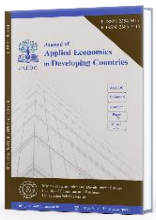

Journal of Applied Economics in Developing Countries
P-ISSN 2354 – 6417 | E-ISSN 2685 – 7448
Vol. 10 No. 1, March 2025, Page 1-11

NEXUS AMONG FISCAL SPENDING, MONEY INFLATION AND ECONOMIC WELFARE IN NIGERIA

Felix Odunayo Ajayi[1)], Aduralere O. Oyelade[1)*], Gideon Olugbenga Olanrewaju[2)]
[1)]Department of Economic, Olabisi Onabanjo University, Ago-Iwoye, Nigeria
[2)]Department of Economics, Babcock University, Ilishan-Remo, Nigeria

*Corresponding author: adontopdominating@gmail.com

ARTICLE INFO

Article history
Received : 27 August 2024
Revised : 30 September 2024
Accepted : 27 March 2025

Keywords
Economic Welfare;
Error Correction Model;
Fiscal Spending;
Money Inflation

JEL classification
E60; E62; O23

ABSTRACT

This study investigates the nexus among fiscal spending, money inflation, and economic welfare in Nigeria. The relationship between these macroeconomic variables is a long-standing topic of interest, as fiscal spending, inflationary pressures, and the economic well-being of citizens are intricately linked. Nigeria, as one of Africa's largest economies, faces a complex set of economic challenges that impact the welfare of its citizens. The country has grappled with mounting fiscal spending pressures to address critical development priorities, while simultaneously battling recurring inflation driven by factors such as fiscal deficits, fluctuations in global oil prices, and policy coordination issues. The study employs the Error Correction Model (ECM) to analyze the dynamics among the variables from 1990 to 2022. The findings revealed that fiscal spending has a positive impact on economic welfare, while money inflation exerts a negative effect. The results underscore the importance of balanced and coordinated fiscal and monetary policies to ensure sustainable economic growth and equitable distribution of welfare improvements. The study's recommendations emphasize the need for enhanced fiscal-monetary policy coordination, efficient allocation of public resources, and targeted interventions to mitigate the adverse impacts of inflation on the economic well-being of citizens.

This is an open-access article under the CC–BY 4.0 license.

1. INTRODUCTION

The relationship among fiscal policy, monetary inflation, and economic welfare is a longstanding topic of interest in macroeconomics (Musa et al., 2013; Olubokun et al., 2016; Oluwole et al., 2020). Fiscal spending is the allocation of government funds to finance various programs, projects, and services (Oyerinde, 2019). It aims to stimulate the economy, provide public services, and ensure economic stability (Oluwole et al., 2020). Inflation on the other hand is a sustained increase in general price levels, which can be cause by factors like demand-pull, cost-push, and monetary policies (Ekpeyong et al., 2020). Economic welfare refers to the well-being and standard of living of individuals, households, or a population, influenced by income, employment, and access to basic necessities (Alkire & Foster, 2011).

The relationship between fiscal spending, money inflation, and economic welfare in Nigeria are not totally new because it is significant concern and scholarly interest (Olubokun et al., 2016). Nigeria, as one of Africa's largest economies and most populous nations, faces a complex set of economic challenges that impact the well-being of its citizens (Terwase et al., 2014). Nigeria's economic history is marked by periods of growth challenges, and policy shifts. Nigeria's economic structure was heavily influenced by its colonial history. Where the focus was on exploiting its natural resources, primarily palm oil and later, crude oil. This extractive economic model laid the foundation for Nigeria's dependence on oil revenue (Ekpeyong et al., 2020).

Nigeria gained independence from British colonial rule in 1960 with high hopes of economic development. The government implemented various development plans and policies to diversify the economy, but the oil sector increasingly dominated economic activities. The 1970s oil boom brought immense wealth to Nigeria (Maku et al., 2015). However, mismanagement of oil revenues, corruption, and economic distortions led to a cycle of boom and bust, characterized by fiscal extravagance during oil price surges and economic crises during price slumps. In response to economic challenges in the 1980s, Nigeria adopted SAPs under the guidance of international financial institutions. These policies aimed to liberalize the economy, reduce fiscal deficits, and control inflation but often came at the expense of social services and welfare (Oye et al., 2018). Nigeria transitioned from military to civilian rule in 1999. This period saw efforts to stabilize the economy and promote democratic governance. However, fiscal challenges persisted, particularly in managing oil revenues. The 2008 global financial crisis exposed Nigeria's vulnerability to external shocks. The government responded with fiscal stimulus packages to mitigate the impact on the domestic economy (Toriola et al., 2022).

Nigeria has been grappling with mounting fiscal spending pressures driven by the need to address critical development priorities, such as infrastructure improvement, social programs, and public sector wages. While fiscal spending is crucial for economic growth, the challenge lies in ensuring that these expenditures are effectively allocated and funded, considering the diverse needs of a rapidly growing population and a resource-dependent economy (Akobi et al., 2021). Simultaneously, the country faces recurring issues of inflation, resulting from various factors including excessive fiscal deficits, fluctuations in global oil prices, and inconsistent monetary and fiscal policy coordination. High inflation erodes the purchasing power of consumers, particularly for low and fixed-income groups, exacerbating economic inequality and uncertainty (Akobi et al., 2021). The combined effects of escalating fiscal spending and inflation are profoundly impacting the economic welfare of Nigerian citizens. A reduction in purchasing power, diminishing savings, and an increase in income inequality are placing immense pressure on households. This, in turn, undermines the ability of individuals and families to meet basic needs, putting at risk the broader economic stability of the nation (Bredino et al., 2023). Navigating these challenges requires innovative policy solutions that balance the imperatives of economic growth, inflation control, and the equitable distribution of welfare improvements. Furthermore, there is a pressing need for enhanced fiscal and monetary policy coordination to achieve a more harmonious economic environment. Nigeria's journey towards inclusive growth and economic stability demands careful and deliberate strategies to address these intertwined challenges (Toriola et al., 2022). The goal of this study was to investigate the nexus among fiscal spending, money inflation and economic welfare in Nigeria. The specific objectives were: to investigate the impact of fiscal spending on economic welfare in Nigeria; to analyze the effect of money inflation on economic welfare in Nigeria and to evaluate the effect of both fiscal spend and money inflation on economic welfare in Nigeria.

The existing literature on the nexus among fiscal spending, money inflation, and economic welfare yields mixed result. Numerous studies have indicated that both capital and recurrent government expenditures positively influence economic growth. Bredino et al. (2023) and Egbulonu & Wobilor (2016) specifically found that government expenditure increased inflation. However, the effects varied depending on the type of expenditure, with social/community services and transfer payments having more beneficial impacts than economic services spending (Maku et al., 2015; Nworji et al., 2012).

Bodunrin (2016) and Danladi et al. (2015) found capital expenditure had a stronger positive effect than recurrent expenditure. Also Dikeogu (2018) found government capital spending reduced inflation, while recurrent spending and exchange rates had insignificant impacts. Danlami (2019) and Oyerinde (2019) found fiscal deficits and government spending were inflationary. However, George-Anokwuru & Ekpenyong (2020) discovered that government expenditure negatively affects inflation in the long run.

Studies investigating monetary policy have also produced varied results. Onyeiwu (2012) and Victoria et al. (2016) found that money supply positively influenced economic growth and the balance of payments but had a negative effect on inflation. Gatawa et al. (2017) reported a positive long-term impact of money supply on growth, while interest rates exerted a negative long-term influence. Similarly, Amassoma et al. (2018) and Toriola et al. (2022) indicated that money supply positively affected inflation. In contrast, Musa et al. (2013) concluded that both monetary and fiscal policies significantly impacted prices and output. Ojarikre et al. (2015) found no significant relationship between government expenditure and inflation.

Numerous studies have examined the inflation process in Nigeria. Babatunde & Shuaibu (2011) found that inflation negatively affected growth, while Bredino et al. (2023) and Ekomabasi & Ekong (2023) emphasized the role of fiscal deficits in contributing to inflation. Olubokun et al. (2016) observed that high government spending and inflation led to increased output volatility. Many researchers utilized cointegration techniques and identified long-run equilibrium relationships among the variables. Babatunde & Shuaibu (2011), Egbulonu & Wobilor (2016), and Ekomabasi & Ekong (2023) all found evidence of long-term connections, although the specific relationships varied. Eze & Nweke (2017) reported a negative but insignificant effect of inflation on GDP growth, while Gatawa et al. (2017) established that inflation had a negative long-term impact on growth. In contrast, Ekpeyong et al. (2020) identified a positive but insignificant effect of inflation on growth. Danlami et al. (2020) challenged the monetarist perspective that money supply is the primary driver of inflation, arguing that factors such as GDP are more significant in the long run. Additionally, other macroeconomic variables like external debt, exchange rates, and GDP growth were found to significantly affect inflation (Ekomabasi & Ekong, 2023; Okoye et al., 2019). Fiscal deficits and their financing sources were also associated with both inflation and economic development (Oluwole et al., 2020).

The study identifies some specific gaps related to this area of study based on the past studies. Most of the studies primarily concentrate on economic growth, inflation, and fiscal policy in isolation. There is a lack of comprehensive research that explicitly assesses the effects of fiscal spending and money inflation on broader economic welfare except for few studies (Musa et al., 2013; Olubokun et al., 2016; Oluwole et al., 2020). Conducting research in this area provides a more comprehensive understanding of the overall impact on the population. Also, this study considered various measures of economic welfare beyond just GDP, including indicators related to health, education and etc which are captured by human capital index.

2. RESEARCH METHODS

The theoretical framework for the research was grounded in neoclassical growth theory, which posits that the rate of economic growth is determined by a combination of three key factors which are labour, capital, and technology (Todaro & Smith, 2011).

$$Y = Af(K, L) \quad \ldots\ldots (1)$$

In this context, Y represents economic growth, K denotes capital, L signifies labour, and A indicates a level of technology. Technology is considered to enhance labour productivity, acting as a constant that boosts the output potential of labour (Romer, 1987). Consequently, the economic growth function can be expressed as follows:

$$Y = f(K, AL) \quad \ldots\ldots (2)$$

This research work incorporated fiscal spending (FS) and money inflation (MI) in the model in order to capture their effect on growth.

$$Y = Af(K, L, FS\ \&MI) \quad (3)$$

In alignment with the three objectives of the study, three models were developed under the model specification. Several of these variables are based on the research of Adenaike (2022), Bodunrin (2016), Ekpeyong et al. (2020), Gatawa et al. (2017), Maku et al. (2015), Musa et al. (2013), Olubokun et al. (2016), Oye et al. (2018), and Toriola et al. (2022).

The following model examines the impact of fiscal spending on economic welfare in Nigeria. Where HDI is economic welfare, K is capital, L is labour, and FS is fiscal spending.

$$HDI_t = \sigma_1 + \sigma_2 K_t + \sigma_3 L_t + \sigma_4 FS_t + \varepsilon_t \quad (4)$$

The following model examines the effect of money inflation on economic welfare in Nigeria. Where HDI is economic welfare, K is capital, L is labour, and MI is money inflation.

$$HDI_t = \varphi_1 + \varphi_2 K_t + \varphi_3 L_t + \varphi_4 MI_t + \varepsilon_t \quad (5)$$

The following model examines the combined effect of fiscal spending and money inflation on economic welfare in Nigeria. Where HDI is economic welfare, K is capital, L is labour, FS is fiscal spending, and MI is money inflation.

$$HDI_t = \omega_1 + \omega_2 K_t + \omega_3 L_t + \omega_4 FS_t + \omega_5 MI_t + \varepsilon_t \quad (6)$$

Data for the research work was accessed from Central Bank of Nigeria, National Bureau of Statistics (NBS) fact sheet, and World Development Indicator from 1990 to 2022. The reason for the scope was that human capital index used as a proxy for economic welfare start from 1990. Economic welfare will be proxy by human development index (%), capital will be measure by growth rate of gross capital formation (%), labor will be measure by growth rate of labor force (%), fiscal spending will be measure by log of government expenditure (%) and money inflation by consumer price index. The estimation technique for the research work was based on error correction model (ECM). ECM is particularly useful when the variables under study are non-stationary but cointegrated. This means that while the individual time series may not be stable over time, a linear combination of them may be stationary. ECM captures both short-term fluctuations and long-term equilibrium relationships. This is crucial for understanding how immediate changes in fiscal policy or inflation affect economic welfare in the short run, while also considering the long-term impacts. It also provides insights into the speed at which variables return to equilibrium after a shock.

3. RESULTS AND DISCUSSION

3.1. RESULTS

Table 1 provides the descriptive statistics to summarize the data, including the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque-Bera test.

Table 1. Descriptive Statistical Analysis

	HDI	K	L	FS	MI
Mean	0.476	2.795	59.318	7.418	13.600
Median	0.480	5.457	60.034	7.620	12.500
Maximum	0.547	40.389	62.912	10.104	23.800
Minimum	0.391	-23.747	55.240	4.099	6.600
Std. Dev.	0.043	11.961	1.664	1.681	4.314
Skewness	-0.132	0.174	-0.554	-0.353	0.383
Kurtosis	2.040	5.338	3.190	2.237	2.482
Jarque-Bera	1.363	7.682	1.740	1.488	1.176
Probability	0.506	0.021	0.419	0.478	0.555
Sum	15.692	92.251	1957.478	244.791	448.812
Sum Sq. Dev.	0.060	4578.067	88.649	90.519	595.550
Observations	33	33	33	33	33

Table 1 provides a descriptive statistical analysis of five variables which are human development index, capital, labour, fiscal spending, and money inflation. The average economic welfare value in the dataset is approximately 0.476, indicating the level of human development in the sample. The median economic welfare value, which is close to the mean, suggests that the data is not heavily skewed in one direction and the highest economic welfare value in the dataset is 0.547, representing the highest level of human development observed while the lowest economic welfare value in the dataset is 0.391, indicating the lowest level of human development with a low standard deviation, suggesting that the economic welfare values are closely clustered around the mean. The negative skewness suggests a minor leftward tail in the distribution, although it is close to zero, indicating a relatively symmetric shape. The positive kurtosis implies that the distribution has slightly heavier tails and may contain some outliers. Meanwhile, the Jarque-Bera test evaluates whether the data conforms to a normal distribution. The low-test statistic and corresponding *p*-value indicate that the economic welfare data does not significantly differ from a normal distribution.

Among the explanatory variables used in the model, labor has the highest mean at 59.318, while capital has the lowest mean at 2.795. Labour and fiscal spending are negatively skewed and that is why their median values are greater than means. All the explanatory variables fall within maximum and minimum but they are highly deviated from there mean. Only capital that is leptokurtic while others are platykurtic.

Table 2 presents the correlation analysis, offering a systematic approach to understanding the strength and direction of the relationships between pairs of variables in the dataset.

Table 2. Correlation Matrix

	HDI	K	L	FS	MI
HDI	1.000				
K	-0.128	1.000			
L	-0.535	-0.002	1.000		
FS	0.972	-0.124	-0.478	1.000	
MI	0.052	-0.043	0.184	0.081	1.000

Source: Processed Data (2024)

Table 2 displays a correlation matrix that illustrates the pairwise correlations among the variables. The correlation coefficients range from -1 to 1, where negative values signify a negative correlation, positive values indicate a positive correlation, and a value of 0 suggests no linear correlation. There is a weak negative correlation (correlation coefficient -0.128) between human development index and capital. This suggests that as the level of human development increases, the amount of capital tends to decrease slightly. Also, there is a moderate negative correlation (correlation coefficient -0.535) between human development index and labour. This suggests that as the level of human development increases, the amount of labour tends to decrease. There is a very strong positive correlation (correlation coefficient 0.972) between human development index and fiscal spending. This indicates a highly significant positive relationship between human development and fiscal spending. As human development index increases, fiscal spending tends to increase significantly.

Also, there is a weak positive correlation (correlation coefficient 0.052) between human development index and money inflation. This suggests that as the level of human development increases, money inflation also increases slightly. There is almost no correlation (correlation coefficient -0.002) between capital and labor. This indicates that the level of capital does not exhibit a significant linear relationship with the level of labour. There is a weak negative correlation (correlation coefficient -0.124) between capital and fiscal spending. This suggests that as the amount of capital increases, fiscal spending tends to decrease slightly. There is a weak negative correlation between capital and money inflation, with a correlation coefficient of -0.043. This suggests that as the amount of capital increases, money inflation tends to decrease slightly.

There is a moderate negative correlation (correlation coefficient -0.478) between labour and fiscal spending. This suggests that as the level of labor increases, fiscal spending tends to decrease. This correlation is moderately strong. There is a weak positive correlation (correlation coefficient 0.184) between fiscal spending and money inflation. This suggests that as fiscal spending increases, money inflation also increases slightly.

Table 3 displays the unit root test, a statistical method used to assess whether a time series variable is non-stationary and contains a unit root. Non-stationarity implies that the statistical characteristics of the series, such as mean and variance, fluctuate over time, making analysis and forecasting more challenging.

Table 3.Unit Root Test

Variable	Level	Augmented Dickey-Fuller (ADF) Test	Phillip Perron (PP) Test
HDI	Level	-1.085 [0.709]	-1.235 [0.647]
	First Diff.	-6.406 [0.000]***	-12.260 [0.000]***
K	Level	-9.293 [0.000]***	-7.589 [0.000]***
	First Diff.		
L	Level	-2.059 [0.262]	-1.830 [0.360]
	First Diff.	-4.045 [0.004]***	-3.830 [0.007]***
FS	Level	-1.978 [0.294]	-1.348 [0.595]
	First Diff.	-7.899 [0.000]***	-7.766 [0.000]***
MI	Level	-3.603 [0.011]**	-3.527 [0.014]***
	First Diff.		

Source: Processed Data (2024)
Note: *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 3 presents the results of unit root tests for five variables which are Human Development Index, capital, labor, fiscal spending, and money inflation. These tests aim to establish whether the variables are stationary or show unit roots, which can indicate non-stationarity. The analysis utilizes the Augmented Dickey-Fuller (*ADF*) and Phillips-Perron (*PP*) tests, providing results for both the level and first difference where applicable. In the level form, the Human Development Index indicates non-stationarity, as both the *ADF* and *PP* tests yield *p*-values above the significance level ($p>0.05$). However, after applying first differencing, the Human Development Index becomes stationary, evidenced by very low *p*-values ($p<0.01$) from both tests. Capital is also stationary in its level form, supported by low *p*-values ($p<0.01$) from the *ADF* and *PP* tests. Labor demonstrates non-stationarity in its level form, with *p*-values exceeding the significance level ($p>0.05$). Nevertheless, after first differencing, it shows stationarity, as indicated by low *p*-values ($p<0.01$). Fiscal spending similarly exhibits non-stationarity at the level, with *p*-values above the significance level ($p>0.05$), but becomes stationary after first differencing, indicated by very low *p*-values ($p<0.01$). Finally, money inflation is non-stationary in its level form, with *p*-values below the significance level ($p<0.05$). In summary, the analysis reveals a combination of stationary variables at $I(0)$ and $I(1)$.

Table 4 presents the Error Correction Model (ECM) which is a statistical technique used to analyze the relationship between time series variables that are cointegrated. It presents the results from three distinct regression models, each examining the influence of fiscal spending and money inflation on economic welfare in Nigeria. In the model analyzing the impact of fiscal spending on economic welfare, both labour and fiscal spending are statistically significant determinants. However, labour has a negative and significant effect on economic welfare, while fiscal spending contributes positively and significantly to economic welfare. The model suggests that fiscal spending has a positive and statistically significant effect on economic welfare. This implies that when the government increases its spending on various economic and social programs, infrastructure, and public services, it tends to lead to an improvement in economic welfare in Nigeria. This is because increased government expenditure can stimulate economic growth and improve overall human development.

Table 4. ECM Results

Variable	Model on the impact of fiscal spending on economic welfare in Nigeria	Model on the effect of money inflation on economic welfare in Nigeria	Model on the effect both fiscal spending and money inflation on economic welfare in Nigeria
	Coefficient [*p*-value]	Coefficient [*p*-value]	Coefficient [*p*-value]
K	-5.045 [0.739]	0.002 [0.342]	-5.085 [0.742]
L	-0.002 [0.061]*	-0.0004 [0.427]	-0.002 [0.081]*
FS	0.024 [0.000]***		0.024 [0.000]***
MI		-0.015 [0.001]***	-0.743 [0.866]
C	0.440 [0.000]***	1.324 [0.000]***	0.437 [0.000]***
ECT(-1)	-0.411 [0.000]***	-0.065 [0.000]***	
R^2	0.951	0.324	0.951
Adj. R^2	0.946	0.255	0.944
DW-stat	2.340	2.387	2.315
F-stat	188.237 [0.000]***	4.642 [0.009]***	136.459 [0.000]***

Source: Processed Data (2024)
Note: *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Additionally, the model shows that labour exerts a negative and statistically significant impact on economic welfare. This implies that an increase in the labour force may have adverse consequences for economic welfare in Nigeria. One possible explanation for this is that when the labour force expands significantly without corresponding economic growth and job creation, it can lead to lower per capita income and reduced economic welfare. This could be due to challenges such as underemployment, unemployment, and inadequate job opportunities. The *ECT* reflects the speed at which short-run adjustments are made toward long-run equilibrium, and it should be both negative and statistically significant. In this case, the *ECT* is negative, with a value of -0.411 and a *p*-value of 0.000, indicating that the variables tend to correct deviations from the long-run equilibrium in the short run. In other words, if the variables move away from their long-term equilibrium, the *ECT* will act to bring them back toward that equilibrium. The magnitude of the *ECT* coefficient (-0.411) provides information about the speed of this adjustment. A larger absolute value of the *ECT* coefficient implies a faster adjustment process. The *R*-squared value for this model is 0.472, suggesting that 47.2% of the variation in economic welfare is accounted for by the independent variables. The adjusted *R*-squared, which adjusts for the number of predictors and sample size, is 0.452. Additionally, the Durbin-Watson statistic is 1.870, indicating no evidence of autocorrelation in the model's residuals. The *F*-statistic is 23.944 with a *p*-value of 0.000 (***), demonstrating that the overall model is statistically significant.

The model examining the impact of money inflation on economic welfare in Nigeria found that only money inflation is statistically significant in influencing economic welfare, and it has a negative effect. Specifically, a one percent increase in money inflation is associated with a 0.015% decrease in economic welfare. High inflation can have detrimental effects on the overall economic welfare of a country. It reduces the real value of money, which can lead to decreased consumer purchasing power and reduced savings and investments. As a result, people may find it more challenging to afford basic necessities, leading to a decline in their standard of living and overall well-being. The magnitude of the *ECT* coefficient (-0.065) implies that there is a slower adjustment process for the economic welfare to enter the equilibrium. The *R*-squared value for this model is 0.472, meaning that 47.2% of the variation in economic welfare is attributed to the independent variables. The adjusted *R*-squared, which considers the number of predictors and the sample size, is 0.452. Additionally, the Durbin-Watson statistic is 1.870, suggesting that there is no autocorrelation in the model's residuals. The *F*-statistic stands at 23.944 with a *p*-value of 0.000 (***), indicating that the overall model is statistically significant.

The model analyzing the effects of both fiscal spending and money inflation on economic welfare in Nigeria indicates that labour and fiscal spending are statistically significant factors in determining economic welfare. However, labour has a negative and significant impact, while fiscal spending has a positive and significant effect. This suggests that an increase in the labour force correlates with a decline in economic welfare. A growing labour force may lead to issues such as underemployment, unemployment, or insufficient job opportunities, all of which can adversely affect economic well-being. Additionally, the model shows that fiscal spending positively and significantly influences economic welfare. This implies that when the government increases its spending on various economic and social programs, infrastructure, and public services, it leads to an improvement in economic welfare in Nigeria. Increased government expenditure can stimulate economic growth, enhance living standards, and improve overall human development.

3.2. DISCUSSION

The results from three distinct regression models, each exploring the effects of fiscal spending and money inflation on economic welfare in Nigeria. In the model assessing fiscal spending's impact, both labour and fiscal spending are statistically significant determinants. However, labour exerts a negative and significant effect on economic welfare, while fiscal spending has a positive and significant impact. This aligns with findings from Musa et al. (2013) and Oyerinde (2019), who noted that increased government expenditure can enhance economic welfare by stimulating growth and improving living standards. The results suggest that heightened fiscal spending on economic and social programs, infrastructure, and public services leads to improved economic welfare in Nigeria. Increased government expenditure can drive economic growth and enhance overall human development, a conclusion supported by Maku et al. (2015) and Olubokun et al. (2016), who emphasized the positive role of government spending in economic performance. Conversely, the model indicates that labor negatively affects economic welfare, suggesting that an expanding labor force may have detrimental consequences. This phenomenon is consistent with Gatawa et al. (2017), who observed that a growing labour force without corresponding economic growth and job creation can lead to lower per capita income and reduced economic welfare, often due to challenges like underemployment and inadequate job opportunities.

In the model examining the impact of money inflation, only money inflation is statistically significant in determining economic welfare, with a negative effect. Specifically, a one percent increase in money inflation correlates with a 0.015% decrease in economic welfare. This finding resonates with Danladi et al. (2015), Okoye et al. (2019), and Toriola et al. (2022), who highlighted the adverse effects of high inflation on overall economic welfare, reducing real money value and consumer purchasing power. The findings also in line with findings from Egbulonu & Wobilor (2016) and Oye et al. (2018).

The model analyzing both fiscal spending and money inflation highlights that labour and fiscal spending are significant factors in determining economic welfare. Labour has a negative impact, while fiscal spending positively influences welfare. This supports earlier research by Adenaike (2022), Babatunde & Shuaibu (2011), Bodunrin (2016), and Ekpeyong et al. (2020) which indicated that labour force growth can lead to adverse economic outcomes if not matched by job creation and economic expansion. Conversely, fiscal spending's positive effect reinforces the conclusions drawn by Bredino et al. (2023), emphasizing its role in enhancing economic welfare.

4. CONCLUSION

The study concluded that labor, fiscal spending, and money inflation are significant determinants of economic welfare in Nigeria. However, both labour and money inflation have a negative and significant impact on economic welfare, while fiscal spending has a positive and significant effect.

Therefore, both labour and money inflation deter economic welfare while fiscal spending boost economic welfare in Nigeria. The study recommended that policymakers should continue to focus on fiscal spending that aligns with development priorities and contributes to improved economic welfare. This includes investing in critical areas such as infrastructure, healthcare, education, and social programs. Effective measures should be taken to control money inflation and maintain price stability. Central banks and monetary authorities should implement policies aimed at managing inflation within a targeted range to protect the purchasing power of the population. Policymakers should address labour market challenges, such as underemployment and unemployment, to enhance economic welfare and reduce income inequality. Strategies may include skills development programs, job creation initiatives, and labour market reforms.

5. REFERENCES

Adenaike, A. S. (2022). Fiscal-Monetary Policy Mix and Growth Inclusion in Nigeria. *KIU Journal of Social Sciences*, *7*(4), 7–17. https://ijhumas.com/ojs/index.php/niujoss/article/view/1344

Akobi, K. C., Umeora, C. E., & Atueyi, C. L. (2021). Government Expenditure and Inflation Rate in Nigeria. *International Journal of Business Systems and Economics*, *13*(4), 276–293. https://www.arcnjournals.org/images/ARCN-IJBSE-13-4-18.pdf

Alkire, S., & Foster, J. (2011). Counting and Multidimensional Poverty Measurement. *Journal of Public Economics*, *95*(7–8), 476–487. https://doi.org/10.1016/j.jpubeco.2010.11.006

Amassoma, D., Sunday, K., & Onyedikachi, E. E. (2018). The influence of money supply on inflation in Nigeria. *Journal of Economics and Management*, *31*(1), 5–23. https://doi.org/10.22367/jem.2018.31.01

Babatunde, M. A., & Shuaibu, M. I. (2011). Money supply, inflation and economic growth in Nigeria. *Asian-African Journal of Economics and Econometrics*, *11*(1), 147–163.

Bodunrin, O. S. (2016). The impact of fiscal and monetary policy on Nigerian economic growth. In *Munich Personal RePEc Archive* (Paper No. 92811). https://mpra.ub.uni-muenchen.de/92811/1/MPRA_paper_92811.pdf

Bredino, S., Fiderikumo, P., & Dikeogu, C. (2023). Fiscal Policy and Inflation in Nigeria. *Journal of Sustainable Business and Economics*, *6*(2), 1–11. https://doi.org/10.30564/jsbe.v6i2.5739

Danladi, J. D., Akomolafe, K. J., Olarinde, O. S., & Anyadiegwu, N. L. (2015). Government expenditure and its implication for economic growth. *Journal of Economics and Sustainable Development*, *6*(18), 142–150. https://core.ac.uk/download/pdf/322348931.pdf

Danlami, I. A. (2019). Dynamic analysis of the effect of fiscal deficit on inflation in Nigeria. *Academic Journal of Economic Studies*, *5*(2), 159–165.

Danlami, I. A., Hidthiir, M. H., & Hassan, S. (2020). Money supply and inflation in Nigeria: The myth of the monetarist theory of inflation. *Journal of Economics and Sustainability*, *2*(2), 13–13. https://e-journal.uum.edu.my/index.php/jes/article/view/12558

Dikeogu, C. C. (2018). Public spending and inflation in Nigeria. *International Journal of Advanced Academic Research. Social and Management Sciences*, *4*(12), 52–66. https://www.ijaar.org/articles/Volume4-Number12/Social-Management-Sciences/ijaar-sms-v4n11-nov18-p82.pdf

Egbulonu, K. G., & Wobilor, A. K. (2016). Impact of fiscal policy on inflation in Nigerian economy. *International Journal of Innovative Development & Policy Studies*, *4*(3), 53–60.

Ekomabasi, A., & Ekong, C. N. (2023). Fiscal deficits and inflation in Nigeria. *International Journal of Academic Accounting, Finance & Management Research*, *7*(1), 42–58. http://ijeais.org/wp-content/uploads/2023/1/IJAAFMR230107.pdf

Ekpeyong, A., Charles, E., Olugbemi Kolawole, O., & Ita, I. R. (2020). Money Supply, Inflation and Economic Growth in Nigeria. *International Journal of Banking and Finance Research*, *6*(2), 40–52. https://www.iiardjournals.org/get/IJBFR/VOL. 6 NO. 2 2020/Money supply, Inflation.pdf

Eze, O. M., & Nweke, A. M. (2017). Assessment of the effect of inflation on Nigeria's economic growth: Vector error correction model approach. *Assessment*, *9*(15), 18–29. https://www.iiste.org/Journals/index.php/EJBM/article/view/36879

Gatawa, N. M., Abdulgafar, A., & Olarinde, M. O. (2017). Impact of money supply and inflation on economic growth in Nigeria (1973-2013). *IOSR Journal of Economics and Finance (IOSR-JEF*, *8*(3), 26–37. https://doi.org/10.9790/5933-0803042637

George-Anokwuru, C. C., & Ekpenyong, B. I. (2020). Government expenditure and inflation in Nigeria. *Journal of Economics and Management Sciences*, *3*(2), 29– 29. https://doi.org/10.30560/jems.v3n2p29

Maku, E. O., Amaghionyeodiwe, L., Adesoye, A. B., & Alimi, Y. O. (2015). Components of government spending, social welfare and economic performance in Nigeria. *International Journal of Physical and Social Sciences*, *5*(3), 417–432.

Musa, Y., Asare, B. K., & Gulumbe, S. U. (2013). Effect of monetary-fiscal policies interaction on price and output growth in Nigeria. *CBN Journal of Applied Statistics*, *4*(1), 55–74. https://www.cbn.gov.ng/out/2013/sd/effect of monetary-fiscal policies interaction_article 4.pdf

Nworji, I. D., Okwu, A. T., Obiwuru, T. C., & Nworji, L. O. (2012). Effects of public expenditure on economic growth in Nigeria: A disaggregated time series analysis. *International Journal of Management Sciences and Business Research*, *1*(7), 1–15. https://core.ac.uk/download/pdf/228010214.pdf

Ojarikre, O. J., Ezie, O., & Torka, T. M. (2015). Public Expenditure Growth and Inflation in Nigeria: The Causality Approach. *SSRG International Journal of Economics and Management Studies*, *2*(2), 1–6. https://doi.org/10.14445/23939125/IJEMS-V2I1P104

Okoye, L. U., Olokoyo, F. O., Ezeji, F. N., Okoh, J. I., & Evbuomwan, G. O. (2019). Determinants of behavior of inflation rate in Nigeria. *Investment Management & Financial Innovations*, *16*(2), 25–36. https://doi.org/10.21511/imfi.16(2).2019.03

Olubokun, S., Ayooluwade, E., & Fawehinmi, F. O. (2016). Government expenditure, inflation rate and economic growth in Nigeria (1981-2013): A vector autoregressive approach. *Romanian Journal of Fiscal Policy (RJFP*, *7*(1), 1–12. https://www.econstor.eu/bitstream/10419/199004/1/Volume7_Issue1_1.pdf

Oluwole, F., Solawon, M., & Odueke, H. (2020). An Analysis of Budget Deficit and Inflation on Economic Development in Nigeria. *IOSR Journal of Economics and Finance*, *11*(3), 16–23. https://doi.org/10.9790/5933-1103031623

Onyeiwu, C. (2012). Monetary policy and economic growth of Nigeria. *Journal of Economics and Sustainable Development*, *3*(7), 62–70. https://www.iiste.org/Journals/index.php/JEDS/article/view/2046

Oye, Q. E., Alege, P., & Olomola, P. (2018). Welfare effects of fiscal and monetary policy in Nigeria. *31st International Business Information Management (IBIMA)*.

Oyerinde, A. A. (2019). An assessment of the nexus between government expenditure and inflation in Nigeria. *Folia Oeconomica Stetinensia*, *19*(2), 102–116. https://doi.org/10.2478/foli-2019-0016

Romer, P. M. (1987). Growth based on increasing returns due to specialization. *The American Economic Review*, *77*(2), 56–62. https://www.jstor.org/stable/1805429

Terwase, I. T., Abdul-Talib, A. N., & Zengeni, K. T. (2014). Nigeria, Africa's largest economy: International business perspective. *International Journal of Management Sciences*, *3*(7), 534–543.

Todaro, M. P., & Smith, S. C. (2011). *Economic Development*. Pearson Addison Wesley.

Toriola, A. K., Adebosin, W. G., Oyewole, A. S., & Aberu, F. (2022). Monetary Inflation and Fiscal Spending in Nigeria. *Journal of Public Administration, Finance and Law*, *23*, 242–253.

Victoria, A., Babajide, A. A., Akhanolu, I. A., & Tochukwu, O. (2016). Monetary policy and its effectiveness on economic development in Nigeria. *International Business Management*, *10*(22), 5336–5340. https://eprints.covenantuniversity.edu.ng/7744/1/monetary policy-2.pdf