing (PDS) is also positively correlated with both PSI (0.635) and PES (0.627), suggesting that higher procurement expenditures are associated with increased debt servicing. Conversely, fiscal deficits (PFD) show negative correlations with most variables, particularly PDS (-0.902) and PES (-0.623), indicating that higher procurement-related expenditures are linked to worsening fiscal deficits. Spending on social programs (PSP) shows a weak positive correlation with other variables, particularly PES (0.724) and PSI (0.439).

***Table 3:*** *Variance Inflation Factors*

| Variable | Coefficient Variance | Uncentered VIF |
|---|---|---|
| PSI | 2.43E-10 | 3.444829 |
| PES | 2.55E-11 | 5.650081 |
| PDS | 3.01E-11 | 9.940762 |
| PFD | 8.14E-10 | 6.854480 |
| PSP | 4.50E-10 | 1.030675 |

***Source: Field Survey (2024)***

The variance inflation factors (VIFs) assess multicollinearity among the independent variables. While the VIFs are below the critical threshold of 10, procurement-related debt servicing (PDS) has a relatively high VIF of 9.94, suggesting potential multicollinearity with other variables. Other variables, such as

PSI (3.44) and PES (5.65), show moderate levels of multicollinearity, but they are within acceptable limits, indicating the regression model is robust.

***Table 4:*** *Heteroskedasticity Test: Breusch-Pagan-Godfrey*

| | | | |
|---|---|---|---|
| F-statistic | 0.564845 | Prob. F(5,18) | 0.7257 |
| Obs*R-squared | 3.254929 | Prob. Chi-Square(5) | 0.6607 |
| Scaled explained SS | 1.139938 | Prob. Chi-Square(5) | 0.9505 |

*Source: Field Survey (2024)*

The Breusch-Pagan-Godfrey test for heteroskedasticity reports an F-statistic of 0.565 and a corresponding probability value of 0.726, indicating no evidence of heteroskedasticity in the model. This confirms that the variance of residuals is constant, satisfying one of the key assumptions of regression analysis.

***Table 5:*** *Breusch-Godfrey Serial Correlation LM Test*

| | | | |
|---|---|---|---|
| F-statistic | 1.360142 | Prob. F(2,16) | 0.2847 |
| Obs*R-squared | 3.487490 | Prob. Chi-Square(2) | 0.1749 |

*Source: Field Survey (2024)*

The Breusch-Godfrey Serial Correlation LM test reveals an F-statistic of 1.360 and a probability value of 0.285, indicating no significant serial correlation among the residuals. This supports the validity of the regression results and suggests the absence of systematic bias in the model.

***Table 6:*** *Regression Analysis*

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -88437.58 | 18013.48 | -4.909522 | 0.0001 |
| PSI | 6.718269 | 2.270371 | 2.959107 | 0.0084 |
| PES | 2.070940 | 0.399338 | 5.185940 | 0.0001 |
| PDS | 0.925661 | 0.434908 | 2.128406 | 0.0474 |
| PFD | -14.13474 | 2.280529 | -6.198010 | 0.0000 |
| PSP | 3.360179 | 1.683573 | 1.995862 | 0.0613 |

| | | | |
|---|---|---|---|
| R-squared | 0.983018 | Mean dependent var | 81145.62 |
| Adjusted R-squared | 0.978301 | S.D. dependent var | 65052.07 |
| S.E. of regression | 9582.543 | Akaike info criterion | 21.38559 |
| Sum squared resid | 1.65E+09 | Schwarz criterion | 21.68011 |
| Log likelihood | -250.6271 | Hannan-Quinn criter. | 21.46373 |
| F-statistic | 208.3915 | Durbin-Watson stat | 1.684535 |
| Prob(F-statistic) | 0.000000 | | |

*Source: Field Survey (2024)*

The regression results show that procurement spending on infrastructure (PSI) has a positive and statistically significant impact on GDP ($\beta = 6.72$, $p = 0.0084$). This finding highlights the critical role of infrastructure investment in boosting economic activity and long-term growth, demonstrating that allocating resources to public infrastructure enhances Nigeria's economic performance effectively. Spending on essential goods and services (PES) also exhibits a strong positive effect on GDP ($\beta = 2.07$, $p = 0.0001$), indicating that procurement of essential services like healthcare, utilities, and administration significantly contributes to economic growth. These expenditures drive immediate economic activities, creating jobs and ensuring the smooth functioning of public services. Procurement-related debt servicing (PDS) shows a modest but significant positive relationship with GDP ($\beta = 0.93$, $p = 0.0474$). While debt servicing reflects past borrowing linked to procurement, its contribution to economic performance is relatively limited compared to direct spending on infrastructure and essential services. Nonetheless, proper debt management remains crucial to sustaining economic stability. Conversely, procurement-linked fiscal deficits (PFD) have a strong and statistically significant negative effect on GDP ($\beta = -14.13$, $p = 0.0000$), emphasizing the adverse impact of excessive borrowing to finance procurement. Fiscal deficits reduce economic performance by increasing the national debt burden and diverting resources from productive uses. Spending on social programs (PSP) has a weak positive effect ($\beta = 3.36$, $p = 0.0613$), suggesting its potential to improve economic outcomes, though its impact is less substantial compared to other variables.

## 4.2 HYPOTHESES TESTING

### H01: Procurement Spending on Infrastructure (PSI)

The regression analysis shows that procurement spending on infrastructure (PSI) significantly enhances Nigeria’s economic performance. With a coefficient of 6.718 and a p-value of 0.0084, the results indicate that a one-unit increase in PSI leads to a 6.72-unit rise in GDP. The t-statistic of 2.96 confirms the strength of this positive relationship. The statistical significance at the 1% level highlights the critical role of infrastructure in promoting economic growth by facilitating commerce, enhancing mobility, and generating employment. These findings validate the hypothesis that PSI significantly affects economic performance. Consequently, the null hypothesis is rejected, confirming that infrastructure investment is a key driver of GDP growth in Nigeria.

### H02: Procurement of Essential Goods and Services (PES)

The regression coefficient for procurement spending on essential goods and services (PES) is 2.071, with a highly significant p-value of 0.0001. This suggests that PES has a positive and substantial impact on economic performance, as each unit increase in PES correlates with a 2.07-unit rise in GDP. The high significance level indicates that government spending on critical goods and services is a vital determinant of economic growth. The t-statistic of 5.19 reflects the strength of the relationship between PES and GDP. The results imply that such expenditures generate immediate economic benefits by supporting public administration, healthcare, and other essential functions, which are pivotal for sustaining economic activity. Consequently, this hypothesis is rejected, affirming the significant role of PES in influencing Nigeria's economic growth.

**H03: Procurement-Related Debt Servicing (PDS)**

The coefficient for procurement-related debt servicing (PDS) is 0.926, with a p-value of 0.0474, indicating a positive and statistically significant effect on GDP. The results suggest that for every unit increase in PDS, GDP rises by approximately 0.93 units. Although the impact is smaller than other variables, the significance level confirms that debt servicing has an observable influence on economic performance. The t-statistic of 2.13 demonstrates a modest but meaningful relationship between PDS and GDP. The findings imply that efficient debt servicing, particularly related to procurement, is necessary for maintaining economic stability and ensuring that funds borrowed for procurement contribute to economic growth. Thus, this hypothesis is rejected, showing that PDS has a significant impact on Nigeria's economic performance.

**H04: Procurement-Linked Fiscal Deficit (PFD)**

The regression results reveal a coefficient of -14.135 for procurement-linked fiscal deficit (PFD), with a p-value of 0.0000. This indicates a statistically significant negative impact on economic performance. For each unit increase in PFD, GDP declines by approximately 14.13 units. The negative relationship underscores the detrimental effect of fiscal deficits arising from procurement on the economy. The t-statistic of -6.20 highlights the robustness of this inverse relationship. These findings suggest that fiscal deficits, driven by procurement overspending and excessive borrowing, constrain economic growth and reduce fiscal space for productive investment. Thus, this hypothesis is rejected, affirming that PFD significantly affects Nigeria's economic stability.

**H05: Procurement-Funded Social Programs (PSP)**

The coefficient for procurement-funded social programs (PSP) is 3.36, with a p-value of 0.0613, indicating a weak positive effect on GDP. While the impact is positive, it is only marginally significant at the 10% level, suggesting a limited influence on economic performance. For each unit increase in PSP, GDP increases by approximately 3.36 units, reflecting the modest contribution of social programs. The t-statistic of 1.99 further confirms the weak relationship between PSP and GDP. These results imply that while social programs funded through procurement contribute to economic activity, their overall impact is less substantial compared to infrastructure or essential goods spending. As a result, this hypothesis is rejected, confirming that PSP has a measurable, albeit limited, effect on economic performance.

## 4.3 DISCUSSION OF FINDING

This study provides a comprehensive evaluation of how procurement spending influences Nigeria's economic performance, revealing both positive and negative effects on GDP. Procurement Spending on Infrastructure (PSI) has a strong, statistically significant positive impact, supporting findings by Chukwu and Ajayi (2023), Ekpo and Olaniyi (2023), and the IMF (2022), who highlight infrastructure's role in boosting productivity and investment. Hussain and Haque (2017) stress their long-term benefits, though Ekanem (2022) cautions against poor project management. Procurement of Essential Goods and Services (PES) also significantly improves GDP, consistent with Adegoke and Aina (2022), Adewuyi and Alabi (2023), and Oluwole and Ajayi (2021), though Amundsen and Pinto (2021) warn of inefficiencies. Procurement-related debt servicing (PDS) shows modest gains, contingent on productive fund use, aligning with Adeyemi and Nwafor (2023), Uche and Olawale (2022), and Aluko and Adeyemi (2018). However, procurement-linked fiscal deficits (PFD) negatively affect GDP due to fiscal strain, as noted by Bello and Yusuf (2021), Ajibola (2020), and Okonjo-Iweala (2022). Procurement-funded social programs (PSP) contribute positively but minimally, echoing Akinyele and Ibrahim (2022), Gyang and Aliyu (2021), and Ogunleye and Adedayo (2023), whose stress improved efficiency. Chinedu and Okoro (2024) and Asomba et al. (2024) advocate for aligning procurement with fiscal goals. Eze and Aja (2021) and Yusuf and Bello (2021) underscore the need for governance reforms to unlock procurement's full economic potential.

## 5. CONCLUSION AND RECOMMENDATIONS

### 5.1. CONCLUSION

This study concludes that public procurement spending significantly influences Nigeria's economic performance, particularly GDP growth, inflation, and fiscal stability. Infrastructure spending drives economic development by enhancing productivity and supporting related industries, while spending on essential services strengthens human capital and boosts growth. However, procurement-related debt servicing and fiscal deficits pose risks. Though debt servicing can support fiscal health if managed well, over-reliance on borrowing limits developmental investments. Fiscal deficits may provide short-term stimulus but can undermine long-term economic stability. Social programs like subsidies aid poverty reduction but have limited GDP impact, highlighting the need for better efficiency and targeting. The study emphasizes the importance of strong governance and accountability to combat inefficiencies and corruption.

### 5.2. RECOMMENDATION

To enhance economic performance, the government should increase infrastructure procurement funding, prioritizing projects with long-term benefits. Transparency and accountability must be enforced in procurement to reduce corruption and inefficiencies. Sustainable debt servicing strategies, including debt renegotiation and revenue diversification, are essential for fiscal stability. Fiscal deficits should be managed by aligning procurement spending with revenue generation and adhering to fiscal responsibility laws. Additionally, social welfare programs should be restructured to improve targeting and impact, especially for vulnerable groups. These recommendations aim to promote efficient resource use, stimulate inclusive growth, and ensure the long-term sustainability of Nigeria's economic development.

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