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Government Final Consumption Expenditure and Household Consumption Expenditure NPISHS in Nigeria

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Abstract : Undeniably, unlike the Classical side, the Keynesian perspective of the aggregate demand side indeed has a significant position in the policy, growth, and welfare of Nigeria due to government involvement and ineffective demand of the population living with poor per capita income. This study seeks to investigate the effect of Government Final Consumption Expenditure, Financial Deepening on Households, and NPISHs Final consumption expenditure using data on Nigeria from 1981 to 2019. This study employed the ADF stationarity test, Johansen Cointegration test, and Vector Error Correction Model. The results of the study revealed that the coefficient of Government final consumption expenditure has a positive effect on household consumption expenditure in the long run. There is a long-run and short-run relationship between gross fixed capital formation and household consumption expenditure. The coefficients cpsgdp (financial deepening and gross fixed capital formation posit a negative impact on household final consumption expenditure. The coefficients money supply lm2gdp, which is another proxy for financial deepening, and the coefficient FDI have a positive effect on household final consumption expenditure in the long run. Therefore, this study recommends that Gross fixed capital formation stimulates household consumption expenditure; a legal framework to support investment is a panacea to increasing hoodmold income and consumption and reducing poverty in Nigeria. Therefore, this should be a key central component of policy.

Keywords : government final consumption expenditure, household consumption expenditure, vector error correction model, cointegration
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