RESEARCH ARTICLE

THE IMPACTS OF HOUSEHOLD CONSUMPTION EXPENDITURES ON ECONOMIC GROWTH: INSIGHTS FROM NIGERIA

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Abstract: This study examines the impacts of household consumption expenditures alongside its determinants – Money supply, Inflation rate, Interest rates, foreign direct investment, exchange rates, past and present on Nigeria's economic performance using Descriptive statistics, Cointegration analysis, and Autoregressive Distributed Lag (ARDL) Model/Error Correction Model (ECM) estimation techniques to analyze the data covering 1990 to 2022. The paper found a stable long-run relationship between household consumption expenditures, its determinants and economic growth in Nigeria. The empirical findings highlight the significance of household consumption expenditures, interest rates, money supply, inflation rate, FDI, and exchange rates in driving Nigeria's long-term and short-term economic performance. The results show that significant changes in the composition of household incomes and consumption expenditures pattern can transform the national output and industrial composition of the Nigeria economy. The study concludes by recommending different policies and strategies for better economic performance in Nigeria. Among the policies recommended are that policymakers in Nigeria should reexamine and update the current monetary and fiscal policy and use the combination of the updated monetary and fiscal policy to effectively manage and spur economic growth in line with Nigeria economic, social and political dynamics to cope with current realities. Designing and implementing a mix of short-term and long-term strategies for economic stability, with a comprehensive approach to addressing immediate challenges and long-term structural issues for sustainable and inclusive economic growth in Nigeria is pertinent in the light of current realities.

Keywords: *Household Consumption Expenditures, ARDL/ECM Analysis, Nigeria, Economic Growth, Impacts.*

INTRODUCTION

Household consumption expenditures constitute a significant component of the aggregate demand in both developed and developing economies. Consumption expenditures in any country can be broken down to private, industrial and government consumption expenditures.

Household consumption expenditures is a critical determinant of aggregate demand in any economy. Thus, the consumer price index (CPI) is been watch keenly by policy makers and other stakeholders due to the influence on consumer spending behaviour, and the impacts on the economy generally. Household final Consumption expenditures consist of the market value of all goods and services,

including durable and non-durable products such as food, furniture's, cars, home computers and appliances purchased, payments and fees to governments to obtain permit and licenses, expenditures of non-profit organization serving households. it also includes imputed rents for owners occupied dwellings but excludes purchases of dwellings (World Bank, 2022).

In most of the developing countries, households' consumption expenditures accounted for more than 50% of the nominal Gross Domestic Product. In Nigeria, Household Consumption expenditure accounted for circa 62.5% of Nigeria's Nominal GDP, representing a major driver of the country's economic activity. In Nigeria, the breakdown of total household consumption expenditures is:

Food and Non-Alcoholic Beverages (55-60% of total).

Housing, Water, Electricity, Gas, and Other Fuels (10-15% of total).

Transport-Public and private transportation services, fuel for vehicles, and maintenance costs (6-8% of total).

(Education-school fees, books, and other educational materials (5-7 % of total).

Health-medical services, medications, hospital visits, and medical insurance (4-6 % of total),

Clothing and Footwear's (3-5 % of total).

Miscellaneous Goods and Services- personal care, financial services, insurance, and other household needs (3-5 % of total).

Communication-phone services, internet services, and poster services (2-3 % of total).

Recreation and Leisure (1-2 % of total).

Alcoholic beverages, Tobaccos, and Narcotics (1-2 % of total). The above can vary depending on changes in household income levels, inflation rates, and economic conditions.

With a large and rapidly growing population, understanding the patterns and impacts of household consumption is vital. In recent years, Nigeria has faced numerous economic, social and environmental challenges, including fluctuating oil prices, high inflation rates, mismanagement, insecurity, corruption, environmental degradation, and a depreciating currency, all of which have affected household spending behaviours. Notwithstanding these challenges, consumption expenditures continue to play a crucial role in the economic dynamics of the country (World Bank, 2022; National Bureau of Statistic, 2023).

Consumption expenditures is a vital tool that help determine the direction of the economy per time (Madudova and Corejova, 2024; P Vaidyanathan Iyer, 2024). Investigating this variable, it's determinants and how it influences economic growth is essential in making appropriate policy for better economic performance, and improved citizens welfare. Specifically, consumption expenditures directly influence the GDP, as they constitute a major portion of domestic demand.

Secondly, changes in household spending can signal broader economic trends, such as shift in consumer confidence and income levels. Third, policymakers rely on insights into consumption patterns to design effective fiscal and monetary policies aimed at stimulating economic growth and improving living standards (World Bank, 2022).

The shift in economic landscape and slow growth across the globe occasioned by post-pandemic impacts, and the current regional crisis/geopolitics makes it more pertinent to examine how consumption expenditures is influencing the performance of the economy for effective and efficient policy optimization by policy makers to cope with the current realities.

Despite the acknowledged importance of household consumption expenditures as a major driver of economic growth, comprehensive studies specifically focusing on this relationship within the Nigeria context is lacking. The fluctuating economic conditions and diverse socioeconomic landscape in Nigeria necessitate a detailed investigation of how household consumption impacts economic performance. This study seeks to fill this gap by providing empirical evidence and insights into the consumption-growth nexus in Nigeria.

Specifically, this research aims to examine the interplay between household consumption expenditures and economic growth in Nigeria, addressing the following key questions: (i) what is the nature of the relationship between household consumption expenditures and GDP growth in Nigeria? (ii) How do changes in household consumption patterns impact overall economic performance? (iii) What are the key factors influencing household consumption in Nigeria.

This research is highly relevant to policymakers, economists, businesses, and other stakeholders in Nigeria. By providing a clear insight into the consumption-growth relationship, the findings can inform the development of policies aimed at enhancing economic stability and growth.

For economists, this study offers empirical evidence that contributes to broader literature on consumption and economic development, particularly within the context of a developing economy like Nigeria. For businesses', it provides insights into consumption behaviours patterns and potential market opportunities. Moreso, the insights gained can help to identify potential areas for intervention

LITERATURE REVIEW

Aggregate demand, strongly driven by household consumption expenditures is one of the essential indicators for measuring the health of the economy and the economic wellbeing of the citizens. Household consumption expenditures (HCE) is a crucial financial planning tools both at the household level and national level. It is a vital determinant of economic growth, particularly in developing economies where consumption often accounts for a significant portion of the GDP (Madudova, E. & Corejova, T. 2024; Nugraha and Nor, 2019; Nwosu *et. al.,* 2018; P Vaidyanathan Iyer. 2024; Batrancea, 2021).

This section explores the existing body of knowledge on the relationship between household consumption expenditures and economic growth, with a specific focus on Nigeria. By exploring both the theoretical frameworks and empirical evidence, this review seeks to provide a comprehensive understanding of how household spending affects economic performance.

Here, the use of goods and services by the household is refers to as consumption while household Consumption expenditures details total spending by households on goods and services, to meet their daily needs - food, clothing, cars, home appliances, furniture's, education, housing services, rents, utility bills, health care, leisure, etc. excluding purchases of new dwellings. Economic growth, naturally measured by GDP, reflects the overall economic health and expansion of

economic activities within a nation (World Bank, 2022).

Household Consumption expenditures usually constitute more than 50% of Nominal GDP in most developing economies. The interplay between household consumption and economic growth is often characterized by a feedback loop i.e., higher consumption stimulates economic activity, which in turn lead to higher income and further consumption (Duesenberry, 1949; Keynes, 1936: Batrancea, 2021; Nugraha and Nor, 2019; Nwosu et al., 2018; He et al., 2023).

Theoretical Framework

Key Economic Theory on Consumption and Growth

Given the importance of consumer spending in the economy, several economic theories have been developed to explain the dynamics between household consumption and economic growth with divergent views on its determinants, and impacts on economic performance, leading to various scholarly propositions.

Keynesian economics argued that consumption is a primary driver of economic growth. Keynes (1936), in his absolute income hypothesis (AIH), described consumption as a function of income, implying that an increase in income leads to higher consumption expenditures. His analysis introduced four propositions involving marginal propensity to consume (MPC) and average propensity to consume (APC).

These propositions include:

Real consumptions a stable function of real disposable income,

The marginal propensity to consume (MPC) is a positive fraction, Marginal propensity to consume (MPC) is less than the Average Propensity to consume (APC), and APC decline as income rises, (iv) Marginal propensity to consume (MPC) declines as income rises. However, Kuznets (1946) contested that average propensity to consume (APC) does not fall with rising income over the long-run. Keynes further explained that income levels determine consumption and that lack of effective demand is primary reason for slow growth. Thus, aggregate demand, which includes household

consumption, is crucial for economic stability and growth. He advocated for monetary and fiscal policies to stimulate the economy.

On the other hand, Duesenberry (1947) relative income hypothesis argued that individual's consumption and savings attitude is a function of income rather than abstract standard of living i.e. it depends on his percentile position within the income distribution in the society rather than on their absolute income level.

The life-cycle hypothesis, proposed by Ando, Modigliani and Brumberg (1954), opined that individuals plan their consumption and savings behaviour over their lifetime to smooth consumption in different phases of life.

Friedman's (1957) permanent income hypothesis further elaborates that consumption is determined by individual's expectations of their long-term average income rather than their current income. The propositions highlight factors that influencing consumption such as income level, wealth, interest rates, capital gains, price levels, and liquid assets. These theories collectively emphasize the significant role of household consumption in driving economic growth by influencing aggregate demand and investment decisions.

Empirical Studies

Consumption at the national and household level, and its role in national development has been at the center of discussion among scholars, policy makers, businesses, and other stakeholders for ages. The debates have generated divergence view on its determinants, and the role it plays in national development. Extant studies outcomes on the subject matter are mixed.

The factors influencing the interplay between consumption and economic performance is still complicated especially in developing country like Nigeria. Household-level data on consumer expenditures underpin a wide range of empirical research in modern economics, spanning micro- and macroeconomics (Martin *et al.,* 2014).

Globally, empirical studies have demonstrated a strong link between household consumption and economic performance.

Ekaterina A. (2018) found a significant relationship between determinants of Final Household Consumption and Consumption Expenditures in Asian countries, comparing consumer patterns in Asia with global data.

The study included China, Republic of Korea, Japan, nine ASEAN members (excluding Myanmar), and India. It combined qualitative analysis of macroprudential reforms with regression analysis of panel data from 1991-2015. The results suggest that higher government expenditures may effectively stimulate consumption-led growth in Asia.

More studies indicated the relationship between household consumption expenditures and factors such as disposable income, product price (Tellis and Ackerman, 2001; Dvorakova and Seidler, 2012; He *et. al.,* 2023; Batrancea, 2021), and economic growth (Gerstberger and Yaneva, 2013; Madudova and Corejova, 2024). Stiglitz *et. al.* (2009) emphasized that living standards, income, and wealth determine access to goods and services. Moeti (2018) also observed a positive interaction between private consumption and national disposable income in Lesotho from 1982-2015, using the ARDL estimation techniques.

Deaton and Muellbauer (1980) found that consumption patterns are critical for understanding economic fluctuations and growth in both developed and developing countries. Similarly, Aghion and Howitt (1998) highlighted the importance of consumption in driving innovation and long-term economic growth.

Additionally, study by Nugraha and Nor (2019) show that CO_2 emissions, energy consumption, the value added of industry sector and household final consumption expenditure have a significant effect on the added value of agriculture sector and service sector, while the added value of agriculture sector is a key factor that driven increases the added value of service sector.

In the context of Nigeria, Christopher and Ubong (2020) found a positive relationship between household consumption expenditures, its determinants, and economic growth in Nigeria, using regression analysis from 1999-2018. Similarly, Olusegun *et. al.* (2019) shows that increased household consumption leads to higher economic

growth, particularly in urban areas where income levels are relatively higher. Conversely, Ibbih and Siyan (2018) argued that unsustainable consumption patterns could hinder development, suggesting that individuals do not always behave according to baseline consumption level.

Additionally, Akerele and Yousuo (2012) discovered a significant relationship between GDP and private consumption in Nigeria using OLS regression analysis for data from 1981-2010. Oduah and Patterson (2012) examined the impacts of consumer confidence and expectations on consumption in Nigeria. They discovered that consumer confidence, current income, income expectation, expected price changes, and exchange rate were key determinants of consumption expenditures, supporting Keynes' Absolute Income Hypothesis.

Their results indicated a higher marginal propensity to consume in the short-run than in the long-run, reflecting low household saving rates. Equally, Alimi (2013) observed an inverse relationship between income increases and average propensity to consume, with a less stable MPC in the long-run. Ukoha (2016) found that household consumption significantly contributes to GDP growth in Nigeria, emphasizing the need for policies that stimulate consumer spending. Ezeji and Ajudua (2015) confirmed a positive relationship between consumption expenditures and income, influenced by interest rates, price levels, and exchange rates.

Moreso, Felix (2019) examined determinants of aggregate consumption expenditures in Nigeria using an Error Correction Model (ECM) estimation technique, and found a positive relationship between consumption expenditures and GDP. However, other studies like Okojie (2017) have shown that excessive consumption without corresponding increases in production can lead to inflationary pressures and economic instability. This highlights the complexity of the relationship between the variables and the need for balanced economic policies.

The central theme across these studies is that household consumption expenditures are crucial for economic growth. They are influenced by numerous factors, including disposable income, price level, money supply, and interest rates. However, the dynamic interplay between household consumption and other macroeconomic variables such as government spending, investment, and exchange rate is often overlooked.

This study takes into account these identified variables in the empirical analysis. Finally, given the current global economic conditions, the shift in economic landscape, and post-pandemic impacts, examining the role of household consumption expenditures is vital for effective policy-making to ensure sustainable economic performance.

Summarily, the literature highlights the crucial role of household consumption expenditures in driving economic growth, both globally and in Nigeria. Theoretical propositions emphasize the importance of consumption in stimulating aggregate demand and investment. Empirical studies largely support the positive impact of household consumption on economic growth, although results are mixed, suggesting the need for balanced economic policies.

This review identifies often overlooked significant variables such as exchange rate, that play pertinent roles in the interplay between consumption and economic performance. This study takes into account these variables. The empirical analysis and the findings are expected to provide a more nuanced understanding of the consumption-growth nexus and inform more effective and balanced economic policies.

Conceptual Frameworks

The conceptual framework for this study is constructed on the understanding that household consumption expenditures influence economic growth through various channels. These include:

Aggregate demand channel: increased household consumption boosts aggregate demand, leading to higher production and income levels,

Investment channel: higher consumption can lead to increased business revenues, encouraging investment in capital and innovation,

Income distribution channel: changes in household consumption patterns can affect income distribution and, consequently overall economic growth,

External channel: global economic conditions, government policies, and technological advancements that can mediate the relationship between household consumption and economic growth.
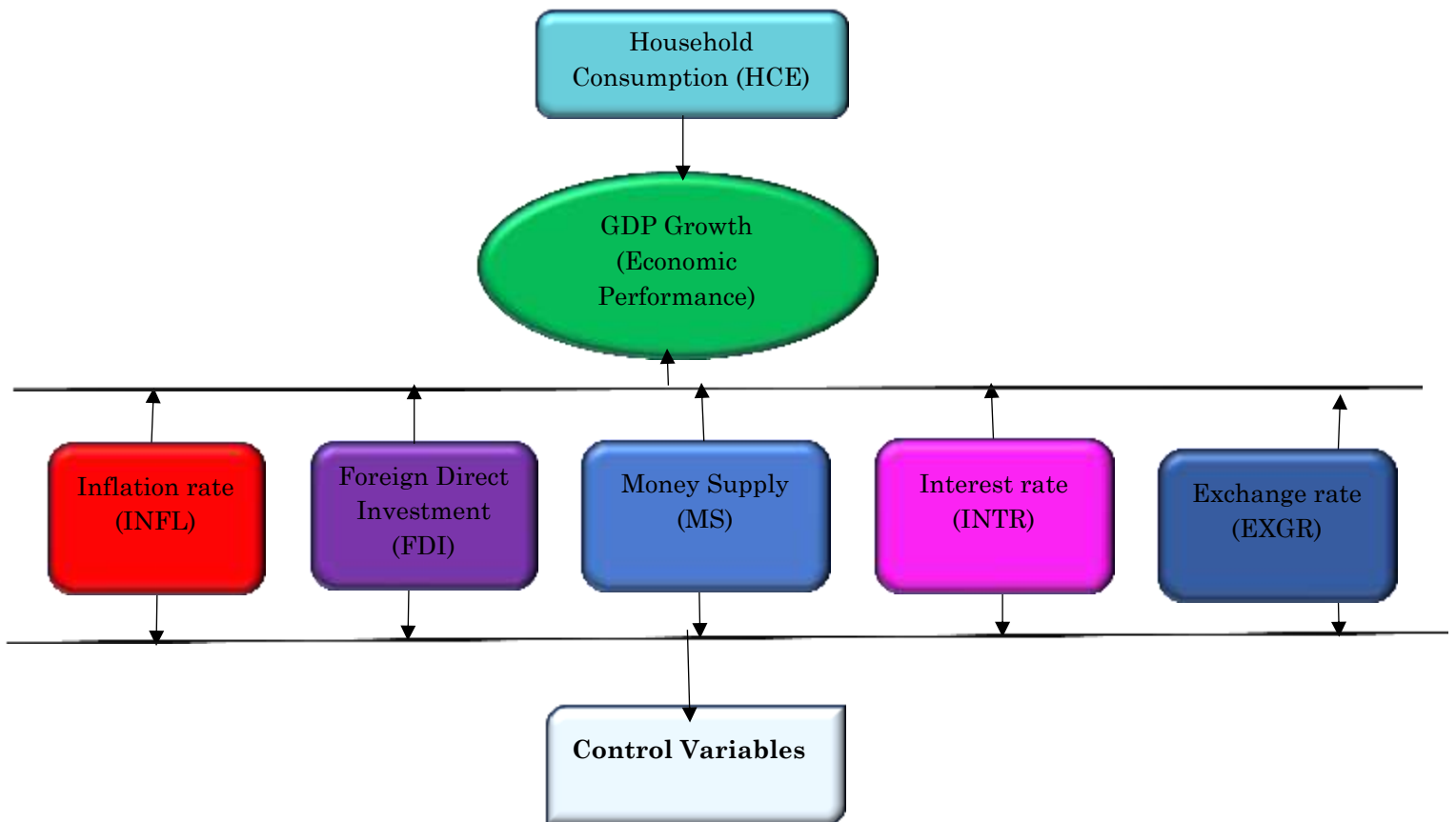
Figure 1: Conceptual framework diagram

The conceptual framework diagram above depicts the interaction between household consumption expenditures and economic growth, along with other significant variables that impact economic performance in Nigeria. The central theme of the framework is economic growth, measured by GDP per capital growth. Independent variables include household consumption expenditures, inflation rate, foreign direct investment, money supply (M2), interest rate, and exchange rate.

These variables directly influence economic growth. Mediating variables such as aggregate demand, income distribution, and investment levels, are influenced by the independent variables, which in turn impact economic performance. External factors, including government policies, global economic conditions, and technological innovations and advancements, act as moderators that can either strengthen or weaken the interaction between household consumption and economic growth.

This framework helps to simplify and understand the complex interplay of various factors affecting economic growth in Nigeria and provides a basis for empirical analysis.

The arrow from household consumption to GDP growth indicates the direct impact of household consumption on economic growth. The arrow from the independent variables to GDP growth indicate their roles as control variables affecting economic growth. Household consumption is expected to have a significant positive impact on GDP growth.

Control variables are included to isolate and understand the net effect of household consumption on economic performance in Nigeria. The framework helps in simplifying and understanding the direct and indirect effects of various economic factors on the performance of Nigeria's economy.

Introducing a Fresh Perspective

Building upon the Keynesian framework, this study introduces a more distinct

understanding of household consumption expenditures by incorporating structural factors unique to developing economies like Nigeria. The Traditional Keynesian models highlight aggregate demand, where consumption expenditure is the principally seen as a function of disposable income. Nevertheless, this study extends the analysis by integrating factors like foreign direct investment (FDI), exchange rates, and inflation with up-to-date data, which play a pivotal role in impacting consumption behaviour in economies characterized by high external dependencies and macroeconomic instability.

The new mechanism hypothesised here revolves around how external macroeconomic variables, like exchange rate volatility and FDI inflows, shape household consumption in an economy subject to global economic shocks and fluctuating inflation rates. By doing so, the research offers a differentiated perspective on how household consumption behaviour interacts with these broader external variables, which are typically underplayed in Keynesian and post-Keynesian consumption theories. The addition of these variables provides all-inclusive understanding of how external pressures impact domestic consumption patterns, especially in developing countries like Nigeria, where economic openness and volatility are significant drivers of growth.

Advancements over Existing Knowledge

This study advances the current understanding of the interplay between household consumption and economic growth in several ways:

Incorporating Determinants of Consumption Beyond Income

This study moves beyond the Keynesian assumption that consumption is purely driven by income by incorporating determinants such as inflation rate, money supply, interest rates, exchange rate, and FDI. These variables, particularly in the context of Nigeria, provide a more realistic view of consumption behaviour, especially in an economy susceptible to high inflation and foreign exchange volatility. This improvement helps bridge the gaps between the traditional consumption theories and the realities of the economies facing structural challenges.

Innovative Use of Data and Methodology

By employing the combination of Descriptive statistics, cointegration analysis, and Autoregressive Distributed Lag (ARDL) Model/Error Correction Model (ECM) methods, the study captures both short- and long-term dynamics of the relationship between household consumption expenditures and economic growth. these tools allow for a more sophisticated and robust analysis, offering deeper insights into the temporal interplays between variables.

Implications for Policy and Industrial Composition

While existing literature often discusses household consumption in relation to aggregate demand, this study creatively shows how shift in consumption patterns, driven by changes in household incomes, have the potential to transform the industrial composition of Nigeria's economy. The paper highlights that a strategic focus on stimulating household consumption, alongside favourable macroeconomic environments, can lead to shifts in sectoral productivity and economic diversification. This is a key policy challenge for Nigeria's growth trajectory.

Contextualizing Globalization and External Dependency

This study offers a fresh approach by contextualizing how global factors (exchange rate, FDI) impact consumption and growth, reflecting the growing globalization of emerging economies. This adds a layer of complexity to traditional consumption models, which often ignore the influence of external shocks and international financial flows on domestic consumption behaviour.

By addressing these gaps, the study builds upon existing theoretical frameworks and offers policy recommendations aimed at leveraging household consumption as a growth driver in Nigeria's economy, amidst external economic fluctuations.

RESEARCH METHODOLOGY

As a significant driver of economic growth, investigating household consumption, it's determinants and how it influences economic growth is essential in making effective and balanced policies for better economic performance, and improved citizens welfare,

given the current global economic conditions, shift in economic landscape, current regional crisis/geopolitics, post-pandemic impacts, and diverse socioeconomic landscape in Nigeria. Thus, this section empirically examines the interplay between household consumption expenditures and economic performance in Nigeria using quantitative methods, and time series data from World Bank, Ceic, Central Bank of Nigeria, National Bureau of Statistics. Spanning the period 1990-2022, the study analyses key indicators such as household consumption expenditures, GDP per capita, inflation rate, foreign direct investment, money supply, interest rate, and exchange rate.

The basic model for this study is specified as:

$$GDP = \beta_0 + \beta_1 HCE + \beta_2 X + \varepsilon \dots\dots\dots\dots\dots\dots (i)$$

Empirically the model is specified as:

$$(GDP_C)_t = \beta_0 + \beta_1(HCE)_t + \beta_2(INFL)_t + \beta_3(FDI)_t + \beta_4(MS)_t + \beta_5(INTR)_t + \beta_6(EXGR)_t + \varepsilon_t \dots\dots\dots (ii)$$

Where, GDP_c = GDP per capital, HCE = Household consumption expenditures. In equation (i), X = Control variable (such as inflation rate, foreign direct investment, money supply, interest rate, and exchange rate), ε = Error term, t = 1990 to 2022.

The above model in eqn (i) is a regression model that estimates the relationship between GDP and household consumption expenditures (HCE) while controlling for other factors that may affect economic growth (X). The coefficients β_1 and β_2 in equation (i) are the parameters of interest, representing the interplay between household consumption dynamics and economic performance in Nigeria. A positive coefficient for β_1 would indicate that household consumption expenditures have a positive impact on GDP, while a negative coefficient for β_1 would indicate a negative impact on GDP. In eqn (ii) this study includes GDP per capita as a proxy for economic growth, household consumption expenditures (HCE) growth rate to capture the impact of household consumption dynamics on economic performance in Nigeria, Inflation rate to gauge the influence of price levels and consumer purchasing power, Foreign direct investments to capture the rate of investment inflow and the investors' confidence in Nigeria economy, Money supply growth rate

to gauge liquidity/money in circulation, interest rate to measure cost of capital, and exchange rate to capture the value of the currency.

The study is guided by this hypothesis: **H_a0**: No relationship exists between household consumption expenditures dynamics and economic growth in Nigeria. **H_a1**: A positive relationship exists between household consumption expenditures dynamics and economic growth in Nigeria. **H_b0**: No relationship exists between inflation rate, foreign direct investment, money supply, interest rate, exchange rate, and economic performance in Nigeria. **H_b1**: A positive relationship exists between inflation rate, foreign direct investment, money supply, interest rate, exchange rate, and economic growth in Nigeria.

The study employs econometric techniques to test these hypotheses. The combination of regression analysis and econometric modelling was utilized to analyze the interaction between the variables of the study in Nigeria. Specifically, descriptive statistics analysis, stationarity tests, cointegration analysis, and ARDL/ECM analysis was carried out. The ARDL/ECM model is preferred in this study due to its flexibility with mixed orders of integration, small sample efficiency, ability to estimate both short- and long-run dynamics, and ease of interpretation.

These features align well with the study's objective of investigating the impact of household consumption expenditures and its determinants on economic growth in Nigeria, providing a robust framework for both empirical analysis and policy recommendations. The technique provides practical benefits that make its more suitable choice for this specific context.

The research provides policy implications for Nigeria and other stakeholders (Businesses, investors and others). The findings will help policymakers to understand the interplay between the variables of the study, and inform policy decisions relating to household consumption dynamics, inflation, foreign direct investment, money supply, interest rate, exchange rate, and economic development. The results of the empirical analysis are presented under the results and discussion section below.

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

	GDP	HCE	INFL	MS	FDI	INTR	EXGR
Mean	5.65	24.93	18.49	25.20	1.59	18.11	162.46
Median	7.39	19.15	12.95	20.26	1.49	17.77	132.08
Maximum	32.13	77.64	72.84	68.57	5.79	29.80	425.98
Minimum	-43.4	-2.62	5.39	2.30	-0.04	11.55	8.67
Std. Dev.	16.19	23.04	16.26	16.31	1.23	3.38	122.32
N	32	32	32	32	32	32	32

Source: Author's EViews Computations

The descriptive statistics in table 1 reveals key insights into Nigeria's significant economic variables. The mean per capital GDP growth rate is 5.65%, indicating moderate economic expansion. However, the wide range (-43.4% to 32.13%) and a standard deviation of 16.20%, suggests volatility in economic performance.

The result support the urgent need to stabilize GDP growth by addressing structural issues, diversifying the economy beyond oil, and improve infrastructures. Household consumption expenditures growth rate average 24.93% within the observed period. Also, the wide range (-2.62 to 77.64%) and standard deviation of 23.04%, indicates high fluctuation in household consumption expenditures growth rate.

This calls for policies that enhance social safety nets and increase household disposable income through tax relief and subsidies. The mean inflation rate (18.50%), and a range of 5.39 to 72.84%, suggests that inflation is very high and volatile within the sample period. High and volatile inflation rate can erode purchasing power and economic stability.

Thus, the need to strengthen monetary policy to control inflation, and ensure balance between price stability and economic performance. Money supply growth rate average 25.20%. the wide range (2.30 to 68.57%) suggests high fluctuations in liquidity in circulation growth rate. High volatility in money supply can impacts inflation and economic stability.

This call for continuous monitoring of money supply dynamics to prevent excessive liquidity or scarcity. Also, ensure balance and predictable monetary policy to support

economic growth without causing high inflation. The mean foreign direct investment (1.59%) and a range (-0.04 to 5.79%), indicates moderate FDI inflows. This necessitates the need to improve the investment climate by reducing bureaucratic hurdles, ensuring political stability, providing incentives for foreign investors, and ensure that the FDI inflows goes to critical sectors, and in line with national development goals.

The mean interest rate (18.11%) shows high borrowing costs. Standard deviation of 3.38% suggests moderate fluctuations in borrowing costs. This implies that high interest rates can stifle investment and consumption. Thus, implementing policies that balance interest rates to support investment while managing risks is needed. Also, adopting policies to gradually reduce interest rates, like improving financial sector efficiency and reducing government borrowing is highly recommended.

The average exchange rate of 162.46, and standard deviation of 122.32. indicates high volatility in exchange rate within the observed period. This can affect trade and investment. Thus, stabilizing exchange rate through all-encompassing fiscal and monetary policies, and establishing a more flexible exchange rate regime to absorb shocks is pertinent.

Summarily, the above results show and support the needs for Nigeria to focus more on economic diversification, enhance social safety nets, increase household disposable income through tax reliefs and subsidies, control inflation, manage interest rates and exchange rate appropriately, and ensure balance between stability and growth while addressing structural issues.

Unit root Test Results

Table 2: Unit Root (Augmented Dickey Fuller Test) Results

VARIABLES	ADF. LEVEL	ADF. 1ST DIFF.	ORDER	REMARK
GDP	-4.3705	-	I(0)	Stationary @
P-Value	(0.0016)			Level
HCE	-3.6469	-	I(0)	Stationary @
P-Value	(0.0104)			Level
INFL	-2.1555	-4.5751	I(1)	Stationary @
P-Value	(0.2256)	(0.0010)		1st Diff.
MS	-3.6638	-	I(0)	Stationary @
P-Value	(0.0099)			Level
FDI	-2.8223	-6.0593	I(1)	Stationary @
P-Value	(0.0667)	(0.0000)		1st Diff.
INTR	-4.1616	-	I(0)	Stationary @
P-Value	(0.0028)			Level
EXGR	0.9877	-4.0847	I(1)	Stationary @
P-Value	(0.9954)	(0.0035)		1st Diff.

Source: Author's EViews Computations

The Augmented Dickey-Fuller test results in table 2 shows that the study variables have mixed integration orders, some stationary at level I(0) and others at first difference I(1). This supports the use of Autoregressive Distributed Lags (ARDL)/ Error Correction Model (ECM) estimation techniques.

Cointegration Test Results

Table 3: F-bounds test result for cointegration

Null Hypothesis: No level relationship				
Test Statistics	Value	Significance	I(0)	I(1)
F-Statistic	7.5996	10%	1.99	2.94
K	6	5%	2.27	3.28
		1%	2.88	3.99

Source: Author's EViews Computations

The result of the F-Bounds tests in table 3 above establish that long run relationship exists between the dependent and independent variables within the observed period of the study.

Long-run Impacts on Economic Growth in Nigeria

Table 4: ARDL Long-run Form Estimated Results

Dependent variable: GDP			
VARIABLES	Coefficients	t-ratio	P-Value
HCE	-1.1500	-1.3755	0.1941
INFL	-0.0774	-0.1572	0.8777
MS	0.0188	0.0359	0.972
FDI	18.102	2.0463	0.0633
INTR	8.4539	1.8386	0.0908
EXGR	0.0829	1.2573	0.2326
C	-159.119	-1.7016	0.1146
Source: Author's EViews 12 Computations			

Table 4 above present the long-run coefficients, t-statistics and p-values for GDP, HCE, INFL, MS, FDI, INTR, and EXGR in Nigeria. The results, with the dependent variable being the change in per capita GDP growth rate, reveals key points. The

coefficients show the long-term interplay between GDP and the independent variables i.e., household consumption expenditures, inflation, money supply, foreign direct investment, interest rates, and exchange rates. The negative coefficient (-1.1500) for household consumption expenditures suggests that an increase in HCE growth rate might reduce GDP, but the effect is not statistically significant at conventional levels (p>0.05).

This might be due to unsustainable consumption compare to domestic production level. Inflation rate coefficient (-0.07745) is negative, indicating a slight decrease in GDP with an increase in inflation in the long-run, however, this effect is also not statistically significant (p>0.05). Money supply growth rate coefficient (0.0188) is positive, implying a minor positive impact on GDP from an increase in money supply growth rate in the long-run, though this effect is not statistically significant (p>0.05). The foreign direct investment (18.1020) and interest rates (8.4539) positive coefficients suggests that

higher FDI and interest rates could have significant positive impacts on GDP growth in the long-run in Nigeria at 10% significant level (p<0.10). In addition, exchange rates positive coefficient (0.0829) indicates a positive interaction between stable exchange rate and GDP in the long-run, but the effect is not statistically significant (p>0.05). The ARDL long-run results highlight the importance of interest rates, household consumption expenditures, FDI, inflation, money supply, and exchange rate in driving economic performance in Nigeria.

Thus, effective policies and strategies to enhance household consumption, attract sizable foreign direct investment, and maintain monetary stability is crucial for long-term sustainable economic development. also, controlling inflation and stabilizing exchange rate are pertinent for ensuring economic stability and resilience.

Short-run Impacts Dynamics on Economic Growth in Nigeria

Table 5: ARDL Short-Run ECM Estimated Results

Dependent variable: **GDP**			
Variables	**Coefficient**	**t-ratio**	**P-Value**
ΔHCE_t	-0.2199	-2.8933	0.0135
ΔHCE_{t-1}	0.4735	5.4356	0.0002
$\Delta INFL_t$	-0.7526	-4.0449	0.0016
$\Delta INFL_{t-1}$	-0.4636	-2.6686	0.0205
ΔMS_t	0.1248	1.2656	0.2297
ΔMS_{t-1}	-0.188	-1.8707	0.086
ΔFDI_t	-0.9729	-0.7385	0.4744
$\Delta INTR_t$	3.1481	6.0518	0.0001
$\Delta INTR_{t-1}$	-2.8599	-6.2245	0.0000
$\Delta EXGR_t$	-0.0359	-0.6959	0.4997
ECM_{t-1}	-0.6237	-9.8113	0.0000
R-squared	0.9134		
Adjusted R-squared	0.8678		
Durbin-Watson stat	1.8591		
Source: Author's EViews 12 Computations			

Table 5 presents the coefficients, t-statistics, and p-values showing the short-run impacts of HCE, INFL, MS, FDI, INTR, and EXGR on economic growth (GDP) in Nigeria. The ARDL Error Correction estimated results for Nigeria's GDP growth (ΔGDP_t) shows the short-term dynamics among the variables.

The ΔHCE_t significant negative coefficient (-0.2199) suggests that short-term decrease in GDP associated with an increase in household consumption expenditures in the current period significantly affect GDP growth. Conversely, the ΔHCE_{t-1} highly significant positive coefficient (0.4735)

indicates that higher household consumption expenditures in the past leads to an increase in GDP growth rate. Inflation rate ($\Delta INFL_t$) significant negative coefficient (-0.7526), implies that increases in inflation have a detrimental short-term impact on GDP in Nigeria. Likewise, the $\Delta INFL_{t-1}$ significant negative coefficient (-0.4636) further reinforce the negative effect of inflation on GDP growth over time. Money supply (ΔMS_t) coefficient (0.1248) is positive but not statistically significant at 5% significance level. ($p>0.05$), indicating insignificant positive impact on GDP in the short-term.

However, Money supply (ΔMS_{t-1}) in the last one period coefficient (-0.1880) is negative with a marginal significance, suggesting a potential delayed impact on GDP growth. Foreign direct investment (ΔFDI_t) insignificant negative coefficient (-0.9729), suggesting no significant short-term impact on GDP growth. Interest rates ($\Delta INTR_t$) highly significant positive coefficient (3.1481), implies that increases in interest rates have a positive short-term impact on GDP growth.

Conversely, interest rates ($\Delta INTR_{t-1}$) highly negative coefficient (-2.8599), indicates that interest rates in the pasts have a significant negative effect on GDP growth. this could mean that the positive impact of interest rates reverses over time. Exchange rates ($\Delta EXGR_t$) insignificant negative coefficient (-

0.0359) show no significant short-term effect on GDP growth. This may be a symptom of potential lag effects.

The Error Correction Mechanism (ECM_{t-1}) coefficient (-0.6237) is negative and highly significant as expected, suggesting a strong adjustment mechanism back to equilibrium after short-term shocks. Hence, 62.37% of deviation/disequilibrium from the previous period are expected to be corrected in the current period. The estimated result in table 5 above show that the model is a good fit. 91.34% of the variability in the dependent variable is captured in the model by the independent variables.

While 8.66% fluctuations in the dependent variable can be attributed to disturbance term (error term). The F-bounds test confirms a level relationship, thus validating the importance of the short-term dynamics and the significance of timely policy interventions to manage these relationships effectively. The model's good fit, indicated by the R-squared and Durbin-Watson statistics, supports the reliability of these results for policy considerations. Results from the current study aligned with the previous study by Onifade *et al.,* (2020); Ibbih and Siyan (2018); Dilanchiev and Taktakishvili, (2021); Statista, (2023).

Diagnostic Tests
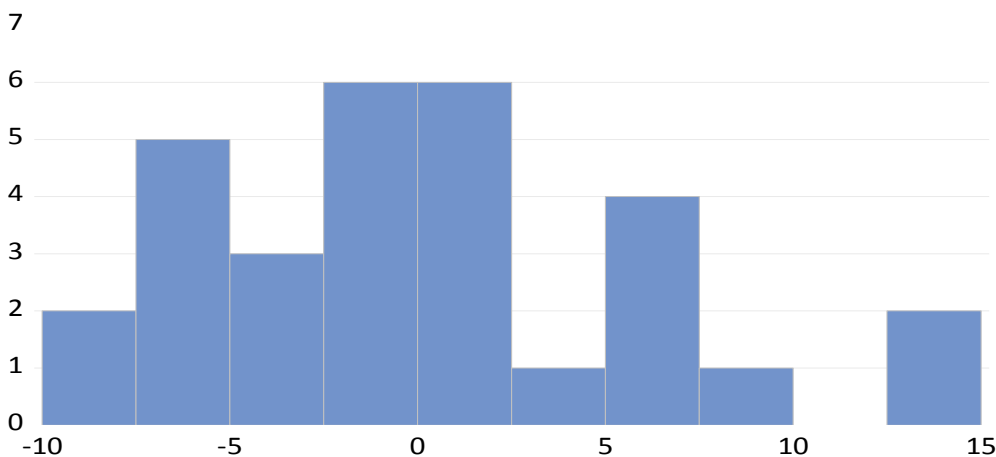
Residual Normality Test

Figure 2: Residual Normality test results

Source: Author's EViews 12 Computations

The histogram of residuals visually displays the distribution of residuals. Preferably, for normality, the histogram should resemble the bell curve of a normal distribution. In the

case of figure 2 above, the histogram shows a roughly symmetrical shape, though with some deviation from perfect normality. Also, a high p-value ($p>0.05$) implies that the

residuals are normally distributed. In figure 2, the p-value is 0.4856, which is much higher than 0.05, making it possible to reject the null hypothesis that the residuals are normally distributed. In terms of reliability, since the residuals are normally distributed, the regression model used to estimate the interplay between the variables is reliable.

This boosts the confidence in the policy recommendations derived from the model. In addition, the normality of residuals indicates that the model's estimates and predictions about the independent variables are unbiased and efficient, supporting robust economic policy analysis.

Breusch-Godfrey Serial Correlation LM Test

Table 6: Breusch-Godfrey Serial Correlation LM Test Results

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	0.1021	**Prob. F (2,34)**	0.9039
Obs*R-squared	1.6004	**Prob. Chi-Square (2)**	0.7407

Source: Author's EViews 12 Computations

Results of the Serial Correlation LM test in table 6 shows that there is no evidence of serial correlation in the residuals at up to 2 lags based on the F-statistic (0.1021) and p-value (0.9039). a high p-value (p>0.05) suggests that we fail to reject the null hypothesis of no serial correlation. The absence of serial correlation enhances the

confidence in the model's estimates and predictions. Thus, the results can be considered for policy analysis, planning for economic interventions, and forecasting.

Breusch-Godfrey Heteroskedasticity Test

Table 7: Breusch-Pagan-Godfrey Heteroskedasticity Test Results

Null hypothesis: Homoskedasticity			
F-statistic	0.3643	**Prob. F(13,36)**	0.9718
Obs*R-squared	10.2121	**Prob. Chi-Square(13)**	0.8945
Scaled explained SS	1.3725	**Prob. Chi-Square(13)**	1.0000

Source: Author's EViews Computations

The Breusch- Pagan-Godfray Heteroskedasticity test results in table 7 above indicate that there is no evidence of heteroskedasticity based on the F-statistic (0.3643) and p-value (0.9718). Also, a high p-value (p>0.05) indicates that we fail to reject the null hypothesis of no heteroskedasticity. The absence of heteroskedasticity means that the model's residuals have constant variance.

This enhances the reliability of the coefficient estimates and their standard errors. By confirming the absence of heteroskedasticity, policymakers, economists, businesses and other stakeholders can use the model's output with greater confidence for economic policy analysis, planning, and forecasting, leading to more accurate and better-informed policy decisions.

Policy Implications

The ARDL long-run and short-run estimated results indicate significant interplay between the various economic indicators and GDP growth in Nigeria.

It reveals key insights for policymakers, economists and other stakeholders. The cointegration analysis results suggests a stable long-term relationship between household consumption expenditures (HCE), inflation (INFL), money supply (MS), foreign direct investment (FDI), interest rates (INTR), exchange rates (EXGR), and GDP growth in Nigeria. Error correction term (ECM_{t-1}) significant negative coefficient indicates a strong adjustment mechanism after short-term shocks, implying that 62.37 % of disequilibrium from the previous period are expected to be corrected in the current period.

The ARDL/ECM results show that the model is a good fit, as 91.34% of the variability in the dependent variable is captured in the model by the independent variables. The significant coefficients of the first differences of these variables implies that fluctuations in the variables have short-term impacts on GDP growth. Policymakers can use these coefficients to understand the short-term

dynamics and adjust policies in response to shocks.

The F-bounds test confirms a level relationship, thus validating the importance of the short-term dynamics and the significance of timely policy interventions to manage these relationships effectively. Policymakers may also use this to understand the direction and strength of causality among these variables, as well as find potential sources of growth or volatility for economic growth in Nigeria. The model's good fit, indicated by the R-squared and Durbin-Watson statistics, supports the reliability of these results for policy considerations.

Household consumption expenditures coefficients highlight the crucial role of household consumption as one of the key drivers of economic growth in Nigeria.

The negative coefficient of HCE in the long-run shows that an increase in household consumption may reduce GDP growth, though not statistically significant. But significant negative coefficient of ΔHCE_t indicates that short-term decrease in GDP associated with an increase in household consumption expenditures in the current period significantly affect GDP growth.

Conversely, the ΔHCE_{t-1} highly significant positive coefficient (0.4735) indicates that higher household consumption expenditures in the past leads to an increase in GDP growth rate. The insights above for HCE could be due to unsustainable consumption levels relative to domestic production. Thus, policies aim at stabilizing and enhancing household consumption through measures such as targeted subsidies and income support programs should be implemented for short-term management.

For long-term planning, Savings and investments among households should be encourage to ensure sustained consumption levels without causing inflation inflationary pressures. The results shows that the effects of inflation on GDP growth is significantly negative both in the current period and in the past, implying that Policies that ensure inflation is effectively control and balanced to create a stable macroeconomic environment is needed. Long-run coefficient of money supply suggests a minor positive impact on

GDP growth from increased money supply growth rate, though not statistically significant. Short-run result reveals that money supply in the current period also have insignificant positive impact on GDP growth. however, money supply in past were found to have significant negative effect on GDP, suggesting delayed negative impact. This call for implementation of sound monetary policies to control money supply growth, inflation, and interest rate adjustment in line with current realities in Nigeria.

Foreign direct investment positive coefficient in the long-run indicates significant positive impact on GDP growth. However, FDI were found to have an insignificant negative effect on GDP growth in the current period, implying no short-term impact on GDP growth. The result show that policymakers in Nigeria need to develop strategies which foster a favourable business environment that encourages both domestic and foreign investment in sectors that have a high potential for economic growth and job creation, and make judicious use of the capital inflows, ensuring it align with national goals and contributes to sustainable economic growth.

Long-run interest rates positive coefficient indicates significant positive impact on GDP growth. Similarly, the highly significant positive coefficient for interest rates in the current period suggests positive short-term effect on GDP. However, the significant negative coefficient for interest rates in the past signifies a reversal over time. The positive interaction of interest rates with GDP growth implies that monetary policy via interest rates adjustments can be used to stimulate economic growth in Nigeria.

However, careful balancing of interest rates adjustments to support economic growth without causing high inflation is needed given the dual role of interest rates in impacting both inflation and growth. Excessive interest rates may stimulate GDP in the short-term but can be detrimental in the long-run. In addition, exchange rates positive coefficient indicates a positive interaction between stable exchange rate and GDP in the long-run, but the effect is not statistically significant (p>0.05). Conversely, the insignificant negative coefficient of exchange rates in the current period

indicates no significant short-term impact on GDP growth. The long-run and short-term coefficient of exchange rates call for policies that aim at stabilizing exchange rate through maintaining adequate foreign reserves and executing policies that encourage exports and reduce dependence on imports to ease pressure on the local currency and make it more valuable.

The normality of the residuals, absence of serial correlation and heteroskedasticity enhances the confidence in the model's estimates and predictions. Thus, policymakers, economists, businesses, and other stakeholders can use the model's output with greater confidence for economic policy analysis, medium to long-term planning, and forecasting, leading to more accurate and better informed-decisions. The empirical findings in this study highlights the significance of household consumption expenditures, interest rates, money supply, inflation rate, FDI, and exchange rates in driving Nigeria's long-term and short-term economic performance.

CONCLUSION AND RECOMMENDATIONS

This paper investigates the impacts of household consumption expenditures alongside its determinants – Money supply, Inflation rate, Interest rates, foreign direct investment, exchange rates, past and present on Nigeria's economic performance using Descriptive statistic, cointegration and Autoregressive Distributed Lag (ARDL) Model/Error Correction Model (ECM) estimation techniques to analyze data covering the period 1990 to 2022. The empirical findings in this study highlights the significance of household consumption expenditures, interest rates, money supply, inflation rate, FDI, and exchange rates in driving Nigeria's long-term and short-term economic performance.

The results show that significant changes in the composition of household incomes and consumption expenditures pattern can transform the national output and industrial composition of the Nigeria economy. Previous studies aligned with the current study, that aggregate consumption and savings, interest rates, money supply, FDI, inflation rate, and exchange rates have a powerful influence on the economy's long term productive capacity,

and capture macroeconomic fluctuations, and business cycle more appropriately.

The study concludes by recommending that policymakers in Nigeria should reexamine and update the current monetary and fiscal policy and use the combination of the updated monetary and fiscal policy to manage and spur economic growth and development in line with Nigeria economic, social and political dynamics to cope with current realities, (ii) policies aim at stabilizing and enhancing household consumption through targeted subsidies and income support programs should be implemented for short-term management.

For long-term planning, Savings and investments among households should be encourage to ensure sustained consumption levels without causing inflationary pressures, (iii) implement policy that ensure inflation is effectively control and balanced to create a stable macroeconomic environment, (iv) design and implement all-encompassing and prudent monetary policies to control money supply growth, inflation, exchange rates, and interest rates adjustment in line with current realities in Nigeria, (v) develop strategies which foster a business environment that encourages both domestic and foreign investment in sectors that have a high potential for economic growth and job creation, and make judicious use of the capital inflows, ensuring it align with national goals and contributes to sustainable economic growth, (vi) systematic monetary policy via interest rates adjustments should be used to stimulate economic growth in Nigeria, (vii) strategies aim at stabilizing exchange rate by maintaining adequate foreign reserves and executing policies that encourage exports and reduce dependence on imports to ease pressure on the local currency and make it more valuable should be implemented. Finally, a mix of short-term and long-term policies is crucial for economic stability, with a comprehensive approach to addressing immediate challenges and long-term structural issues for sustainable and inclusive economic growth in Nigeria.

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