



The Impact of Public Expenditure on Stock Market Performance in Nigeria and South Africa

Osagie Osifo¹, Mabutho Sibanda², Ifeanyi Mbukanma³, Frank Ranganai Matenda⁴

Abstract: Objectives: This study comparatively examines how recurrent and capital public expenditure affect stock market performance in Nigeria and South Africa over the observation period 2000 – 2024. **Prior Work:** Fiscal policy's link to macroeconomic growth in both countries is well studied, but its transmission to stock market performance remains under-explored, with comparative cross-country evidence scarce. **Approach:** The study employs a fully modified ordinary least squares estimator for individual country estimations, and a panel estimated generalised least squares approach with cross-section weights for the joint analysis. Data were sourced from the World Development Indicators and the Federal Reserve Economic Data databases. **Results:** In Nigeria, recurrent expenditure and the exchange rate significantly enhance stock market performance, while capital expenditure and interest rate are insignificant. In South Africa, capital expenditure has a dominant positive influence, while other variables are insignificant. Pooled results show both expenditure types jointly promote stock market growth, with interest rate and exchange rate insignificant. **Implications:** Nigeria's reliance on short-term recurrent spending signals a need to build capital-expenditure capacity, while South Africa should strengthen fiscal discipline to sustain its capital-investment-driven market gains. **Value:** The study provides original comparative evidence from Africa's two largest economies, showing that expenditure composition and institutional context jointly shape financial market development.

Keywords: Capital expenditure; official exchange rate; public expenditure; recurrent expenditure; real interest rate

JEL Classification: E62; G12; O55

¹ Department of Finance, University of Benin, Benin City, Nigeria, E-mail: osagie.osifo@uniben.edu.

² School of Commerce, University of KwaZulu-Natal, Durban, South Africa, E-mail: sibandam@ukzn.ac.za.

³ Department of Business Management and Economics, Walter Sisulu University, Mthatha, South Africa, E-mail: imbukanma@wsu.ac.za.

⁴ Department of Operations Management, University of South Africa, Pretoria, South Africa, Corresponding author: frmatenda@gmail.com



Copyright: © 2026 by the authors.
Open access publication under the terms and conditions of the
Creative Commons Attribution-NonCommercial (CC BY NC) license
(<https://creativecommons.org/licenses/by-nc/4.0/>)

1. Introduction

The stability and performance of stock markets in Sub-Saharan Africa, particularly in Nigeria and South Africa, have increasingly attracted scholarly scrutiny amid persistent fiscal volatility and macroeconomic fragility. Nigeria's fiscal dynamics remain deeply intertwined with oil revenue dependence and vulnerability to external shocks, while South Africa contends with entrenched structural inequalities, high welfare commitments and recurrent fiscal interventions in state-owned enterprises (Danfulani & Gülseven, 2024). Both nations expanded public spending considerably during the COVID-19 pandemic to cushion economic contractions, safeguard employment and sustain aggregate demand (Enang, Ele & Itoro, 2024). While these countercyclical measures were crucial for short-term stabilisation, they have rekindled concerns regarding their long-term implications for stock market performance and investor confidence (Nwogo, 2024), particularly given each country's distinct fiscal and institutional vulnerabilities.

Stock markets play a pivotal role in economic development by facilitating capital formation, liquidity and efficient price discovery. The Nigerian Exchange Group (NGX) and the Johannesburg Stock Exchange (JSE) represent Africa's two most sophisticated markets, with the JSE ranking among the world's top 20 in terms of capitalisation (Odey, Enabulu & Efenedo, 2023). Market performance, often proxied by indicators such as market capitalisation, turnover ratios and composite indices like the All Share Index, reflects investor confidence and macroeconomic resilience (Thaddeus et al., 2024). South Africa bourse (JSE) and the Nigeria exchange limited (NGX) remains the leading stock markets in Africa with US\$1.07 trillion and US\$70 billion in terms of market capitalisation as noted by Ebatamehi (2025). However, both exchanges remain susceptible to macroeconomic disruptions, particularly inflation, exchange rate volatility and interest rate fluctuations, whose dynamics are closely linked to public expenditure policies (Eko & Ifere, 2023; Onye & Umoh, 2023).

Public expenditure, traditionally categorised into recurrent and capital components, bears differentiated consequences for stock market performance. Recurrent expenditure, covering wages, subsidies and other operational outlays, meets immediate socio-economic needs (however, excessive reliance on it may undermine fiscal sustainability), whereas capital expenditure on infrastructure, education and healthcare fosters long-term productivity gains and strengthens investor confidence (Chaponda, 2025; Marcos & Vale, 2024). Empirical evidence suggests that investment-oriented spending tends to promote stock market growth, whereas disproportionate recurrent outlays may crowd out private investment and suppress equity valuations (Shankar & Trivedi, 2021). Nigeria's fiscal structure remains heavily skewed toward recurrent expenditure, raising questions about fiscal productivity, while South Africa's strain arises from large welfare obligations and recurring bailouts of parastatals. These divergent expenditure patterns underscore how fiscal expansion shapes investor expectations and equity performance differently across economies (Parui, 2022; Qodirjon o'g'li & Nazarali o'g'li, 2023). Given the prevailing structural inefficiencies in these economies, ranging from governance deficits to persistent inflationary pressures, the relationship between public spending and stock market performance in Nigeria and South Africa remains ambiguous and warrants deeper comparative investigation (Enang et al., 2024).

Despite significant fiscal expansion, stock market performance in Nigeria remains erratic, reflecting macroeconomic fragility, inflationary tendencies and shallow market participation (Choji, 2020). In South Africa, recurrent deficits, corruption and the fiscal burden of state-owned enterprises have constrained the responsiveness of the JSE (Cobbinah, Wen & Sarpong, 2024). Empirical evidence on the fiscal-financial nexus is inconclusive. For Nigeria, Ibor, Eba and Emori (2018) and Enang et al.

(2024) identified a positive association between government spending and market capitalisation, while Choji (2020) reported a negative long-term linkage driven by inflationary distortions. Similarly, Mumtaz and Theodoridis (2020) found that fiscal shocks exert time-varying and sometimes contradictory effects on equity prices, underscoring the complex and context-dependent nature of this relationship.

Although numerous studies have examined fiscal policy's influence on macroeconomic growth in both countries (Okunlola et al., 2024; Olaoye et al., 2020; Nuru & Gereziher, 2022; Tendengu et al., 2022), limited attention has been paid to its direct transmission to stock market dynamics. Sectoral evidence suggests that targeted public investment, especially in infrastructure and agriculture, can influence equity valuations (Osifo & Abusomwan, 2023; Audu, 2020), yet cross-country comparative analyses between Nigeria and South Africa remain scarce. This gap is notable given the countries' contrasting fiscal architectures and their prominence in Africa's capital markets.

This study undertakes a robust comparative analysis of the impact of public expenditure on stock market performance in Nigeria and South Africa. It applies the fully modified ordinary least squares (FMOLS) estimator for individual country estimations, and employs the panel estimated generalized least squares (EGLS) approach with cross-section weights for the joint analysis. This study strives to answer this research question: *How do recurrent and capital expenditures affect stock market performance in Nigeria and South Africa, both individually and in a combined panel context?* The findings contribute to the fiscal-finance literature by elucidating how expenditure composition shapes financial market performance in Africa's leading economies.

The remainder of this paper is structured as follows: Section 2 reviews the literature; Section 3 outlines the methodology; Section 4 presents and discusses the results; and Section 5 concludes the study and presents future research directions.

2. Literature Review

2.1. Theoretical Literature Review

Understanding the nexus between public expenditure and stock market performance can be situated within three dominant theoretical frameworks: the Keynesian fiscal theory, the crowding-out hypothesis, and the neoclassical/efficient market perspective. Each offers distinct mechanisms linking fiscal actions to capital market behaviour.

The Keynesian framework, rooted in Keynes' General Theory (1936), posits that government spending stimulates aggregate demand when private investment is weak. Both capital expenditure, such as investment in infrastructure, energy and technology, and well-targeted recurrent expenditure, such as wages and social transfers, can stimulate aggregate demand, enhance corporate profitability and strengthen investor participation in the capital markets. In contexts like Nigeria, where infrastructural gaps persist, and South Africa, where human capital investment is central, well-targeted capital expenditure can elevate stock prices and improved market capitalisation (Khan, 2024; Kousar et al., 2023). Keynesian reasoning therefore implies that fiscal expansion, if efficiently allocated, can strengthen equity markets by bolstering consumption, employment and firm-level earnings. However, excessive or poorly managed spending, especially if debt-financed, can induce inflationary pressures and currency instability, ultimately eroding investor confidence and market valuations.

In contrast, the crowding-out hypothesis adopts a more conservative view, arguing that debt-financed fiscal expansion may elevate interest rates and suppress private investment, undermining financial market performance. In open economies such as South Africa and Nigeria, this can also trigger exchange rate appreciation, hurting export competitiveness. Recurrent outlays pose particular risks, as they may crowd out private capital through increased yields on government securities, diverting funds from equity markets (Wright, 2022; Mumtaz & Theodoridis, 2020). Empirical observations in Nigeria reveal that debt-driven fiscal expansion often destabilises the stock market (Choji, 2020; Danlami & Muhammad, 2023). Similarly, South Africa's repeated bailouts of state-owned enterprises illustrate how recurrent fiscal burdens can depress investor sentiment by crowding out private capital (Gumede et al., 2024). Thus, while Keynesians view fiscal policy as growth-enhancing, the crowding-out perspective warns that poorly structured or debt-dependent expenditure can undermine long-term equity market growth.

Finally, the neoclassical or efficient-market perspective (Fama, 1970; Lucas, 1976) contends that well-functioning markets are forward-looking, incorporating all available information concerning government expenditure into current stock prices. Hence, only unexpected fiscal shocks, not routine spending, affect equity valuations since rational investors adjust valuations based on new information. Predictable recurrent expenditures are typically anticipated and thus exert negligible effects on market performance. Conversely, surprise capital outlays can revise investors' expectations of future earnings, generating positive abnormal returns, thereby boosting equity markets. In relatively efficient markets like South Africa's JSE, such reactions may be limited to unanticipated shocks (Nkomo & Moodley, 2025). However, in less efficient markets such as Nigeria's NGX, where information asymmetries, policy uncertainty and governance weaknesses persist, even anticipated fiscal actions may move markets due to behavioural and informational inefficiencies (Cobbinah, Wen & Sarpong, 2024).

In synthesis, these theoretical perspectives collectively underscore that the impact of public expenditure on stock market performance depends on the composition, financing and predictability of spending, as well as the institutional efficiency of financial systems. The Keynesian view emphasises fiscal stimulus and multiplier effects; the crowding-out hypothesis highlights financing constraints and displacement of private investment; while the neoclassical stance focuses on information efficiency and expectation formation. For Nigeria and South Africa, these theories jointly suggest that fiscal policy can act as both a catalyst and a constraint, stimulating financial markets when targeted and credible, but impeding them when fiscally or institutionally inefficient.

Wagner (1883) theory of public expenditure argues that economic growth leads to a more than proportional increase in government spending and a broader state role in the economy. Such expansion can support stock market performance by strengthening capital and recurrent expenditure in infrastructure, human capital, and institutions, though excessive spending may discourage private investment and weaken investor confidence through higher taxes or borrowing. Consequently, the impact on stock markets depends on how efficiently public expenditure is managed, producing benefits when well-controlled and risks when it creates fiscal strain.

2.2. Empirical Literature Review

Stock market performance serves as a critical barometer of economic vitality, reflecting investor confidence, corporate valuation and macro-financial stability (Cagan, 2024; Khan, 2024). Stock market's responsiveness to fiscal signals, particularly public expenditure, offers insights into how

effectively government policy translates into private investment and financial market depth (Enang, Ele & Itoro, 2024). Because fiscal actions directly influence liquidity, expectations and risk perceptions, the stock market becomes both a transmission channel and a mirror of fiscal dynamics (Osifo & Abusomwan, 2023; Audu, 2020).

Public expenditure, comprising recurrent and capital outlays, remains a central policy lever for resource allocation, redistribution and macroeconomic stabilisation (Khan, 2024). Recurrent expenditure sustains public operations but offers limited contribution towards long-term economic growth due to its consumption-driven nature (Paudel, 2023; Wright, 2022). Its expansion is often reinforced by the “displacement effect” described by Peacock and Wiseman (2024), where rising public expectations and welfare demands lead to its persistent expansion. Conversely, capital expenditure channels resources into long-term investments in infrastructure and social services, enhancing competitiveness, human capital development, productivity and private investment (Tresch, 2022; Akhmad et al., 2022; Khan, 2024). Yet, its developmental impact is frequently curtailed by corruption, cost overruns, poor implementation and institutional inefficiencies (Kousar et al., 2023).

Even though empirical studies generally show a positive relationship between public expenditure and stock market performance, some studies on the fiscal-financial nexus presents mixed and context-dependent findings. Ibor, Eba and Emori (2018) reported that both recurrent and capital expenditure significantly enhanced market capitalisation and trading activity. Similarly, Audu (2020) found that government investment in administration, social and economic services improves investor confidence, while Osifo and Abusomwan (2023) confirmed long-run positive effects of education, agriculture and defence expenditure on market capitalization and the All-Share Index. Enang, Ele and Itoro (2024) also revealed that government expenditure exerts a statistically significant and positive influence on stock market performance, explaining approximately 64.8% of its observed variation between 1999 and 2023. Ezewulu and Ugwunna (2023) found long-run link between public expenditure and market capitalisation across five African markets, and Cobbinah, Wen and Sarpong (2024) revealed short-run positive effects of government expenditure on stock returns in Ghana. These studies collectively affirm that growth-oriented, capital-intensive public spending can promote stock market deepening in developing economies.

Nonetheless, several studies identify potential inefficiencies and crowding-out effects, thereby cautioning against overgeneralising the benefits of public expenditure. Urhoghide and Ndubuisi (2014) found that fiscal shocks affect stock markets only after significant lags, suggesting weak transmission mechanisms. Alimi (2018) showed that when expenditure exceeds 25.31% of gross national product, it undermines growth, implying crowding-out risks.

Ofikwu (2019) found that both recurrent and capital expenditures significantly reduce market capitalisation, attributing this outcome to fiscal inefficiencies. In the same vein, Akomolafe and Agunbiade (2019) reported that government capital expenditure has a significantly negative impact on the capital market, whereas government recurrent expenditure and oil revenue exert significantly positive effects on capital market. Further, Ogar et al. (2023) reported that expenditure on human capital (health and education) and social service has no significant effect on stock capitalisation in Nigeria and South Africa. These findings highlight how issues such as structural inefficiencies and misallocation of resources can neutralise the expected benefits of fiscal expansion.

Other empirical evidence presents nuanced or asymmetric dynamics. Choji (2020) found that government expenditure positively influences stock market performance in the long run, whereas in

the short run, it exerts a negative impact. Under the same line of reasoning, Orekoya et al. (2021) identified asymmetric fiscal effects, with contractionary policies exerting a stronger impact on stock market performance than expansionary policies. Mumtaz and Theodoridis (2020) posited that the response of U.S. stock prices to expansionary fiscal shocks shifted after 1980. Prior to 1980, such shocks were linked to increases in stock prices; however, in the post-1980 period, they became associated with substantial declines in stock prices. Chen (2021) argued that the stock market tends to respond negatively to expansionary fiscal policies under normal macroeconomic conditions, whereas a positive relationship emerges during periods of economic downturn.

Taken together, the literature underscores that the impact of public expenditure on stock market performance depends not merely on its scale but on its composition, timing, financing and institutional quality. The empirical evidence therefore converges on a key proposition: fiscal policy can be both a catalyst and a constraint, stimulating stock market performance when spending is efficient and targeted, but eroding it when fiscal mismanagement or structural rigidities dominate. This study builds upon these insights by providing a comparative econometric evaluation of how recurrent and capital expenditure jointly shape stock market dynamics in Nigeria and South Africa, thereby enriching the African fiscal-finance discourse.

3. Methodology

3.1. Data

This study adopts an *ex-post* facto research design, which is appropriate for examining causal relationships based on historical data without manipulating the variables (Kerlinger & Lee, 2000). A panel data set for two countries (i.e., South Africa and Nigeria) was used. The data set was extracted from the World Development Indicators (WDI) data set published by the World Bank and Federal Reserve Economic Data (FRED) database which is maintained by the Research division of the Federal Reserve Bank of St. Louis. This required data was collected over an observation period of 25 years, i.e., 2000 - 2024. South Africa and Nigeria were selected purposively due to their comparative relevance as leading African economies with well-established stock exchanges and available long-term macro-financial data (Etikan, Musa & Alkassim, 2016). The period 2000 - 2024 was selected because it captures significant fiscal and financial reforms, globalisation-driven market integration, and major economic shocks, including the 2008 global financial crisis and the COVID-19 pandemic, providing a comprehensive view of how evolving government expenditure patterns influence stock market performance in Nigeria and South Africa.

Market capitalisation was adopted as a dependent variable. Recurrent expenditure and capital expenditure were the independent variables and interest rate and exchange rate were the control variables. Market capitalisation is the share price times the number of shares outstanding for listed domestic corporates. Final consumption expenditure is adopted as a proxy for recurrent expenditure. Generally, recurrent expenditure refers to government spending on ongoing, day-to-day operations and obligations, rather than on long-term investment projects. It is the portion of government spending that recurs regularly to keep public services functioning. Final consumption expenditure denotes expenditure on services and goods by resident institutional units for the direct satisfaction of human wants or needs, whether individual or collective. Government capital expenditure refers to government spending on assets that create long-term value and contribute to future economic benefits. It is the portion of government spending that goes into building or acquiring fixed assets. Capital expenditure

is given as the difference between total government expenditure and recurrent expenditure. Total government expenditure refers to the sum of all spending by the government within a given period (usually a fiscal year) on both recurrent expenses and capital expenses. Real interest rate is the lending interest rate that has been adjusted for inflation, reflecting the true cost of borrowing or the real yield to lenders after accounting for changes in purchasing power. Official exchange rate refers to the rate at which a country's monetary authority (such as the central bank) officially values its local currency against the United States dollar.

Table 1 below outlines the variables adopted in this study and their descriptions and data sources. Even though many factors influence CO2 emissions, these variables were chosen since they significantly impact carbon emissions from the transport sector.

Table 1. Variables descriptions

Variable	Description	Measurement/Proxy	Source
MCAP	Stock market performance	Market capitalization of listed domestic corporates (% of GDP)	WDI
REX	Recurrent expenditure	Final consumption expenditure (% of GDP)	WDI
CEX	Capital expenditure	Total government capital spending (total government expenditure - recurrent expenditure) (% of GDP).	WDI
RIR	Real interest rate	Lending interest rate adjusted for inflation (%)	FRED
OEX	Official exchange rate	Local currency per US dollar	FRED

3.2. Empirical Model

The following economic function shows the relationship market capitalisation, recurrent expenditure, capital expenditure, interest rate and exchange rate:

$$MCAP_{it} = f(REX_{it}, CEX_{it}, RIR_{it}, RIR_{it}, OEX_{it}), \quad (1)$$

Where, at time t and cross-section I , $MCAP_{it}$ is stock market performance, REX_{it} represents recurrent expenditure, CEX_{it} denotes capital expenditure, RIR_{it} is real interest rate and OEX_{it} denotes official exchange rate.

Thus, the following empirical model is adopted in this study:

$$MCAP_{it} = \beta_0 + \beta_1 REX_{it} + \beta_2 CEX_{it} + \beta_3 RIR_{it} + \beta_4 OEX_{it} \quad (2)$$

Equation (2) is transformed into an econometric model described by:

$$MCAP_{it} = \beta_0 + \beta_1 REX_{it} + \beta_2 CEX_{it} + \beta_3 RIR_{it} + \beta_4 OEX_{it} + \varepsilon_{it} \quad (3)$$

where $\beta_1 - \beta_4$ represent regression coefficients, β_0 is the intercept and ε_{it} is the error term.

3.2.1. Panel Unit Root Test

Prior to estimating the econometric models, it is important to examine the stationarity properties of the data series, as most macroeconomic variables exhibit trends and non-stationary behaviour. The Augmented Dickey–Fuller (ADF) test (for individual datasets) and the ADF–Fisher Chi-square test (for the panel dataset) were employed to assess whether the variables are stationary at levels or require differencing to attain stationarity. Before performing the unit root tests on the panel dataset, the cross-sectional dependence test was conducted. Unit root tests are crucial to avoid spurious regression

outcomes (Matenda et al., 2024) and to establish the appropriate econometric framework for subsequent analysis.

3.2.2. Estimation Techniques

The study employs FMOLS for individual country estimations to address endogeneity, serial correlation and non-stationarity typical of macroeconomic time series (Venkatesu, 2025; Phillips & Hansen, 1990). FMOLS also has an advantage of handling small sample properties better. For the panel analysis, panel EGLS with cross-section weights corrects for heteroskedasticity and contemporaneous correlation across countries, yielding consistent and efficient estimates (Capraş et al., 2025; Hoechle, 2007). These complementary methods ensure robust inference across both country-specific and panel-level analyses.

3.2.3. Diagnostic Tests

To validate the reliability of the estimated models, a series of diagnostic tests were conducted. The Breusch-Godfrey Serial Correlation LM Test was applied to detect higher-order autocorrelation, ensuring that the residuals were free from serial correlation and that coefficient estimates remained efficient. The Breusch-Pagan-Godfrey Test was used to assess heteroskedasticity. Finally, the Ramsey RESET Test was undertaken to evaluate model specification, confirming that the functional form was appropriately defined and that no significant omitted variable bias was present. Together, these diagnostics confirm the robustness of the econometric models and reinforce the validity of the empirical results.

4. Empirical Results

This section presents the empirical results of the study.

4.1. Descriptive Statistics

Table 2 below presents the descriptive statistics for South Africa, Nigeria, and the combined panel. The results highlight significant structural and macroeconomic differences between the two countries.

Table 2. Variable descriptive statistics

	SOUTH AFRICA				
	MCAP	REX	CEX	RIR	OEX
Mean	221.6353	18.15356	9.886330	4.381828	10.92690
Median	234.0668	18.82055	10.00700	4.546046	9.655056
Maximum	322.7110	20.62034	13.99540	8.047848	18.45024
Minimum	108.8914	15.86074	5.432924	0.472107	6.359328
Std. Dev.	58.94282	1.372494	2.599349	1.727733	3.988928
Skewness	-0.226206	-0.273134	-0.238772	0.144179	0.514089
Kurtosis	2.136553	1.786526	2.241946	2.991801	1.872586
	NIGERIA				
	MCAP	REX	CEX	RIR	OEX
Mean	11.77406	5.814800	10.17480	5.212841	268.0460
Median	11.68635	5.600000	7.590000	5.685580	157.3117
Maximum	30.50899	9.450000	28.87000	18.18000	1478.965
Minimum	2.490000	0.950000	3.380000	-5.627968	101.6973
Std. Dev.	6.461615	2.463096	6.365322	5.622889	284.2836
Skewness	1.467433	-0.312764	1.599503	0.250947	3.329687

Kurtosis	5.750280	2.393777	4.683318	2.680086	14.46387
BOTH COUNTRIES (SOUTH AFRICA AND NIGERIA)					
	MCAP	REX	CEX	RIR	OEX
Mean	116.7047	11.98418	10.03056	4.797334	139.4865
Median	69.70020	12.65537	8.908039	4.704402	60.07379
Maximum	322.7110	20.62034	28.87000	18.18000	1478.965
Minimum	2.490000	0.950000	3.380000	-5.627968	6.359328
Std. Dev.	113.8300	6.536987	4.814126	4.138122	237.6059
Skewness	0.347370	-0.146466	1.838947	0.559485	3.913962
Kurtosis	1.459845	1.374068	7.184036	4.610206	21.61085

For South Africa, stock market performance (MCAP) is relatively high, with an average of 221.64, indicating a comparatively developed financial sector. Both recurrent expenditure (REX) and capital expenditure (CEX) display low variability, suggesting fiscal consistency over time. The real interest rate (RIR) averages 4.38%, within a relatively stable range, though some variability is observed due to policy adjustments. The official exchange rate (OEX) shows greater volatility, as reflected in its standard deviation of 3.99 and positive skewness, pointing to episodes of currency depreciation. Overall, South Africa demonstrates moderate stability, with fiscal and financial indicators remaining largely predictable, while exchange rate fluctuations emerge as the main source of macroeconomic risk.

In Nigeria, the descriptive statistics paint a contrasting picture. Stock market performance (MCAP) is significantly lower, averaging 11.77, and exhibits high variability, underscoring the shallow and volatile nature of Nigeria's capital market. Both recurrent and capital expenditures show higher fluctuations compared to South Africa, with capital expenditure exhibiting strong positive skewness and kurtosis, reflecting periodic fiscal surges. The real interest rate (RIR) displays extreme volatility, ranging from -5.63 to 18.18, which underscores unstable monetary conditions. The official exchange rate (OEX) dominates the volatility profile, with a mean of 268.05, very high dispersion (Std. Dev. 284.28), and extreme skewness and kurtosis values. This confirms chronic exchange rate instability as a defining feature of Nigeria's macroeconomic environment.

The combined panel results reinforce these contrasts. The mean stock market performance across both countries is 116.70, but with very high dispersion (Std. Dev. 113.83), reflecting the structural gap between South Africa's relatively mature markets and Nigeria's underdeveloped ones. Fiscal variables (REX and CEX) remain moderately distributed in the panel, though capital expenditure reveals substantial skewness and kurtosis, indicating occasional outliers in government spending. The real interest rate (RIR) maintains a broader range due to Nigeria's monetary fluctuations. The exchange rate (OEX) emerges as the most unstable variable in the pooled dataset, with extreme skewness (3.91) and kurtosis (21.61), pointing to persistent volatility and structural divergence in exchange rate management.

In summary, the descriptive analysis reveals that South Africa exhibits fiscal and financial stability with moderate exchange rate volatility, while Nigeria is characterised by significant macroeconomic volatility, particularly in exchange rates, capital expenditure, and interest rates. The pooled results are heavily influenced by Nigeria's extremes, which dominate the panel distribution and mask South Africa's relative stability. These patterns set the stage for the subsequent correlation and regression analyses, which further interrogate the fiscal-financial dynamics in both economies.

4.2. Correlation Analysis

The correlation matrix for the adopted variables is presented in Table 3.

Table 3. Correlation matrices

	SOUTH AFRICA				
	CEX	MCAP	OEX	REX	RIR
CEX	1				
MCAP	0.8063	1			
OEX	0.7818	0.6590	1		
REX	0.7862	0.6795	0.7902	1	
RIR	-0.2413	-0.3555	-0.0357	-0.2753	1
	NIGERIA				
	CEX	MCAP	OEX	REX	RIR
CEX	1				
MCAP	-0.3761	1			
OEX	-0.1129	0.5139	1		
REX	-0.7636	0.5823	0.0231	1	
RIR	-0.0617	-0.0953	-0.2187	0.2177	1
	BOTH COUNTRIES (SOUTH AFRICA AND NIGERIA)				
	CEX	MCAP	OEX	REX	RIR
CEX	1				
MCAP	0.0684	1			
OEX	-0.0675	-0.4890	1		
REX	-0.1715	0.9300	-0.5146	1	
RIR	-0.0778	-0.1357	-0.1188	-0.0539	1

For South Africa, capital expenditure (CEX) shows strong positive correlations with stock market performance (MCAP = 0.81), recurrent expenditure (REX = 0.79), and the official exchange rate (OEX = 0.78). This indicates that higher government capital spending aligns with stronger financial markets, greater recurrent expenditure, and exchange rate movements, reflecting a growth-supportive fiscal-financial nexus. Further, real interest rate (RIR) is negatively related to all variables, notably MCAP (-0.36) and REX (-0.28). This suggests that higher borrowing costs undermine fiscal expansion and financial market performance, consistent with the crowding-out hypothesis.

For Nigeria, CEX is negatively associated with MCAP (-0.38) and strongly negatively with REX (-0.76), pointing to inefficiencies in how capital spending translates into fiscal and market outcomes. Instead of stimulating growth, rising CEX coincides with weaker recurrent outlays and underperforming financial markets. Also, MCAP correlates moderately positively with REX (0.58) and OEX (0.51), suggesting that stock market performance is supported by recurrent expenditure and exchange rate dynamics. Further, RIR is weakly correlated with all variables, implying that interest rate policy has limited effectiveness in shaping fiscal-financial interactions in Nigeria.

Considering the combined data set, MCAP and REX display an exceptionally strong positive correlation (0.93), highlighting a robust link between fiscal recurrent outlays and stock market performance when both countries are considered together. OEX is negatively correlated with MCAP (-0.49) and REX (-0.51), reflecting structural differences: in South Africa, fiscal and market development reinforce each other, whereas in Nigeria, dependence on exchange rate movements undermines fiscal stability and financial performance. In addition, RIR shows weak negative associations with all variables, broadly confirming that higher real interest rates suppress fiscal expansion and financial market strength across both economies.

4.3. Unit Root Tests

Table 4 reports the results of the panel ADF unit root tests for individual datasets. The findings reveal that the adopted covariates are stationary either at level, $I(0)$, or at first difference, $I(1)$, indicating a mixed order of integration. This outcome confirms that the subsequent regression estimates are not affected by spurious relationships. Since the ADF results indicate cointegration among the variables, FMOLS is well-suited as it allows estimation of cointegrating relationships without losing efficiency.

Table 4. Unit root tests

Variable	LEVEL			FIRST DIFFERENCE		
	ADF Test Statistic (Level)	95% Critical ADF Value	Remark	ADF Test Statistic (1st Diff.)	95% Critical ADF Value	Remark
NIGERIA						
MCAP	-2.310408	-2.991878	Not Stationary	-5.574535	-2.998064	Stationary
REX	-2.057887	-2.991878	Not Stationary	-5.581953	-2.998064	Stationary
CEX	-1.780600	-3.612199	Not Stationary	-13.28612	-3.622033	Stationary
RIR	-3.364899	-3.004861	Stationary	-4.616472	-3.012363	Stationary
OEX	-3.510515	-3.673616	Not Stationary	-4.610673	-3.644963	Stationary
SOUTH AFRICA						
MCAP	-3.628744	-3.622033	Stationary	-7.228712	-3.632896	Stationary
REX	-1.798917	-3.612199	Not Stationary	-4.503376	-3.622033	Stationary
CEX	-2.919956	-3.612199	Not Stationary	-4.479408	-3.632896	Stationary
RIR	-2.919289	-2.998064	Not Stationary	-4.197292	-3.020686	Stationary
OEX	-1.793848	-3.612199	Not Stationary	-5.653338	-3.632896	Stationary

Before examining the stationarity of the panel dataset, a cross-section dependence test was conducted (see Table 5). The results in Table 5 reveal that there is no evidence of cross-sectional dependence among the variables.

Table 5. Cross-section dependence results

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	1.2920	1	0.2557
Pesaran scaled LM	0.2065		0.8364
Pesaran CD	1.1367		0.2557

Table 6 reports that the selected covariates exhibit stationarity either at level, $I(0)$, or at first difference, $I(1)$, indicating a mixed order of integration. This finding ensures that the subsequent regression estimates are not compromised by spurious relationships. Furthermore, the ADF-Fisher Chi-square results confirm the presence of cointegration among the variables, thereby justifying the application of FMOLS, which efficiently estimates long-run cointegrating relationships while addressing endogeneity and serial correlation issues.

Table 6. Panel dataset unit root test results

Variables	ADF - Fisher Chi-square		Order of integration
	Statistic	Prob.**	
MCAP	34.3899	0.0000	$I(1)$
REX	16.1318	0.0028	$I(1)$
CEX	14.1176	0.0069	$I(0)$
RIR	15.3995	0.0039	$I(1)$
OEX	12.6142	0.0133	$I(1)$

4.4. FMOLS and Panel EGLS Results

Table 7 presents the FMOLS estimation results for Nigeria and South Africa.

Table 7. FMOLS results

NIGERIA				
Variable	Coefficient	Std. error	t-statistic	Prob.
REX	2.013785	0.493151	4.083503	0.0006
CEX	0.212775	0.196510	1.082767	0.2925
RIR	-0.156327	0.147776	-1.057862	0.3034
OEX	0.011903	0.002773	4.292559	0.0004
C	-4.975976	4.606223	-1.080272	0.2935
R-squared: 0.612556				
Adjusted R-squared: 0.530989				
SOUTH AFRICA				
Variable	Coefficient	Std. error	t-statistic	Prob.
REX	5.480831	9.521302	0.575639	0.5716
CEX	14.23579	4.910595	2.898995	0.0092
RIR	-5.960025	4.431288	-1.344987	0.1945
OEX	0.483466	3.326394	0.145342	0.8860
C	0.957112	148.8725	0.006429	0.9949
R-squared: 0.651199				
Adjusted R-squared: 0.577767				

The regression results for Nigeria reveal that the model explains approximately 53.10% of the variation in the dependent variable, as indicated by the adjusted R-squared of 0.5310, suggesting a reasonably good fit. Among the explanatory variables, the real exchange rate and official exchange rate are statistically significant, with positive coefficients. This implies that both exchange rate measures exert a strong positive influence on market capitalisation, indicating that currency appreciation or fluctuations in exchange dynamics enhance market capitalisation. Conversely, capital expenditure and real interest rate exhibit statistically insignificant effects (p -values > 0.05), suggesting that their impact on the dependent variable is negligible in the Nigerian context. The negative coefficient of RIR (-0.1563) implies an inverse but insignificant relationship.

The regression results for South Africa indicate that the model explains approximately 57.78% of the variation in the dependent variable, as shown by the adjusted R-squared of 0.5778, suggesting a good model fit and satisfactory explanatory power. Among the explanatory variables, capital expenditure is statistically significant ($p = 0.0092$), with a positive coefficient, implying that increased government capital spending has a strong positive effect on market capitalisation. In contrast, the real exchange rate, real interest rate and official exchange rate are statistically insignificant (p -values > 0.05), indicating that their individual effects on market capitalisation are weak or negligible within the South African context. The negative coefficient on RIR (-5.9600) suggests an inverse but non-significant relationship.

Table 8. Panel EGLS results for the combined dataset

Variable	Coefficient	Std. error	t-statistic	Prob.
REX	16.61810	0.809594	20.52645	0.0000
CEX	4.878611	0.784271	6.220571	0.0000
RIR	-1.512353	0.855944	-1.766883	0.0840

OEX	0.007858	0.017276	0.454859	0.6514
C	-126.7570	15.95114	-7.946577	0.0000

R-squared: 0.921430

Adjusted R-squared: 0.914446

The panel EGLS estimation results reveal a robust model, with an R-squared of 0.9214 and an adjusted R-squared of 0.9144, indicating that approximately 91% of the variation in the dependent variable is explained by the selected regressors. Among the explanatory variables, the real exchange rate and capital expenditure are statistically significant, with positive coefficients, suggesting that improvements in exchange rate performance and higher government capital spending have substantial positive effects on market capitalisation. The real interest rate is negative and insignificant. The official exchange rate, although positive, is statistically insignificant ($p = 0.6514$), indicating a negligible influence in the long run.

4.5. Diagnostic Tests

The Breusch-Godfrey Serial Correlation LM test, Breusch-Pagan-Godfrey test and Ramsey RESET test results are presented in Table 7 below.

Table 7. Diagnostic test results

Diagnostic tests	Coefficient	P-value
NIGERIA		
Breusch-Godfrey serial correlation LM test	0.654655	0.5316
Breusch-Pagan-Godfrey	1.911425	0.1479
Ramsey RESET test	0.526200	0.4770
SOUTH AFRICA		
Breusch-Godfrey serial correlation LM test	0.277038	0.7612
Breusch-Pagan-Godfrey	0.046543	0.6885
Ramsey RESET test	1.145360	0.2979

The diagnostic test results presented in Table 7 indicate that the estimated models for both Nigeria and South Africa are statistically robust and well specified. For Nigeria, the Breusch-Godfrey serial correlation LM test ($p = 0.5316$) fails to reject the null hypothesis of no serial correlation, while the Breusch-Pagan-Godfrey test ($p = 0.1479$) suggests the absence of heteroskedasticity. Similarly, the Ramsey RESET test ($p = 0.4770$) confirms that the functional form of the model is correctly specified with no evidence of omitted variables. In the case of South Africa, the Breusch-Godfrey ($p = 0.7612$) and Breusch-Pagan-Godfrey ($p = 0.6885$) tests likewise indicate no serial correlation or heteroskedasticity, respectively. The Ramsey RESET test ($p = 0.2979$) further supports the correctness of the model's specification. Overall, these results confirm that the regression models for both countries satisfy key econometric assumptions, ensuring that the estimated parameters are efficient, unbiased, and reliable for inference.

5. Discussion

The results of this study provide valuable insights into how public expenditure influences stock market performance in Nigeria and South Africa. The comparative analysis highlights clear differences in the responsiveness of the two markets to fiscal variables, reflecting distinct macroeconomic structures, institutional capacities and financial market dynamics.

5.1. Nigeria

The empirical results for Nigeria reveal that recurrent expenditure exerts a significant and positive influence on stock market performance. This pattern suggests that Nigeria's stock market is more sensitive to short-term fiscal injections linked to recurrent spending - such as public sector wages, transfers and subsidies - which stimulate aggregate demand, raise consumption and indirectly boost corporate earnings and market liquidity. The observed relationship aligns with Nwogo (2024) and Ibor, Eba and Emori (2018), who found that recurrent spending has a positive influence on stock market performance in Nigeria. On the other hand, Ofikwu (2019) discovered that recurrent expenditure significantly, adversely influences market capitalisation both in the long-run and short-run.

We discovered that capital expenditure has a statistically insignificant positive relationship with stock market performance. The insignificance of capital expenditure indicates limited translation of long-term public investments into market growth. Nwogo (2024) and Ibor, Eba and Emori (2018) discovered a significant positive relationship between capital expenditure and stock market performance in Nigeria. Conversely, Ofikwu (2019) found that capital expenditure significantly, adversely influences market capitalisation both in the long-run and short-run. The dominance of recurrent spending further reinforces the argument that the Nigerian fiscal framework is oriented more toward consumption than productive investment. Such a pattern may explain the country's episodic stock market expansion followed by periods of contraction, as short-term demand effects are rarely sustained by long-term capital formation.

The positive significance of the exchange rate in Nigeria's model implies that currency movements, particularly depreciation episodes, influence stock valuations through their effect on export-oriented firms and inflation expectations. The exchange rate channel thus appears to act as a transmission mechanism linking fiscal expenditure to financial market reactions. This finding is in line with Ofikwu (2019), who indicated that the exchange rate has a positive and statistically significant impact on market capitalisation in both the long-run and short-run periods. However, this is not in line with the *a priori* expectation as depreciation of currency is expected to erode investors' confidence, capital flight, and reduced foreign investment as shown in the studies of Ihenyen, Ekpekele and Owonaro (2023) and Osinubi and Amaghionyeodiwe (2009). According to El-Diftar (2023), exchange rates have a significant positive long-run relationship with stock market returns across Brazil, China, India, Mexico, Russia, and Turkey, whereas Indonesia displayed a significant negative relationship. Qing and Kusairi (2019) found that the real effective exchange rate exerted a positive influence on stock market performance in the short run. The insignificance of the real interest rate, despite its negative coefficient, suggests that monetary variables play a secondary role relative to fiscal impulses in shaping Nigeria's equity performance. Qing and Kusairi (2019) indicated that the interest rate spread had a negative influence on stock market performance in the short run. Alzoubi (2022) postulated that interest rates are negatively associated with the stock market performance.

5.2. South Africa

For South Africa, the results indicate that capital expenditure exerts a statistically significant and positive effect on stock market performance, while recurrent expenditure and other variables are insignificant. This outcome underscores the role of long-term government investment in infrastructure, education and technology as a major determinant of financial market depth and stability. The result

aligns with the findings of Nwogo (2024) and Ibor, Eba and Emori (2018), yet diverges from those reported by Ofikwu (2019).

The insignificance of recurrent expenditure in South Africa's case reflects a fiscal system where recurrent outlays are relatively stable and predictable, thus offering limited informational content for investors. Within the framework of the Efficient Market Hypothesis (Fama, 1970), such predictable fiscal patterns are typically priced into market expectations and therefore do not elicit new reactions in asset valuations. The negative yet insignificant coefficient of the real interest rate mirrors the classical "crowding-out" effect, implying that higher borrowing costs may slightly suppress private investment, although the effect is not statistically discernible. Similarly, the non-significant influence of the official exchange rate suggests that South Africa's more mature and diversified financial markets are less reactive to currency fluctuations.

5.3. Cross-Country and Panel Interpretation

The panel EGLS results consolidate the country-specific insights. When Nigeria and South Africa are analysed jointly, both recurrent and capital expenditure emerge as significant and positive determinants of stock market performance. This joint effect reinforces the notion that fiscal expansion, whether consumption-driven or investment-led, can stimulate financial market activity in emerging African economies. This outcome is consistent with the findings of Nwogo (2024) and of Ibor, Eba and Emori (2018). The insignificance of the real interest rate and the exchange rate emphasise that, on aggregate, fiscal instruments outweigh monetary channels in shaping the long-run behaviour of Nigerian and South African stock markets.

The results broadly conform to Keynesian theory, which posits that government expenditure can expand aggregate demand, raise income and stimulate investment, outcomes that are mirrored in rising stock valuations. Yet, the mixed responses between Nigeria and South Africa demonstrate that institutional context and fiscal composition determine how effectively this mechanism operates. In Nigeria, recurrent expenditure supports short-run liquidity and market optimism, consistent with a consumption-led multiplier effect. In South Africa, capital expenditure generates longer-term productivity gains, resonating with the Keynesian argument for productive public investment.

From another theoretical angle, the partial evidence of interest rate and exchange rate sensitivity reflects elements of the crowding-out and neoclassical hypotheses, which hold that fiscal expansion financed by debt or accompanied by high interest rates may neutralise its market-stimulating potential. The insignificant coefficients of these monetary variables, however, suggest that such crowding-out effects are muted or counterbalanced by other growth-supportive factors.

Taken together, the findings reveal that the effect of public expenditure on stock market performance is not uniform. It depends on the nature of spending, the structural efficiency of fiscal systems and the maturity of the capital market. Nigeria's market appears more responsive to consumption-based fiscal flows, whereas South Africa's is driven by investment-based fiscal activity. Both experiences underscore that fiscal policy serves as a potent macro-financial signal influencing investor sentiment and market valuation, but its effectiveness hinges on the credibility, composition and institutional quality of expenditure frameworks.

6. Conclusions

This study investigated the impact of public expenditure on stock market performance in Nigeria and South Africa over the period 2000 - 2024, employing the FMOLS and panel EGLS estimation techniques. The findings reveal distinct fiscal-financial asymmetries between the two economies. In Nigeria, recurrent expenditure measured by final consumption expenditure and exchange rate movements significantly enhance stock market performance, reflecting short-term liquidity effects and investor sensitivity to currency dynamics, while capital expenditure and interest rate are statistically insignificant. Conversely, in South Africa, capital expenditure exerts a strong and positive influence on market performance, underscoring the productivity-enhancing role of long-term investment, whereas recurrent expenditure, interest rate and exchange rate effects remain negligible. The panel results further confirm that both recurrent and capital expenditures jointly promote stock market development across the two economies, while exchange rate and interest rate are statistically insignificant, reaffirming the dominance of fiscal over monetary factors in influencing financial market dynamics.

The empirical results of this study carry several important implications for fiscal and financial policy in emerging African economies. Policymakers in Nigeria should therefore prioritize a gradual reallocation from recurrent to productive capital expenditure, particularly in infrastructure, technology and industrial development, to strengthen the transmission of fiscal policy into durable capital market expansion. South Africa should consolidate its capital investment trajectory by improving fiscal discipline and governance efficiency. Also, the findings of the study imply that effective fiscal coordination, expenditure discipline and quality public investment can significantly strengthen capital market performance, promote investor confidence and accelerate financial integration across emerging African economies.

Some of the limitations of FMOLS and Panel EGLS are mixed finite sample performance and computational complexity of large panels. Future research could expand the analytical frontier in several directions. First, applying nonlinear or asymmetric econometric models could uncover threshold effects and regime shifts in fiscal-market linkages. Second, future studies should explore the interactive effects of fiscal and monetary coordination, including debt sustainability, inflation targeting and central bank independence, to capture the full macro-financial transmission mechanism. Third, comparative studies involving other emerging markets in Sub-Saharan Africa or the BRICS bloc would enrich understanding of how institutional quality and governance mediate the impact of public expenditure on stock market development.

References

- Akhmad, A., Amir, A., Saleh, S., & Abidin, Z. (2022). Effectiveness of regional government expenditure in reducing unemployment and poverty rate. *European Journal of Development Studies*, 2(4), 90–99.
- Akomolafe, F. A., & Agunbiade, O. (2019). Analysis of the relationship between government expenditure and capital market development in Nigeria: 1981–2018. *International Journal of Economics and Financial Management*, 4(3), 58–71. <https://www.iiardpub.org>
- Alimi, R. S. (2018). *Growth effect of government expenditures in West African countries: A nonlinear framework*. Munich Personal RePEc Archive. <https://mpra.ub.uni-muenchen.de/id/eprint/99108>
- Alzoubi, M. (2022). Stock market performance: Reaction to interest rates and inflation rates. *Banks and Bank Systems*, 17(2), 189.

- Audu, S. I. (2020). Public capital expenditure and the performance of the capital market in Nigeria. *Caleb International Journal of Development Studies*, 3(1), 93–106.
- Cagan, M. (2024). *Stock Market 101: From bull and bear markets to dividends, shares, and margins—Your essential guide to the stock market*. Simon and Schuster.
- Capraş, I. L., Achim, M. V., Rahat, B., & Nicolò, G. (2025). Sustainable auditing governance in a changing landscape: Cross-country evidence on the effect of traditional and innovative audit mechanisms on fraud risk. *Journal of Innovation & Knowledge*, 10(5), 100798.
- Chaponda, T. (2025). Effective spending on public infrastructure. In *Contemporary issues and challenges in public financial management: Responding to global crises* (pp. 237–268). Springer Nature Switzerland.
- Chen, X. (2021). The impact of monetary and fiscal policy on stock market performance: Evidence from multiple countries. In *2021 3rd International Conference on Economic Management and Cultural Industry (ICEMCI 2021)*, (pp. 779–783). Atlantis Press.
- Choji, M. (2020). *The interaction of fiscal policy and monetary policy on the stock market performance in Nigeria*. Master's thesis, Eastern Mediterranean University.
- Cobbinah, B. B., Wen, Y., & Sarpong, F. A. (2024). Navigating Ghana's economic waters: Exploring the impact of fiscal and monetary policies on stock market performance. *Heliyon*, 10(20). <https://doi.org/10.1016/j.heliyon.2024.e25235>
- Danlami, M. I., & Muhammad, S. Y. (2023). Fiscal policy and stock market efficiency in Nigeria: Evidence from SVAR framework. *International Journal of Research and Innovation in Social Science*, 7(12), 89–99.
- Ebatamehi, S. (2025). Top 10 Stock Exchange Markets in Africa 2025. *The African Exponent*. <https://www.africanexponent.com/top-10-stock-exchange-markets-in-africa-2025-2/>
- El-Diftar, D. (2023). The impact of exchange rates on stock market performance of the Emerging 7. *Journal of Capital Markets Studies*, 7(2), 125–139.
- Enang, R. E., Ele, L. E., & Itoro, M. I. (2024). Effect of fiscal policy on the performance of Nigeria stock market (1999–2023). *UNIZIK Journal of Marketing*, 1(2), 130–151.
- Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Comparison of convenience sampling and purposive sampling. *American Journal of Theoretical and Applied Statistics*, 5(1), 1–4.
- Ezewulu, A. U., & Ugwunna, O. T. (2023). Impact of monetary and fiscal policies on stock market capitalization of five selected African countries. *Journal of Economic Studies*, 20(1), 310–322.
- Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *Journal of Finance*, 25(2), 383–417. <https://doi.org/10.2307/2325486>
- Gumede, V., Bila, S., Biyase, M., Chauke, S., & Arogundade, S. (2024). Government and the market: State-owned enterprises in South Africa. In *South African economy: Trails and possibilities* (pp. 123–141). Springer Nature Switzerland.
- Hoechle, D. (2007). Robust standard errors for panel regressions with cross-sectional Dependence. *Stata Journal*, 7(3), 281–312.
- Ibor, B. I., Eba, A. O., & Emori, E. G. (2018). The impact of public sector expenditure on the development of the Nigerian capital market. *International Review of Management and Business Research*, 7(2), 576–586.
- Ihenyen, C. J., Ekpekele, W., & Owonaro, D. D. (2023). Currency depreciation and capital market performance in Nigeria. *International Journal of Accounting, Management, Economics and Social Sciences*, 1(1), 1–10.
- Kerlinger, F. N., & Lee, H. B. (2000). *Foundations of behavioral research* (4th ed.). Harcourt College Publishers.
- Khan, A. (2024). *Fundamentals of public budgeting and finance*. Springer Nature.
- Kousar, S., Ahmed, F., Afzal, M., & Segovia, J. E. (2023). Is government spending in the education and health sector necessary for human capital development? *Humanities and Social Sciences Communications*, 10(1), 1–11.
- Lucas, R. E. (1976). Econometric policy evaluation: A critique. In K. Brunner & A. H. Meltzer (Eds.), *The Phillips Curve and Labor Markets. Carnegie-Rochester Conference Series on Public Policy* (Vol. 1, pp. 19–46). American Elsevier.

- Marcos, S. S., & Vale, S. (2024). Is there a nonlinear relationship between public investment and private investment? Evidence from 21 OECD countries. *International Journal of Finance & Economics*, 29(1), 887–902.
- Matenda, F. R., Raihan, A., Zhou, H., & Sibanda, M. (2024). The influence of economic growth, fossil and renewable energy, technological innovation, and globalisation on carbon dioxide emissions in South Africa. *Carbon Research*, 3(1), 69. <https://doi.org/10.1007/s44246-024-00155-8>
- Mumtaz, H., & Theodoridis, K. (2020). Fiscal policy shocks and stock prices in the United States. *European Economic Review*, 129, 103562. <https://doi.org/10.1016/j.euroecorev.2020.103562>
- Nkomo, T., & Moodley, F. (2025). Do Geopolitical Risk and Market Conditions Drive JSE Sector Returns? *Management and Economics Review*, 10(2), 324–341.
- Nuru, N. Y., & Gereziher, H. Y. (2022). The effect of fiscal policy on economic growth in South Africa: a nonlinear ARDL model analysis. *Journal of Economic and Administrative Sciences*, 38(2), 229–245.
- Nwogo, J. E. (2024). Effect of fiscal policy on stock market performance in Nigeria. *South East Political Science Review*, 9(1), 11–27.
- Odey, F. I., Enabulu, G. T., & Efenedo, O. (2023). Financial indicators and stock market performance in Nigeria. *Global Journal of Arts, Humanities and Social Sciences*, 11(5), 53–69.
- Ofikwu, C. E. (2019). Effect of public sector expenditure on capital market growth in Nigeria. *NSUK Journal of Banking and Finance Research*, Department of Banking and Finance, Nasarawa State University, Keffi, Nigeria.
- Ogar, A., Atseye, F., Wilson Ani, B. E., & Akan, P. (2023). Effect of government expenditure on human capital on stock market growth: A study of Nigeria and South Africa. *Review of Economics and Finance*, 21, 2093–2106.
- Okunlola, O. C., Sani, I. U., Ayetigbo, O. A., & Oyadeyi, O. O. (2024). Effect of government expenditure on real economic growth in ECOWAS: Assessing the moderating role of corruption and conflict. *Humanities and Social Sciences Communications*, 11(1), 1–15. <https://doi.org/10.1057/s41599-024-02428-x>
- Onye, K., & Umoh, O. J. (2023). Fiscal policy and monetary integration in the ECOWAS. *The Review of Black Political Economy*, 50(2), 119–166.
- Orekoya, S., Afolabi, J., & Akintunde, O. (2021). Does government policy influence stock market performance in Nigeria? *NDIC Quarterly*, 36(1–2), 97–118. <https://ndic.gov.ng/wp-content/uploads/2022/01/NDIC-Quarterly-Vol-36-No-12-2021-Article-Does-Government-Policy-Influence-Stock-Market-Performance-In-Nigeria.pdf>
- Osifo, O., & Abusomwan, S. O. (2023). Government expenditure on key sectors of the economy and stock market performance in Nigeria. *Journal of Enterprise and Development (JED)*, 5(2), 154–171. <https://jed.uibs.com.ng>
- Osinubi, T. S., & Amaghionyeodiwe, L. A. (2009). Exchange rate and stock market returns nexus in Nigeria: An empirical investigation. *Journal of Applied Quantitative Methods*, 4(4), 438–453.
- Parui, P. (2022). Government expenditure and economic growth: A post-Keynesian analysis. In *Capitalism: An Unsustainable Future?* (pp. 267–295). Routledge.
- Paudel, R. C. (2023). Capital expenditure and economic growth: A disaggregated analysis for Nepal. *Cogent Economics & Finance*, 11(1), 2191449.
- Peacock, A., & Wiseman, J. (2024). *The growth of public expenditure in the United Kingdom*. Routledge.
- Phillips, P. C. B., & Hansen, B. E. (1990). Statistical inference in instrumental variables regression with I(1) processes. *Review of Economic Studies*, 57(1), 99–125.
- Qing, Y. K., & Kusairi, S. (2019). The effect of money supply, exchange rate, and interest spread toward the performance of stock market in Malaysia. *Widyakala Journal*, 6(2), 142–149.
- Qodirjon o'g'li, B. T., & Nazarali o'g'li, M. S. (2023). Fiscal policy as the primary tool to affect the strength of the capital markets. *Qo'qon Universiteti Xabarnomasi*, 8, 32–35.
- Shankar, S., & Trivedi, P. (2021). Government fiscal spending and crowd-out of private investment: An empirical evidence for India. *Economic Journal of Emerging Markets*, 92–108.

- Tendengu, S., Kapingura, F. M., & Tsegaye, A. (2022). Fiscal policy and economic growth in South Africa. *Economies*, 10(9), 204.
- Thaddeus, K. J., Ngong, C. A., Nnecka, U. J., Nubong, N. M., Ibe, G. I., Chinyere, C. O., & Onwumere, J. U. J. (2024). Stock market development and economic growth in sub-Saharan Africa (1990–2020): An ARDL approach. *Journal of Economic and Administrative Sciences*, 40(2), 344–363.
- Tresch, R. W. (2022). *Public finance: A normative theory*. Academic Press.
- Urhoghide, R. O., & Ndubuisi, J. (2014). Stock market reactions to fiscal policy shocks: Empirical evidence from Nigeria. *LWATI: A Journal of Contemporary Research*, 11(4), 34–46.
- Venkatesu, B. (2025). An empirical analysis of macroeconomic drivers of long run growth using FMOLS and VECM. *Journal of Digital Business and International Marketing*, 1(2), 58-65.
- Wright, M. (Ed.). (1980). *Public spending decisions: Growth and restraint in the 1970s* (1st ed.). Routledge. <https://doi.org/10.4324/9781003307556>