

GOVERNMENT EXPENDITURE ON AGRICULTURE AND ITS IMPACT ON UNEMPLOYMENT REDUCTION IN NIGERIA: 1999 – 2015

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Abstract

This study examined government expenditure on agriculture and its impact on unemployment reduction in Nigeria from 1999 - 2015. Time series data was gathered from secondary sources on Unemployment rate, Government Recurrent/Capital Expenditure on agriculture, and Gross Domestic Product from the Central Bank of Nigeria Statistical Bulletin; the National Bureau of Statistics; and the World Bank Trading Economics, for analysis. The coefficient of determination R^2 showed an 84.3% change in the unemployment rate in Nigeria is as a result of the changes in government capital and recurrent expenditure as well as economic growth. The F-Statistics showed that a joint impact is full with a value of 8.05% and probability value of 0.3% showed that there is a strong linear dependency existing between unemployment and government expenditure. The result revealed that the relationship between government expenditure and unemployment did not have a significant effect, that is, has no reducing effect on unemployment in Nigeria. The study therefore recommends the federal government intervention in quadrupling of agriculture votes in the annual budget towards the 10% Maputo Declaration of 2003 for enormous progress. This is expected to release funds which all things been equal, should be channeled towards agricultural development hence, unemployment reduction.

Keywords: Agriculture, Development, Government Expenditure, Growth, Unemployment

INTRODUCTION

Nigeria is the largest oil producer in Africa, the 8th largest in term of reserve in the Organization of the Petroleum Exporting Countries (OPEC) and the world's 4th largest exporter of liquefied natural gas. Nigeria is also the largest economy in Africa with US\$522.64 billion in 2013 subsequent to GDP rebasing, and 7% average GDP growth rate in the last 4 years (NBS, 2014). The Nigerian agricultural sector plays an important role in the economic growth and development of Nigeria, accounting for over 40% of budgetary revenue, more than 60% of foreign exchange and contributes 47% of the Gross Domestic Product to the country which is responsible for 10% of its export earnings (NIPC, 2016). Government intervention in the agricultural sector primarily informed the need for national food security to ensure sustainable access to availability and affordability of good quality food for all Nigerians (CBN, 2014).

According to Etale and Ayunku (2015), agriculture is the largest sector in many developing countries, Nigeria inclusive. More importantly, most of the world active but poor live in rural areas and are primarily engaged in agriculture and development cannot be over emphasized as it provides employment opportunities to teeming youths in a country. The Lagos Chamber of Commerce and Industry in Etale and Ayunku (2015), identifies the agricultural sector in Nigeria as the segment that is most critical to the achievement of the elusive goal of a diversified economy. Based on this information, there is need to enhance the agricultural sector in Nigeria. Expenditure on infrastructural investment, productive activities and government owned enterprises ought to contribute positively to growth, whereas government consumption spending is anticipated to be growth-retarding.

Despite huge sums of money allocated to agriculture over the years, there is little or no improvement in its output since successive governments merely recycled the policies to embezzle public funds to the total neglect of food production. The agricultural programmes in Nigeria depict twists of inconsistency as government support depress increase in farm output at the similar instance by declining to compensate farmers the exact value of their crops and the purchases of fertilizer and seeds are given to farmers at exorbitant prices. Regardless of the involvement of Nigeria in international trade, hunger, malnutrition, mass poverty and income among small groups of businessmen and politicians, unemployment and lack of executive capacity, over dependence on petroleum and imports of goods and services continues to take a turn for the worse thereby leading to threat on economic growth in Nigeria (Ijirshar, 2015).

According to the current President of the African Development Bank (AfDB) Adeshinain 2014 under President Goodluck's regime, stated that in the 1960s, agriculture accounted for 65-70% of total exports; fell to about 40% in the 1970s, and crashed to less than 2% in the late 1990s. Today, Nigeria remains a net importer of food. The food crisis in the 70's forced the

government to play a more dynamic role in agricultural output by adopting different strategies and policies in order to ensure food security. According to a new global study by the International Fund for Agricultural Development (IFAD), Economic growth is not enough to save those threatened daily with starvation. The focus on rural and agricultural development is critical; adding that the incomes of 2.5 billion people worldwide still depends directly on rural small farms which produce 80% of food consumed in Asia and sub-Saharan Africa (IFAD, 2016).

The Nigerian government introduced series of macroeconomic programmes and policies (both monetary and fiscal policy) aimed at improving the sector performance. It established the Rural Banking Scheme (RBS) in 1977, the Agricultural Credit Guarantee Scheme Fund (ACGSF) in 1977 Nigerian Agricultural and Cooperative Bank (NACB) Ltd – in 2011, transformed into the Bank of Agriculture (BOA) Ltd., and later the Commercial Agricultural Credit Scheme (CACCS) which was established in 2009. More-over, there was also the National Agricultural Land Development Authority (NALDA), the River Basin Development Authorities, the Agricultural Development programmes (ADP), and the International Institute for Tropical Agriculture (IITA). But it is disheartening to note that these efforts have not yielded appreciable successes (Okezie, Nwosu, and Njoku 2013). Others include but not limited to the Directorate for Food, Roads and rural Infrastructure (DFRRI), National Economic Empowerment and Development Strategy (NEEDS), FADAMA a *Hausa* word for irrigable land, selective credit control, agricultural subsidies, exchange rate and interest rate management, the Youth Employment in Agriculture Program (YEAP) in 2014 led to introduction Agricultural Transformation Agenda (ATA) which became the largest ever government-enabled private sector-led effort to grow agriculture in Nigeria. This is believed to eliminate the bottleneck problems caused by middlemen associated with earlier programmes and rent seeking behaviour hence, encourage large scale farming that brings along with it economies of scale and consequently food security (Muftaudeen and Abdullahi, 2014).

The previous efforts of the government in tackling unemployment include the following: formation of a National Directorate of Employment (NDE); encouragement of small scale industries; creating employment opportunities in schools/ministries; Operation Feed the Nation (OFN); Better Life for Rural Area; Youth Enterprise with Innovation in Nigeria (YouWIN) – a public and private initiative with a vision to finance the projection of the government of enhancing 3800 entrepreneurship youths in the country and Graduate Internship Scheme (SURE-P) Subsidy Reinvestment and Empowerment Programme (Federal Ministry of Finance, 2012). A recent private sector investment named VICAMPRO partners, all German giants in potato production where local stakeholders set up land size of about 700 hectares; initiated and designed for mechanized potato production, storage and processing, as well as equipment

leasing to boost local zeal in the production of the agricultural product also with the capacity to cultivate a 100 tonnes per day (Hir, 2015). The new Public-Private-Partnership involving the Ooni of Ife supported through the Ministry of Agriculture, to provide employment for over 200,000 youths of farming cocoa and other agricultural produce on the quota of 5 acres per youth in the South West of Nigeria (Breaking News International, 2016); the N-Power Volunteer Corps reveals an expression of the current President Muhammadu Buhari Administration in commitment to invest in the human capital development of Nigerian citizens of which 200,000 are unemployed graduates, 150,000 to teach, 30,000 to work in the agricultural sector and 20,000 in healthcare delivery covering three specific programme assignments.

In Mozambique 2003, the African Union (AU) Summit made the first declaration on Maputo Declaration's Comprehensive Africa Agriculture Development Programme (CAADP) as an integral part of the New Partnership for Africa's Development (NEPAD) requiring African countries to allocate at least 10% of their annual budgets to agriculture and achieve 6% annual growth in agricultural GDP. In Nigeria, Less than 4% of total federal expenditure was allotted to agriculture during 1980 to 2011, far lower than expenditure in other key sectors such as education, health, and water. The federal government allocated dismal fiscal figures to the agricultural sector from 1.8% in 2011, 1.6% in 2012, 1.7% in 2013, 1.4% in 2014, 0.9% in 2015 and 1.2% in 2016 (Abdallah, 2017). The Food and Agriculture Organization (FAO) allocation recommendation is 25% sequel to accounting for the relationship between agricultural expenditures and national income (Okezie, Nwosu, and Njoku 2013). Professor Chude of the Soil Science Society of Nigeria opines that even the current Anchor Borrowers Programme of the Central Bank of Nigeria (CBN) is still not enough. Other countries that embraced the Maputo agreement such as Malawi invested about 27%, Zambia, Burundi and Mali (10%); Niger (13%); and less with Sierra Leone (3%) on agriculture (Abdallah, 2017).

The aim of this study is to assess the level of government expenditure on agriculture to topple the unemployment menace towards the economic growth of Nigeria. This paper investigates some components of government expenditure, agriculture and their impact on unemployment reduction in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Government expenditure is defined as the expenses incurred by the government in carrying out its responsibilities, that is, in the provision of social services and defense, to mention just a few. According to Owoputi and Alayande in (Okoh, 2015), government expenditure is defined as those expenses and expenditures incurred by government in the course of maintaining herself,

the society and improving economy. Government spending, in other words, public expenditure is reflected in existing budgets. These budgets indicate how much will be spent and how much money will be extracted from the stream of private spending by taxation (Everett, 2011). The concept of Government expenditure fall under the latter purview of one of the three broad areas in finance that specialized institutions, procedures, standards, and goals have developed; that is, business finance, personal finance, and public finance. Economy, benefit, authorization and balance are the characteristics of government expenditure. And the factors that determine government expenditure are urbanization, population, economic growth, depreciation, technological change and reduction in inequality. Expenditure addresses the situation of how spending is or should be composed. Such expenditure structure facilitates accounting aspects of fiscal management and other expenditures. Government expenditure is usually categorized as recurrent and capital expenditure (Ogba, 2011).

Agriculture can simply be defined as the cultivation of the soil and rearing of animals for the purpose of feeding for survival. This definition in itself point out the relevance of agriculture in every society. According to Ogbu (2011), former President Goodluck Jonathan stressed that “agriculture holds a better promise in the march towards growing the economy than the oil and gas as it provides more employment as well as ensures food security”. Agriculture is a way of life that involves production of animals, fishes, crops, forest resources for the consumption of man and supplying the agro-allied product required by our sectors. It is seen as the inherited and dominant occupation employing about 70% of Nigerians. Though, subsistence agriculture is practiced in this part of the world, it will not be an exaggeration to say that it is the life-wire of the economies of developing countries. According to Yusuf (2014), the systems of agriculture prevalent in Nigeria comprising of crop production, peasant farming, plantation farming, and mechanized agriculture as its components cannot be overlooked.

Economic growth is best defined as a long term expansion of productive potential of the economy. The trend of growth could be expanded by raising capital investment spending as a share of national income as well as the size of capital inputs and labour supply, labour force and the technological advancement. Economic growth is the increase of per capita Gross Domestic Product (GDP) or other measure of aggregate income. The International Monetary Fund (IMF) defines Economic growth as the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP, usually in per capita terms (Carreon, 2013).

The majority of the Nigerian population lives in rural areas, where poverty and deprivation are most severe. Since almost all rural households depend directly or indirectly on

agriculture, and given the large contribution of 22% to the overall economy, one might expect agriculture to be a key component of growth and development (Majoba, 2015). As regards the concept of unemployment, there seems to be a consensus on the definition of unemployment. Simply put, unemployment describes the condition of people who are without jobs. According to the International Labour Organization (ILO) in 2011, there were 540 million young people employed, while 74.6 million were unemployed around the world which represents youth unemployment rate of 12.6% (Carreon, 2013). The cost of unemployment had impacted the economy negatively that crime had almost turned to culture. This can be attested to by the cost implications of unemployment on the loss of life and property, vandalism of the nation's infrastructure e.g. oil pipelines, power electricity equipment, bombing, kidnapping, international negative image of the nation (Luke and Sola, 2013). Several scholars Fajana (2000) and Alao (2005) identify the following types of unemployment, which are also experienced in Nigeria. The level of unemployment differs with economic conditions and other market forces; such as structural, frictional, seasonal, cyclical, residual, voluntary, disguised, and technological unemployment.

Uddin and Uddin 2013 attributed some of the causes of unemployment in Nigeria to rural-urban migration, low standard of education, rapid population growth, inadequate steady and sustainable power supply, and corruption. According to Ogboru (2014), corruption is the circumvention of laws and rules (codified or conventional) for the purpose of obtaining some advantage, privilege or gain to oneself or another person, and to the detriment and/or disadvantage of either the State or other individuals or both. Transparency International defines corruption as the abuse of entrusted power for private gain. Corruption becomes manifest through the use of the instrumentality of office by a government official for private gain. Corruption tends to flourish when standards are lax or poorly defined; regulatory institutions and enforcement practices are weak and government policies generate economic rent. The opportunity for corruption is a function of the size of the rents under the control of a public official, the discretion that official has in allocating those rents and the accountability that official faces for his or her decisions or actions.

According to the National Bureau of Statistics, 1.3million jobs were created in 2013, however only 36% of these jobs were created in the formal sector. A university graduate does not want to have gone through 6 years of secondary education and potentially 4-6 years of tertiary education based on their course of studies if they are lucky enough not to spend extra years due to the Academic Staff Union of Universities "ASUU" strike, and then get a job in the informal sector. The large scale unemployment level created soldiers for the dreaded Boko Haram terrorist group in the country's northeast, create armed robbery in the southwest,

kidnapping and impulsiveness in the east, oil bunkering and insurgency in the Niger Delta (south-south), ethnic conflicts and political hooliganism all over the country. The country is faced with a gross abuse and under-utilization of human resources with direct impact on national productivity and competitiveness (Adesina, 2013).

Theoretical Framework

Three approaches to government expenditure theory or models are discussed in this study; Wagner's Law, Rostow-Musgrave model and the Keynesian theory. According to Wagner, social progress has led to increasing state activity with resultant increase in public expenditure. He predicted an increase in the ratio of government expenditure to national income as per capital income rises. It is the result of growing administrative and protective actions of government in response to more complex legal and economic relations, increased urbanization, and rising cultural and welfare expenditures(Ogba, 2011).

Rostow and Musgrave also carried out a research on the growth of public expenditure on changes in the income elasticity of demand for public services and concluded that, at the early stages of economic development, the rate of growth of public expenditure will be very high, because government provides the basic infrastructural facilities that is, social overhead. And most of these projects are capital intensive; therefore, the spending of the government will increase steadily. The investment in education, health, roads, electricity, and water supply are necessities that can launch the economy from the traditional stage to the take off stage of economic development making government to spend an increasing amount with time in order to develop an egalitarian society (Ogba, 2011).

Keynes regards public expenditures as an exogenous factor which can be utilized as policy instruments to promote economic growth. Hence, an increase in government expenditure is likely to lead to an increase in employment, profitability and investment through multiplier effects on aggregate demand(Emerenini and Ihugba 2014). This study is based on the Wagner's model of the determination of public expenditure because it is the principle of increasing state activities that can effectively boost agricultural output, and thus employ workers.

Empirical Review

Ijaiya and Ijaiya (2004), examined the influence of change in government expenditure in agriculture on agricultural output over the years using time subscript and difference-in-difference estimator. Times series data was chosen because the years coincided with different government agricultural development policies and programmes for the period 1985-2002 on the

total expenditure of the government to the agricultural sector and the total output of major agricultural commodities in Nigeria were utilized. A multiple regression analysis was used in order to reflect the explanatory nature of variables. The findings indicated that the initial level of government expenditure on agriculture had helped improve output more than the changes experienced as at the time of this study. It recommended that a vigorous improvement in nation's tax bases and in administrative capacity of the board of internal revenue to collect taxes.

Aladejare (2013), utilized the analytical technique of Vector Error Correction Model (VECM) and Granger Causality test due to the properties of most times series based on annual data covering the period 1961-2010 to identify the direction of the relationship within the variables of interest that is, Gross domestic product, Government expenditure and government capital expenditure. The study pointed to the agreement that the Wagnerian and Rostow Musgrave hypothesis were applicable to the relationship between the fiscal variables. The results showed that the Wagnerian hypothesis of economic growth spurring increase in aggregate government expenditure in the economy holds to be valid for Nigeria – and recommended that government consumption spending should be well coordinated at all arms of government investment which will have assignment impact on economic growth and development.

Akeju and Olanipekun (2014) investigated the problem of Unemployment and Economic Growth in Nigeria. The study stated the responsiveness of unemployment to output multiplied by the difference between output growth in year t and the normal growth rate of outputs, and the first difference method which aided to indicate the sensitivity of the two variables. The relationship was examined using the range from 1980-2012 for Nigeria's unemployment rate trend and 1980-2010 for Nigeria's GDP annual growth rate trend. The study found that Okun's law is not valid in Nigeria. As a result, Nigeria's over dependence on oil as its major source of revenue brought about high growth rate and high unemployment level as observed through the span of the above years.

Etale and Ayunku (2015) investigated the effect of agriculture spending on economic growth in Nigeria over a period from 1977 to 2010 with particular focus on sectional expenditure analysis. The paper used ex-post factor research design and employed the Augmented Dickey Fuller (ADF) and Phillips Perron (PP) unit root tests, as well as Johansen Cointegration followed by Error Correction Model (ECM) tests. It found out that Real GDP was particularly influenced by changes in agriculture expenditure, inflation rate, interest rate, and exchange rate. The paper recommended that an increase spending on agriculture by the government, since most of the poor but active people reside in the rural areas and their main source of livelihood is agriculture

could provide food security, generate employment for the teeming youths and create wealth for the citizens in Nigeria.

Nigerian Government Expenditure on Agriculture

Nigeria is supposedly a rich country with a GDP of about 41% of West Africa's GDP and substantial natural and human resource endowment. As the 6th oil producing country in the world, Nigeria exports over 80% of its crude petroleum and nearly 95% of the country's foreign exchange earnings come from it while the consumption pattern has high import contents (Daramola, 2004). Growth in the economy in recent quarters has been significantly less than in previous years. Growth in the third quarter of 2015 was 2.84%, slightly higher than in the second quarter but still well below the average growth rate of 5.32 achieved between 2011 and 2014. This decrease can be attributed to the decline in the oil price as well as non-oil sectors that suffered setbacks during the year as political uncertainty coupled with supply shocks weighed on economic activity. In particular however, Nigeria depends heavily on oil for both exports and government revenues, and therefore movements in the oil price have a large effect on the economy (NBS, 2016).

Africa spends about \$45billion on food imports annually. In Nigeria, dairy is one of the most valuable items in the country's agriculture industry, but it generates complexity importing over 1.5 billion litres of milk per year which presents opportunities in the sector. The African Development Bank stipulated the food import bill of the African continent was \$35billion in 2015. From Table 1 below, the growth rate of cereals crop production that stood at 0.1% in 2006 but declined to -0.1% in 2011. It resulted to increased food import bills into the country attached with the already depreciating exchange of Naira, thus culminating to rise in food prices and worsening poverty level. This is evidenced by the increase in the rate of inflation measured in terms of food deprived from 3.9% in 2006 to 15.5% in 2009, while experiencing a marginal improvement in 2011, though still higher compared to that of 2006 but steady at 10.6% in 2015.

Table 1: Some Economic Indicators and Agricultural Output in Nigeria, 2006 – 2015

Year	Food		Cereal Prod. '000 metric tonnes	Cereal Crop Prod. Growth rate %	Inflation Rate % food Weight	Govt. Rec. Exp. Agric. N' Billion	Ave. Off. Exch. Rate	ACGS Fund - Total Food Crops N' Million
	Pop. Growth Rate %	Import Bill \$ Million						
2006	2.48	17.95	28864	0.1	3.9	17.92	128.7	3636054
2007	2.49	20.05	27171	-0.1	8.2	32.48	125.8	3533430
2008	2.49	9.77	30209	0.1	18	65.4	118.6	4775376

2009	2.51	11.82	18.99	21267	-0.3	15.5	22.44	148.9	5496286	Table 1...
2010	2.52	10.24	17.59	24657	0.2	12.7	28.22	150.3	5194976	
2011	2.67	30.56	16.02	20699	-0.1	11	41.17	153.9	6657657	
2012	2.79	22.71	16.79	21427	1.0	10.2	33.3	157.5	5979763	
2013	2.8	17.83	16.72	19618	1.8	9.3	39.43	157.3	428636	
2014	2.66	17.03	16.55	25803	2.0	9.2	36.7	158.6	1055489	
2015	2.63	12.16	16.85	20719	-10.6	10.6	41.3	193.3	2550796	

Source: World Bank Group Nigeria Economic Report, No. 3. November 2015;
NBS Statistical Bulletin, 2014 & 2015; World Development Indicators, 2017

A critical look shows a declining growth rate in food crops production far below the government set target of annual growth rate of about 5% to 10% for food crops production as well as population average growth rate of about 2.67%. Nigeria incurred a food import bill around \$17.03 million in 2014, which latter drop to \$12.16 million in 2015 besides about \$5 billion dollar smuggled food item products across the Nigeria border with vegetable oil, rice, processed chicken and turkey been the highest. According to the Lagos Chamber of Commerce as at 2015, Nigeria imported goods mostly from China, United States, India, Belgium and Netherlands, which respectively accounted for N336.5 billion or 22.5%, N143.6 billion or 9.6%, N115.4 billion or 7.7%, N83.4 billion or 5.6% and N80.9 billion or 5.4% of the total value of goods imported. By Continent, Nigeria consumed goods largely from Asia, with an import value of N665.7 billion or 44.6% of the quarterly total. The country also imported goods valued at N502.3 billion or 33.6% of the total from Europe, and N210.1 billion or 14.1% of the total from The Americas. Imports from Africa stood at N97.8 billion or 6.5% of total imports, while imports from the region of ECOWAS amounted to N39.0 billion, 39.9% of total African imports. These are indications of serious food insecurity for the country and poor macroeconomic policy performance (LCCI, 2015).

The National Bureau of Statistics in 2014 reviewed the definition and methodology for computing unemployment in Nigeria. In collaboration with the Central Bank of Nigeria, the Ministry of Labour and Productivity, the National Directorate of Employment, and the Office of the Chief Economic Adviser to the President. The Bureau of Statistics conducts periodic National Job Creation Surveys. The said survey covered both formal and informal sectors of the economy, as well as public institutions in the 36 states and the FCT, with the aim of making available employment data (CBN, 2014). The result of such survey in 2011 showed that persons aged 0-14 years constituted 39.6%; those aged 15-64 the economically active population; constituted 56.3%, while those aged 65 years and above constituted 4.2%. The rate was on the

increase from 2007 to 2009 but declined significantly from 2009 to 2010. The rate increased again from 2010 to 2012. Within the 5 year period there had been an average of about 1.8 million new entrants into the active labour market per year. We can say this rise was politically motivated in the transition period of governance to woo the populace to better dividends of democracy.

Table 2: Labour Statistics on Unemployment per Population of Nigeria, 2006 – 2015

Year	Total Population (Million)	Labour Force	Unemployment Rate (%)
2006	140	58,933,891	12.3
2007	144.5	61,249,485	12.7
2008	149	62,946,096	14.9
2009	153.9	64,960,371	19.7
2010	158.9	67,039,103	5.1
2011	164.2	67,256,090	6.0
2012	168.8	69,105,775	10.6
2013	173.6	71,105,800	10.0
2014	178.5	72,931,608	7.8
2015	183.6	76,957,923	10.4

Source: CBN Annual Economic Report, 2010, 2014 and 2015

As at the period the unemployment data was disaggregated, it revealed that almost half of unemployed 15-24 years olds lived in urban areas. This rise was largely attributed to the increased number of school graduates with no matching job opportunities, a freeze on employment in many public and private sector institutions, as well as the slow disbursement of the capital budget by the Federal Government. Available data from the NBS showed that new jobs created in 2015 stood at 1,039,128, representing a 22.3% increase, compared with 849,567 jobs created in 2014. The increase in job creation was driven mainly by informal sector jobs, which accounted for 90.2% of total, with the formal and public sectors accounting for 8.8 and 1.0%, respectively. The factors accounting for the rise in informal sector job-creation included government's implementation of self-reliant initiatives, the establishment of micro businesses and the engagement of more people in informal and low-skilled economic activities. Also, funding initiatives leading to the successful implementation of various financing initiatives of the CBN, in the context of the Small and Medium Scale Enterprises (SMEs) partly contributed to growth in the informal sector (CBN, 2015).

Funding, in no doubt, is strategically important in the revival and growth of agriculture but equally important are the other factors of production from which finance cannot be isolated if it was to be effective and efficient. In Nigeria, we have had enough of agricultural revival and poverty alleviation policies, initiatives and programmes without serious efforts in implementation. All that is required is the seriousness of economic and political leaders with good intention, sincerity of purpose, integrity, transparency and accountability. Golub and Hayat (2014) asserted that the gap in labour demand, rather than the skills or characteristics of workers, and increasing the export of goods that require high labour would promote demand for labour in Africa. While Africa has the potential to improve its manufacturing sector, the agricultural sector can lead such process by providing the cash crops needed for the manufacturing sector and employing the surplus labour Africa provides, specifically Nigeria. Table 3 below shows the contributions of agriculture to GDP of Nigeria between 1999 and 2015. One of the doctrines of economic development – “that there is a secular decline of agriculture’s share in the GDP in the course of economic development,” is manifested here. This is portrayed by the decline in the relative share of agriculture in GDP over the years (Suberu, Ajala, Akande, and Olure-Bank, 2015).

Table 3: Nigeria’s contribution of agriculture to GDP, 1999 – 2015

Year	Total GDP (N' Million)	Agriculture as a Share of GDP (N' Million)	Share of Agriculture as % of Total GDP	Agricultural Share of total GDP Growth Rate %
1999	4679210.0	1426973.8	30.50	9.27
2000	6713570.0	1508408.8	22.47	-7.72
2001	6895200.0	2015421.5	29.23	-14.81
2002	7795760.0	4251520.6	54.54	5.86
2003	9913520.0	4585925.7	46.26	8.50
2004	11411070.0	4935263.8	43.25	1.45
2005	14610880.0	6032332.4	41.29	0.76
2006	18564590.0	7513297.8	40.47	-0.72
2007	20657320.0	8551981.4	41.40	-0.14
2008	24296330.0	10100325.2	41.57	-4.20
2009	24794240.0	11625442.3	46.89	13.16
2010	54612260.0	13048892.8	23.89	1.60
2011	62980400.0	14037825.8	22.29	7.58
2012	71713940.0	15815997.5	22.05	12.67

2013	80092560.0	16816553.0	21.00	6.33	Table 3....
2014	89043620.0	18018612.9	20.24	7.15	
2015	94144960.0	19636969.0	20.86	9.50	
2016 Q1	22262576.0	4267891.1	19.17	14.15	

Source: CBN Statistical Bulletin, 2014 & 2015; National Bureau of Statistics 2016

On the 4th column of above, the percentage share of agriculture to GDP has continued to plummet from 1999 – which has a value of 30.5%. 2014 recorded the lowest value of 20.24% on annual basis with exception of 19.17% of the 1st quarter of 2016. The period 2002 to 2009 recorded slight improvements however, with the percentage share of agriculture in total GDP hovering around the 44.46% mark on average. These were the years that marked the introduction of *Nigeria Rural Development Strategy* by International Fund for Agricultural Development (IFAD) in Nigeria to better the perspective and appreciation of the realities of the rural environment in the country and a renewed understanding of the importance of sustained rural progress for the economic and social development of the Nigerian people (Kairo and Onuoha, 2016). The percentage growth rates of agriculture as a share of GDP shown on column 5, further confirms this downward trend in spite of general decline witnessed during the period, some pockets of improvement as recorded by growth rates can be seen in years 2009, 2012 and 1st quarter of 2016 with rates accorded at 13.16%, 12.67% and 14.15% respectively in the advent year 2016 was measured on quarterly basis.

METHODOLOGY

To achieve the aims of this paper which is to assess the level of government expenditure on the agricultural to topple the unemployment menace towards the economic growth of Nigeria that is, unemployment reduction in Nigeria, this paper investigated some components of government expenditure, agriculture and their impact on unemployment reduction in Nigeria. The study adopted a causal research design based on the quantitative method of approach which explains how the explanatory variables impact on the dependent variable. The application of Ordinary Least Squares (OLS) was adopted and Eviews 9 output was used for this estimation.

Model Specification

This study adopted a linear relationship amongst the variables in six models were formulated mathematically as thus:

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \beta_6 X_{6t} + U_t \dots \dots \dots (1)$$

In econometrical form, the model can be expressed as:

$$UNEM = \beta_1 UNEM_{(t-1)} + \beta_2 GOVCAPEXP_{Agric_t} + \beta_3 GOVRECEXP_{Agric_t} + \beta_4 GOVEXP_{Agric_{(t-1)}} + \beta_5 GDP + \beta_6 GDP_{(t-1)} + \beta_0 + \mu_t \quad (2)$$

Where:

$UNEM_t$ = Unemployment reduction proxy for unemployment rate at time t . (Dependent)

$GovEXP_{Agric_t}$ = Government expenditure in agriculture at time t .

$GovRecEXP_{Agric_t}$ = Government recurrent expenditure in agriculture at time t .

$GovCapEXP_{Agric_t}$ = Government capital expenditure in agriculture at time t .

GDP_t = Gross Domestic Product proxy for level of economic activities.

$UNEM_{(t-1)}$

$GDP_{(t-1)}$

$GOVEXP_{Agric_{(t-1)}}$

β_0 = constant intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 = coefficient of the explanatory (independent) variables

μ_t = error term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and $\beta_6 < 0$

Data Source

The study utilized time series data collected from secondary sources from various publications of the Central Bank of Nigeria (CBN) Statistical Bulletin, Annual Reports and Statement of Accounts, Major Economic and Financial survey, International Monetary Fund (IMF), National Bureau of Statistics (NBS), African Development Bank (AfDB), Population Reference Bureau & UNAIDS, the Central Intelligence Agency (CIA) World Fact book, and online archives of the World Bank Trading Economics.

Table 4: Data for Analysis

Period	GDP at Current Basic Prices N' Billion	UNEM %	GovRecEXP on Agric N' Billion	GovCapEXP on Agric N' Billion
1999	4,679.21	17.5	59.32	6.91
2000	6,713.57	13.1	6.34	5.76
2001	6,895.20	13.6	7.06	57.87
2002	7,795.76	12.6	9.99	32.36
2003	9,913.52	14.8	7.54	8.5
2004	11,411.07	13.4	11.26	38.7
2005	14,610.88	11.9	16.33	60.3

Table 4...

2006	18,564.59	12.3	17.92	89.5
2007	20,657.32	12.7	32.48	94.1
2008	24,296.33	14.9	65.40	106.0
2009	24,794.24	19.7	22.44	138.9
2010	54,612.26	5.1	28.22	78.0
2011	62,980.40	6.0	41.17	62.9
2012	71,713.94	10.6	33.30	63.4
2013	80,092.56	10.0	39.43	56.4
2014	89,043.62	7.8	36.70	61.9
2015	94,144.96	10.4	41.30	73.9

Sources: Central Bank of Nigeria Statistical Bulletin 2013, 2014 & 2015;
 Federal Ministry of Finance; Office of the Accountant General of the Federation;
 IMF World Economic Outlook, 2014; National Bureau of Statistics GDP Report, Issue 06,
 Quarter 2, 2015

ANALYSIS AND FINDINGS

Figure 1. Normality Test

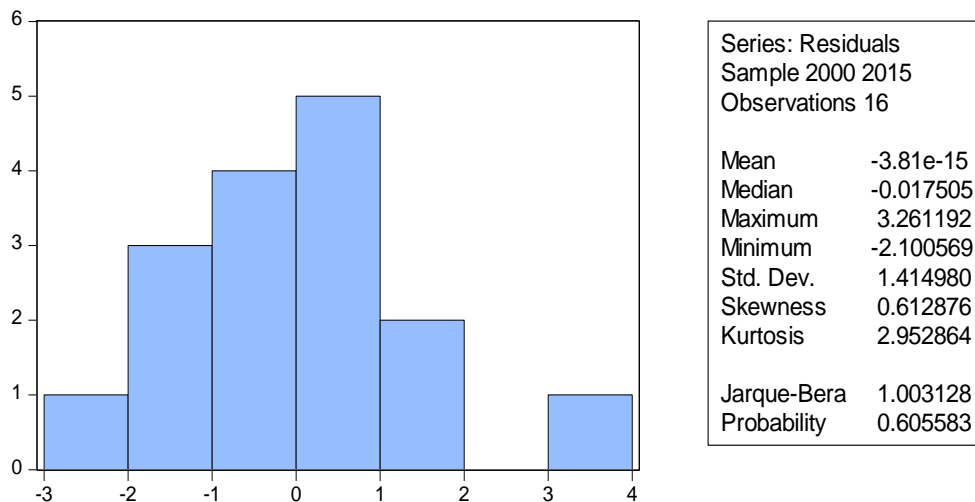


Figure 1 show a Jarque-Bera test that was used to test for the normality of the data. It shows that the *P-value* of 0.6055 is greater than a 0.05 level of significance. Hence, it is inferred that the data is normally distributed.

Table 5: Augmented-Dickey Fuller Unit root result of variables at first level difference

Variable	Level	Augmented -Dickey Fuller	Table value	Remark
GDP_t	$I(1)^*$	-3.27	-3.08	No Unit Root @ 5% sig level
$GOVCAPEXP_T$	$I(1)^*$	-3.92	-3.08	No Unit Root @ 5% sig level
$GOVRECEXP_T$	$I(0)^*$	-3.10	-3.06	No Unit Root @ 5% sig level
$UNEM_T$	$I(0)^*$	-3.12	-3.08	No Unit Root @ 5% sig level

Source: Authors' Computation Using E – Views 9. *significant at 5%

Table 5 shows the results of unit root test indicating that each of the series is non-stationary when the variables are defined in levels. But first-differencing the series removes the non-stationary components in all cases and the null hypothesis of non-stationarity is clearly rejected at the 5% significance level suggesting that there is a mixture of $I(0)$ and $I(1)$ indicating that these variables are stationary at both level and first difference. This means that the mixture of both $I(0)$ and $I(1)$ variables would not be possible under the Johansen procedure. This gives a good justification for using the bounds test approach, or ARDL model, which was proposed by Pesaran in 2001.

Model Selection and Lag Length

In order to overcome the problem of model selection and lag length selection Fig. 2 shows that the Akaike Information Criterion was used with a maximum of 1 lags of both the dependent variable and the regressor ARDL(1, 0, 1, 1).

Figure 2. Akaike Information Criterion

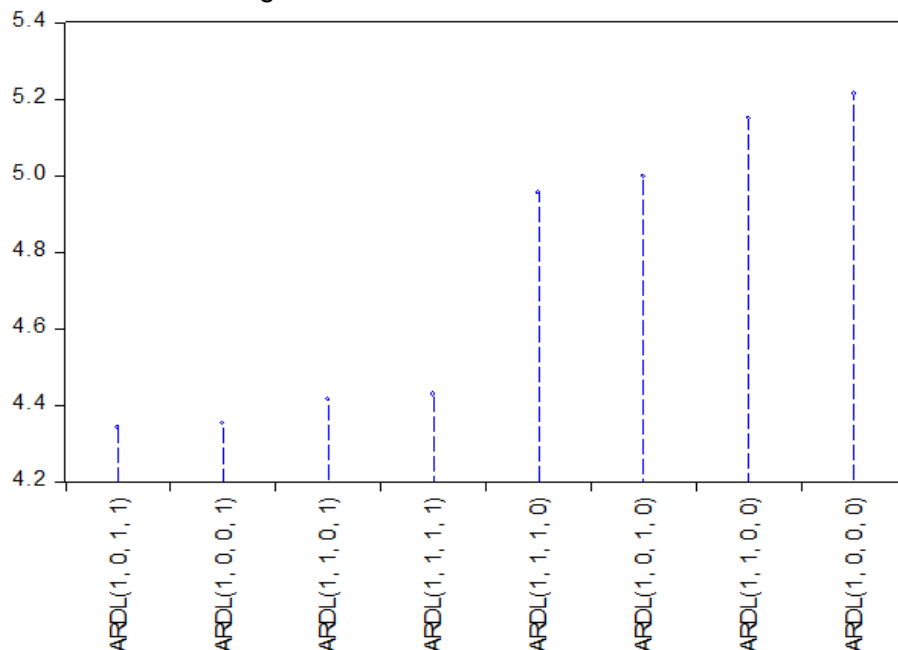


Table 6: Bound Test

ARDL Bounds Test		
Date: 02/21/17 Time: 12:55		
Sample: 2000 2015		
Included observations: 16		
Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	k
<i>F</i> -statistic	7.017535	3
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.72	3.77
5%	3.23	4.35
2.5%	3.69	4.89
1%	4.29	5.61

Source: Authors' Computation Using E-Views 9 Outputs.

From the decision rule, if the computed *F*-statistic is smaller than the lower bound value, then the null hypothesis is not rejected and it concludes that there is no long-run relationship between the components of monetary policy and economic growth. Conversely, if the computed *F*-statistic is greater than the upper bound value, then the components of monetary policy and economic growth share a long-run level relationship. On the other hand, if the computed *F*-statistic falls between the lower and upper bound values, then the results are inconclusive. Table 6 shows the results of the bounds co-integration test. It demonstrated that the null hypothesis of as against its alternative is easily rejected at the 1% significance level. The computed *F*-statistic of 7.017 is greater than all the lower and upper critical bound values at 10%, 5%, 2.5% and 1% respectively, thus indicating the existence of a long-run relationship between the components of government expenditure on agriculture and economic growth.

Table 7: Regression result

ARDL Cointegrating and Long Run Form
Dependent Variable: UNEM
Selected Model: ARDL(1, 0, 1, 1)
Date: 02/21/17 Time: 12:55
Sample: 1999 2015
Included observations: 16

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GOVCAPEXP)	0.031238	0.017574	1.777523	0.1092
D(GOVRECEXP)	-0.009954	0.045171	-0.220364	0.8305
D(GDP)	-0.000388	0.000091	-4.287504	0.0020
CointEq(-1)	-0.718482	0.232249	-3.093590	0.0129

$$\text{Cointeq} = \text{UNEM} - (0.0435 * \text{GOVCAPEXP} + 0.0380 * \text{GOVRECEXP} - 0.0000 * \text{GDP} + 11.7028)$$

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GOVCAPEXP	0.043478	0.027515	1.580174	0.1485
GOVRECEXP	0.038011	0.075731	0.501915	0.6278
GDP	-0.000028	0.000041	-0.689706	0.5078
C	11.702794	1.690464	6.922828	0.0001

Source: Authors' Computation Using E-Views 9 Outputs.

Table 7 shows the result of the regression analysis for model one is interpreted as follows:

Short-Run Relationship

- i. The value of government capital expenditure with a coefficient value of ($\beta = 0.031$, $P\text{-value} = 0.1092$) shows that the coefficient indicated that a positive but insignificant relationship at 5% exists between government capital expenditure and unemployment (*UNEM*). It shows that government capital expenditure increases the rate of unemployment by 3.1% as a result 1% increase in government capital expenditure in Nigeria. This means that the government capital expenditure in agriculture in Nigeria under the period of study has not brought about a significant decrease in the rate of unemployment in Nigeria.
- ii. The value of government recurrent expenditure with a coefficient value of ($\beta = -0.00995$, $P\text{-value} = 0.8305$) shows that the coefficient indicated that a negative but insignificant relationship at 5% significant level exists between government recurrent expenditure and unemployment rate. It revealed that unemployment rate decreases at 0.995% as a result a 1% increase in government recurrent expenditure in Nigeria. The implication is that the government recurrent expenditure in agriculture in Nigeria under the period of study also, has brought about an insignificant decrease in the rate of unemployment in Nigeria.

- iii. The value of the control variable which is Gross Domestic Product (*GDP*) shows that the coefficient is ($\beta = -0.000388$, *P-value* = 0.0020). The value shows that a negative and significant relationship at 5% significant level exists between economic growth and rate of unemployment in Nigeria. The result shows that increase in economic growth has counteractive effect on the problem of unemployment in Nigeria. However, the effect of unemployment reduction in Nigeria is as little as 0.0388% as economic growth increases by 1%.

Long-Run Relationship

- i. The value of the intercept 11.7 is the predicted rate of unemployment keeping all the variables constant.
- ii. The value of government capital expenditure with a coefficient value of ($\beta = 0.0434$, *P-value* = 0.1485) shows that the coefficient indicated that a positive but insignificant relationship at 5% exists between government capital expenditure and unemployment (*UNEM*). It shows that government capital expenditure increases the rate of unemployment by 4.34% as a result 1% increase in government capital expenditure in Nigeria. This means that the government capital expenditure in agriculture in Nigeria under the period of study has not brought about a significant decrease in the rate of unemployment in Nigeria.
- iii. The value of government recurrent expenditure with a coefficient value of ($\beta = 0.0380$, *P-value* = 0.6278) shows that the coefficient indicated that a positive but insignificant relationship at 5% significant level exists between government recurrent expenditure and unemployment rate. It revealed that unemployment rate increases at 3.8% as a result a 1% increase in government recurrent expenditure in Nigeria. The implication is that the government recurrent expenditure in agriculture in Nigeria under the period of study also, has not brought about a significant decrease in the rate of unemployment in Nigeria.
- iv. The value of the control variable which is Gross Domestic Product (*GDP*) shows that the coefficient is ($\beta = -0.000028$, *P-value* = 0.5078). The value shows that a negative but insignificant relationship at 5% significant level exists between economic growth and rate of unemployment in Nigeria. The result shows that increase in economic growth has counteractive effect on the problem of unemployment in Nigeria. However, the effect of unemployment reduction in Nigeria is as little as 0.0028% as economic growth increases by 1%.

- v. The coefficient of determination $R^2 = 0.843$ shows an 84.3% change in the unemployment rate in Nigeria is as a result of the changes in government capital and recurrent expenditure and economic growth. The F-(*Wald test*) is full with a value of 8.05 and *p-value* of 0.003 shows that there is a strong linear dependency existing between variables –unemployment and government expenditure depicting an adequately fit model. The result also indicated that there is auto-correlation since the *Durbin-Watson* value is approximately 2 showing a valid and reliable method of estimation.

The *ECM* is an error correction term in the model to restore back equilibrium, and validates that there exist a long run equilibrium relationship among the variables. The value of the *ECM* is 72%, meaning that the disequilibrium between the short-run and the long-run is corrected in the following year at speed of 72%.

Table 8: Granger Causality Test

Pairwise Granger Causality Tests			
Date: 01/29/17 Time: 21:44			
Sample: 1999 2015			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
<i>GOVCAPEXP</i> does not Granger Cause <i>UNEM</i>	15	0.52506	0.6070
<i>UNEM</i> does not Granger Cause <i>GOVCAPEXP</i>		0.05458	0.9472

Source: Authors' Computation Using E–Views 9 Outputs.

Table 9: Granger Causality Test (a)

Pairwise Granger Causality Tests			
Date: 01/29/17 Time: 21:45			
Sample: 1999 2015			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
<i>GOVRECEXP</i> does not Granger Cause <i>UNEM</i>	15	2.16975	0.1649
<i>UNEM</i> does not Granger Cause <i>GOVRECEXP</i>		0.54587	0.5957

Source: Authors' Computation Using E–Views 9 Outputs.

Tables 8 and 9 show results of the *Granger causality* test. The causality test was examined between unemployment and government capital expenditure in agriculture and the also

between unemployment and government recurrent expenditure in Agriculture. The result indicated that there is no causal for both capital and recurrent expenditure to unemployment.

In line with the objectives of this paper, this research established that the agricultural sector in Nigeria has positive and insignificant impact on the economic growth in terms of unemployment reduction in the country. The result of the regression analysis indicated that the apriori expectation for both the long run and short run result are not achieved. This is because the increased Government Expenditure (*GovEXP*) is expected to have positive impact on Agriculture. An efficient administration of revenue and its effective allocation leads to increased provision of fundamental infrastructures such as power, education, health, roads, rail, improvements in consumption and living standard of the citizenry. It results to improved interlock of the agricultural sector with other sectors such as manufacturing and mining.

Since one of the major problems facing Nigeria is unemployment, as evident in the high incidence of poverty and income inequalities in the country. It is therefore expected that increase in government expenditure will cause vigorous agricultural activities and revenue generation against boosting the Gross Domestic Product of the economy, thus reduce the level of unemployment in the country. The granger causality result also supported the above assertion as the result shows that there is no directional relationship between government expenditure (capital and recurrent) and unemployment in Nigeria.

CONCLUSION

Nigeria depends heavily on oil for both exports and government revenues, and therefore movements in the oil price have a great effect on the economy (NBS, 2016). The revenues which would have become the backbone supply for government expenditures on the public outlook and also a boost to creating better enabling environment for private sector participation in agricultural activities. Government's efforts notwithstanding in the agricultural sector performance in terms of its output have been disappointing over the years but towards 2015. It was estimated by the African Development Bank that there would be 110 million youth entering the workforce in the next ten (10) years in Nigeria. The result of the relationship between government expenditure and unemployment did not have a significant effect, that is, has no reducing effect in unemployment in Nigeria. The result also revealed that there was no lag effect, that is, previous year's effect of government expenditure (capital and recurrent) on agriculture do not impact on economic growth or reduce unemployment.

The regression results demonstrated that government recurrent expenditure and government capital expenditure both have positive effect but insignificant relationship between the variables and unemployment rate, while the gross domestic product showed a negative and

significant relationship between economic growth and rate of unemployment in Nigeria. The consequence of the relationship between government expenditure and unemployment did not have a significant effect, that is, does not amount to reducing unemployment in Nigeria insignificantly. The empirical review also supported the above assertion as the result shows that there is no directional relationship between government expenditure (capital and recurrent) and unemployment in Nigeria.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations were forward-thinking:

- a. The need for government to reverse Nigeria's effort to agriculture with integrated objectives, thereby rejuvenating the industry in a phased but accelerated development plan. The desire to consider commencing a re-industrialization drive with the Chinese model of a processing industry; a made-in-Nigeria stride to the innovated-from-Nigeria destination with the unemployed population in focus, for which we lack the requisite technologies. Professor Chude of Soil Science Society of Nigeria may have urged that the agriculture votes be doubled (Abdallah, 2017); this paper lends credence to Chude's position in amplifying that position by further recommending a quadrupling of the annual budget allocation to agriculture to at least tend towards the 10% Maputo Declaration of 2003 agreed upon by committed African leaders en route for tracking enormous progress in the sector.
- b. The Nigerian government to establish a robust agricultural sector able to commence re-industrialization with the agro-allied industries such as textile, food and beverage, and agro-based fast moving consumer goods; productiveness in multiple effect revitalize the mining and manufacturing industries, especially iron/steel, and hence, develop heavy industries with emphasis to the sub-Saharan African market.
- c. The government to develop a realistic development model that will provide the right mix of government involvement in the economy and private sector participation. To attract private sector led investments in the agricultural sector secured within the confines of the country; that is, a government facilitated private-sector-driven strategy with adequate social safety nets preferable.
- d. That the federal government strongly combat corruption by reducing the budgetary allocation for all political office holders by 50% in consideration of the proportion of fall in oil revenue; so also the national assembly in show the example by reducing its allocation by 50% in consideration of the proportion of fall in oil revenue. This is expected to release funds channeled towards agricultural development and unemployment reduction.

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APPENDIX**ARDL Model**

Dependent Variable: UNEM

Method: ARDL

Date: 02/21/17 Time: 13:08

Sample (adjusted): 2000 2015

Included observations: 16 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (1 lag, automatic): GOVCAPEXP GOVRECEXP GDP

Fixed regressors: C

Number of models evaluated: 8

Selected Model: ARDL(1, 0, 1, 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
UNEM(-1)	0.281518	0.232249	1.212142	0.2563
GOVCAPEXP	0.031238	0.017574	1.777523	0.1092
GOVRECEXP	-0.009954	0.045171	-0.220364	0.8305
GOVRECEXP(-1)	0.037264	0.032720	1.138887	0.2842
GDP	-0.000388	9.06E-05	-4.287504	0.0020
GDP(-1)	0.000368	0.000113	3.260188	0.0098
C	8.408245	3.335131	2.521114	0.0327
R-squared	0.843082	Mean dependent var		11.80625
Adjusted R-squared	0.738469	S.D. dependent var		3.572015
S.E. of regression	1.826731	Akaike info criterion		4.342569
Sum squared resid	30.03251	Schwarz criterion		4.680576
Log likelihood	-27.74055	Hannan-Quinn criter.		4.359877
F-statistic	8.059111	Durbin-Watson stat		2.069371
Prob(F-statistic)	0.003264			

*Note: p-values and any subsequent tests do not account for model selection.

Source: Authors' Computation Using E-Views 9 Outputs.