ABSTRACT

As defense expenditure in Nigeria has become considerably high, the concern is whether the burden of such expenditure might adversely influence economic growth through its ability to reduce expenditure on education, which is a key sector that accentuates economic growth. This chapter, therefore, analyzes the deleterious effects of defense expenditure on education expenditure in relation to economic growth of Nigeria. The estimated model finds that defense expenditure exerts negative effect on education expenditure. This implies that reducing defense expenditure would not only be good for economic growth but also directly contribute resources into the education sector of the Nigerian economy. The authors also observe the need to reduce expenditure on defense for the development of other social sectors.

INTRODUCTION

Since the seminal work of Benoit (1973, 1978) which suggested that military spending had a positive impact on economic development derived from the existence of spill-over effects, significant number of studies have been conducted on the empirical relationship between military expenditure and economic growth in both developed and developing economies. There is convincing empirical evidence in favour of a positive effect of military expenditure on long-term growth as well as the causal link between them. However, there is little evidence on the deleterious impact of military expenditure on economic and social services that have been found to engender growth. The discord as per the effect of military expenditure on education expenditure and economic growth, and the rising military expenditure in Nigeria in recent time has been a major concern to researchers and policy makers. This uncertainty prompted this chapter to examine how the large amount of military expenditure has impacted on economic growth through

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reduction on education expenditure. The essence is to determine whether military expenditure is one of the economically non-contributive activities in Nigeria economy as argued by Dumas (2002).

Military expenditure in Nigeria has been on the increase over the last few decades. For instance, defence expenditure as a percentage of the total Federal Government budgetary provision was 10.1% in 2003 and 11.9% in 2004. However, it declined to about 11.2% in 2005 but rose again to 14.7% in 2006. In 2007, military expenditure was N1.2 billion, which represent about 0.6% of the total GDP. It increased to N15.4 billion in 2008 and later N45.4 billion in 2009. Since then, the trend of military expenditure has taken an upward drift. In 2012, it rose to about N345 billion which accounted for about 1.0% of the country’s GDP. In comparison, education expenditure which was N15.4 million in 2003 increased to N16.8 million in 2004 and rose further to N23.7 million in 2005. In 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013, federal government expenditure on education was N27.8 million, N56.6 million, N62.5 million, N69.0 million, N69.2 billion, N72.6 billion, N75.8 billion and N72.9 billion respectively. In 2015, Nigeria government allocated N285 billion to defence which is about 13% higher than the amount allocated for 2014 (CBN, 2016). Meanwhile, the allocation to essential services such as education and health has been experiencing a rapid decline with fumbling and tumbling economic growth as depicted in Table 1.

Available data shows that during 2011-2015, GDP was estimated to grow at 4.6 which is very low as compare to other African countries, such as South Africa, Kenya, Ghana and Gambia. The highest GDP growth of 5.5% was recorded in 2013, while the lowest GDP growth of 2.8% was recorded in 2015 (Nigeria Economic Outlook, 2017). Despite of facing high inflation, extreme poverty rate, more unemployment, energy crises, debt burden and many other major socio-economic issues, Nigeria spend huge amount on defence. The devastating impact of military expenditure on the fragile Nigeria economy can be illustrated using some revelations. The social indicators for the country show that gross primary enrolment ratio has either stagnated or declined. Infant mortality and life expectancy have improved over the years, although they are far behind those of other developing countries. Furthermore, the proportion of the population living in extreme poverty increased to 16% in 2013 from 13% in 2009, while over 60 percent of the population is living below the poverty line (World Development Report, 2014). It is line with this that researchers claim that Nigeria spent more on non-developmental projects as compared to growth-enhancing projects. Figure 1 shows the trend of defence and education expenditure of Nigeria.

Table 1. Government total expenditure, expenditure on education, education expenditure as % of total, expenditure on defence, defence expenditure as % of total, GDP and real GDP in Nigeria, 2010-2015

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>GTX</th>
<th>GXD</th>
<th>GXDGP</th>
<th>GXE</th>
<th>GXEGDP</th>
<th>RGDP</th>
<th>RGDPG</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>3109.4371</td>
<td>198.71054</td>
<td>6.3906</td>
<td>170.8</td>
<td>5.4930</td>
<td>776332.21</td>
<td>7.4283</td>
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<tr>
<td>2011</td>
<td>3314.5133</td>
<td>283.2</td>
<td>8.5442</td>
<td>335.8</td>
<td>10.1312</td>
<td>834000.83</td>
<td>6.5818</td>
</tr>
<tr>
<td>2012</td>
<td>3325.1565</td>
<td>296.8</td>
<td>8.9259</td>
<td>348.4</td>
<td>10.4777</td>
<td>888893.00</td>
<td>6.8873</td>
</tr>
<tr>
<td>2013</td>
<td>3214.955</td>
<td>272.32554</td>
<td>8.4706</td>
<td>390.4249</td>
<td>12.1440</td>
<td>950114.03</td>
<td>1.3878</td>
</tr>
<tr>
<td>2014</td>
<td>3426.9408</td>
<td>274.53047</td>
<td>8.0109</td>
<td>343.7549</td>
<td>10.0310</td>
<td>963300.00</td>
<td>2.0035</td>
</tr>
<tr>
<td>2015</td>
<td>3831.9778</td>
<td>330.59</td>
<td>8.6271</td>
<td>325.19</td>
<td>8.4862</td>
<td>982600.00</td>
<td>-100</td>
</tr>
</tbody>
</table>

Source: CBN Statistical Bulletins, various Issues; Note: GTX=government total expenditure; GXE= expenditure on education; GXEGDP= education expenditure as % of total expenditure; GXD = government expenditure on defence; GXDGP = defence expenditure as % of total; GDP = Gross domestic product, RGDP = real growth in GDP. All variables are in millions.
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