Effect of Defense Spending on the Nigerian Economy: Evidence from Dynamic Time Series Data

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Abstract
Despite the huge defense expenditure by Nigeria, internal conflicts brought about by political unrest and terrorism activities keep rising unabated. Against this backdrop, this study examined the interaction effect of defense spending and political stability on Nigerian economy using a quarterly timeseries data between 1996 and 2023. This period coincides with the period of significant increase in defense spending as well as major regime change (from Military to Civilian rule). The data were analyzed using Dynamic Ordinary Least Square (DOLS) estimator. Results from DOLS show that both defense spending and political stability have positive influence on economic growth with only defense spending being a significant factor. The interaction between defense spending and political stability wields a significant positive impact on economic growth; implying that in the presence of political stability, defense spending improves economic growth. Based on the above, this study recommends that government should improve and sustain her defense expenditure levels as it will enhance security of life and properties while political actors, and other relevant stakeholders such as the electoral umpire, political parties including the judiciary, work harmoniously and hand-in-hand to ensure stable political environment at all times.

1. Background

The safety of lives and property in any given society through a strong military mechanism, involving strong commitments to military expenditure in order to enhance security and counter threats, is the key responsibility of any performing government (Joseph, Abu & Christian, 2022). Military expenditure is a rough measure of the level of government financial allocations for military purposes. As such, it can measure the priority given to defence means of achieving security, assessed according to government perceptions of achieving some other types of national objective, as formulated in national security doctrines (Sköns, 2005; Raifu & Aminu, 2023). A strong and efficient armed force, strong enough to guarantee national peace and security, is indispensable for the economic progress of a nation. This argument is anchored on the premise that defence is a critical sector that contributes to economic development by ensuring internal and external stability (Eme and Anyadike, 2013; Onyekachi et al., 2023).

The quest for military might and autonomy by countries has increased world defense spending. Defense spending also referred to as military spending in this study is the amount of money that countries set aside to maintain and raise their armed forces. Over the past three decades, global defense spending rose by 70% to over US$1.98b (United States dollar – US$) in 2020, the highest since 1988 (World Development Indicator – WDI, 2023). The ratio of world defense spending to gross domestic product (GDP) increase to 2.4% (i.e rising by about 0.2%) between 2011 and 2020.

The cost of military and security in Africa has increased recently. Stockholm International Peace Research Institute – SIPRI (2023) projects a stable increase in defense spending in Africa. Military spending in Africa rose by 1.2% in 2021 to an anticipated US$39.7 billion (SIPRI,2023)

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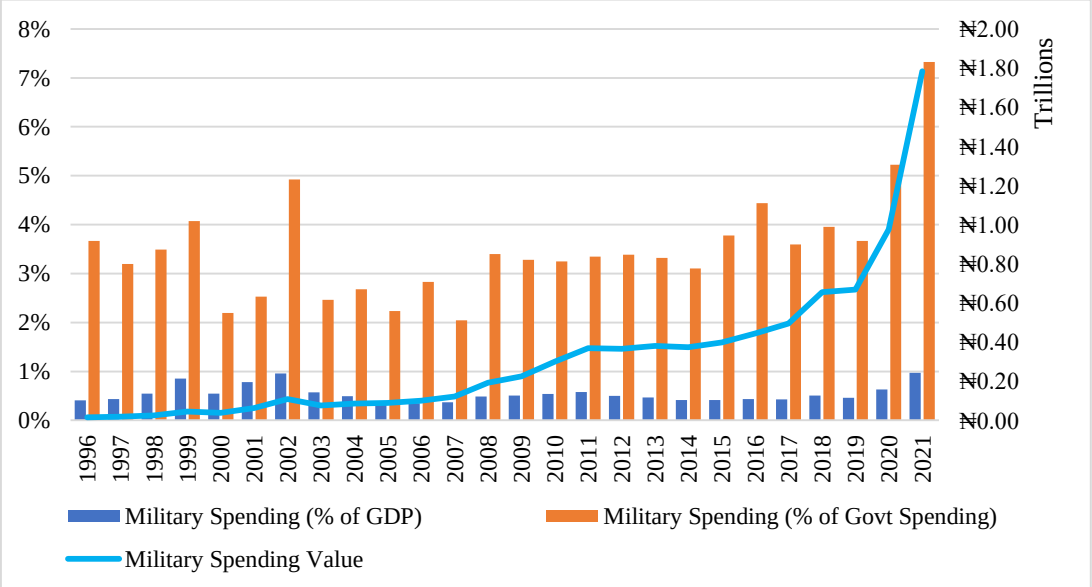
Sub-Saharan Africa (51%) and North Africa (49%) accounted for nearly equal shares of Africa's total defense spending. Defense spending in Africa has maintained an upward trend over time. This trend could be attributed to internal conflicts linked to political unrest and terrorism, which have become an increasing concern in Africa, thus African economies have consistently increased their defense spending to tackle the rapid spread of terrorism and internal conflicts. In sub-Saharan Africa (SSA), US$20.1 billion was spent on military/defense in 2021, representing a 4.1% increase from 2020 but a 14% decrease over 2012. Sub-Saharan Africa had not experienced growth in spending since 2014, and Nigeria, the largest country in the region, was the primary driver of the 2021 surge. Nigeria increased its military spending by 56% to US$4.5 billion in the 2020–2021 fiscal year. Therefore, with a large military base, Nigeria plays a significant role in Africa's military landscape and dispute resolution, as it consistently deploys its armed personnel for peacekeeping in conflict-ridden African countries.

The rise was a reaction to Nigeria's multiple security challenges, including banditry and Fulani herdsmen militia attacks by Islamist extremists, terrorism by Islamic State of West African Province (ISWAP) and Boko Haram in the north, and separatist agitations in the east and west led by activists for the Oduduwa Republic and the Indigenous People of Biafra (IPOB), respectively.

Statistics show that defense spending in Nigeria rose in value and ratio to government spending over time, while GDP share has only increased by 0.42% to 0.97% in 2021. The reason for such a rise includes increased national security challenges as well as the protection of Nigeria's image as a regional leader and power broker. The transition of Nigeria to military rule seems to have heightened Nigerian defense spending. More explicitly, defense spending rose significantly from US$0.49 billion in 1999 to US$4.47 billion in 2021. However, the contribution of defense spending to gross domestic product (GDP), which is a measure of economic growth, seems to be declining within this period. The percentage seems to be close to zero. For instance, in 1999, defense spending (% of GDP) was 0.86% and became 0.97% in 2021. Therefore, over the last four years, Nigeria has witnessed a rise in military spending and budgetary provisions. More explicitly, the military spending budget rose in 2017 by about 26.02% to US$2.04b in 2018. After a decline in 2019 by 8.95% to US$1.86b, there has been consistent growth in defense spending budget in Nigeria. Defense spending grew by 38.04% in 2020 to US$2.57b and 73.93% in 2021 to US$4.47b. Thus, defense spending in Nigeria has grown steadily, especially in recent history. Figure 1 demonstrates the foregoing.

Figure 1 Nigeria Defense Spending from 1996-2021



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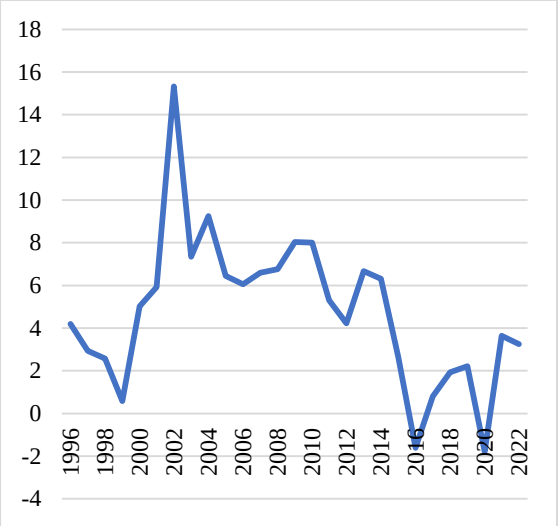
Source: Author's plot using WDI (2023)

The economic growth of Nigeria over the years lacks a consistent pattern and remains mostly unpredictable. Nigeria, despite political challenges, boasts the largest economy in Africa, with a GDP exceeding £400 billion in 2021, ranking 26th globally; sustained growth may propel it into the top 10 economies in the next 50-100 years. However, the Nigerian economic growth has been a feature of ups and downs, largely countercyclical. Figure 2.5 X-rays the state of Nigeria's economic growth. The highest peak of economic growth was witnessed in 2002, as it grew by about 15%. After this period, economic growth has largely declined, with 2016 and 2020 being the worst as the economy grew negatively in both years. Whilst the year 2016 corresponds to Nigeria's economic recession, the period 2020 corresponds with the era of coronavirus disease (COVID-19). Finally, economic growth in Nigeria has been projected to continuously increase between 2023 and 2028 by about 74.9% to US$ 292.1b. Similarly, by 2028, economic growth is expected to hit a record of US$682.1b.

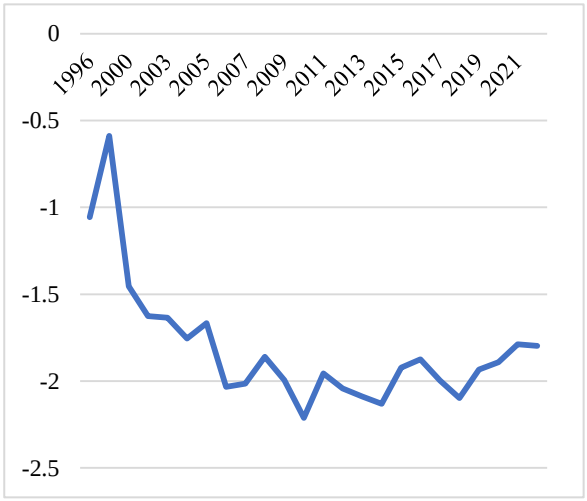
Figure 2. Nigeria GDP Growth Rate



Source: Author's plot using WDI & WGI (2023)

The Nigerian political environment has been largely stable despite some daunting challenges. This is due to the relative stability enjoyed since the country transitioned to democratic rule in 1999. Since the 1999 democratic transition, Nigeria has largely had a smooth change of government following general elections. Though the elections that usher in a new government have been largely flawed, the fact that the civil rule has not been truncated again is a welcome and good development, hence one can safely see the political environment as safe. Figure 3 demonstrates the state of political stability in Nigeria following the World Governance Index – WGI (2023). The index ranges between -2.5 and +2.5, with -2.5 depicting weak political stability and +2.5 showing

Figure 3. Nigeria Political Stability



strong political stability. Nigeria's political stability index is negative throughout and keeps deteriorating with time. The trend indicates that the negative index value becomes larger and larger by the day, especially in recent times. Specifically, for a decade, the index has fallen from -0.59 in 2000 to -2.21 in 2010. These stylised facts show that Nigeria's political environment is largely deteriorating over time.

Due to the recent surge of insecurity, Nigeria is now the second-largest military spender in sub-Saharan Africa (SSA), behind South Africa. Despite this substantial outlay, its GDP contribution has remained a mirage, while the security level remains volatile. Worryingly, armed banditry, farmers-herders' crises, and Boko Haram killings, among other terror activities, remain on the rise. This implies that such spending has a significant opportunity cost for other services and growth. Despite the

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government's efforts to improve security architecture in Nigeria, the security level seems to have worsened unabated. The worsening security situation in Nigeria has further put more danger to the already volatile economy, thereby putting Nigeria in a bad light before investors. This could be the source of low investment and concomitant poor growth. Declining investment leading to a series of economic bursts, notably the 2016 Nigerian economic recession, has created unemployment and inflation shocks. This remains a source of worry to well-meaning Nigerians as well as relevant stakeholders. Based on the foregoing, this study examines the interaction effect of defense spending and political stability on the Nigerian economy.

2. Literature Review

Increasing defense expenditure can potentially improve a nation's socioeconomic structure by supporting research, technical expertise, education, and infrastructure development. However, in many developing countries, defense spending is significant and should be studied carefully due to its impact on the economy and resource allocation. **Raifu and Aminu (2023)** examined the effect of military spending on economic growth in the Middle East and North Africa – MENA: evidence from the method of moments quantile regression, employing the method of moments quantile regression as an analytical estimator, suggest the existence of a positive association between economic growth and defense spending in 14 MENA economies. A regional analysis examination by **Saba and Ngepah (2022)** on "the nexus between defense spending, economic growth and development with particular interest in disaggregated panel analyses" employed Panel Vector Autoregression (PVAR) and reported a long-run and bidirectional relationship between defense spending, economic growth and development across three regions (SSA, MENA). Similarly, **Saba and Ngepah (2019)** examined the relationship between military expenditure and economic growth with a sample of heterogeneous African economies. Employing the System Generalised Method of Moments (SGMM) as an estimation tool, the authors concluded that defense spending causes economic growth in only 2 of the 35 studied African economies.

In Visegrad countries, **Waszkiewicz (2020)** examined "the association between defense spending and economic growth" using vector error correction model (VECM) as an analytical estimator, the study regrettably found absence or nonexistence of long-run association between defense spending and economic growth with short-term effect only existing in the Czech Republic and no immediate effect in other countries such as Poland, Hungary and Slovakia. **Mohanty et al (2020)** explored "the relationship between defense spending and economic growth in India" with a timeframe between 1970/1971 and 2015/2016 using autoregressive distributed lag (ARDL) and Toda-Yamamoto Granger Causality approaches, and the empirical results revealed that defense expenditure has a positive and significant impact on economic growth in India. Also, capital defense expenditure has a positive and significant effect on the economic growth of India.

Similarly, **Okwoche (2021)** on "the association between military spending and economic growth in Nigeria" employing Toda-Yamamoto-Dolado-Lütkepohl (TYDL) Granger non-causality test, suggests some interesting results. Most importantly, the results show that military spending promotes and causes economic growth in Nigeria. Causality predominantly flows from military spending to economic growth, whereas the reverse is weak. **Aminu and Bakar (2016)** examined "the interactional impact of defense expenditure and arms importation on economic growth in Nigeria" with a dataset spanning from first quarter of 1984 to last quarter of 2014 using ARDL to show that Nigerian defense spending affects growth negatively. In a similar finding, **Nugroho and Evi (2021)** explored "the impact of military expenditure on economic growth" using a panel of 27 countries with a data timeframe between 2002 and 2018. Their results produced from system generalised method of moments (SGMM) show that Military spending has little or no significant effect on economic growth. However, the authors conclude that interacting military spending with other variables (population, foreign direct investment – FDI, political stability, and rule of law) shows that military spending has a positive and significant impact on economic growth.

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Azam established consistent results as Aminu and Bakar did using panel ARDL and the error correction model (ECM). Explicitly, **Azam (2020)** examined "Does military spending stifle economic growth? The empirical evidence from non-OECD countries" over the period 1988 to 2019. The author employed the panel ARDL popularly known as the Pool Mean Group (PMG), robust least squares and fixed effect estimators to report that military spending retards the economic growth of non-OECD economies. The author further conducted a pairwise Dumitrescu-Hurlin panel causality test to reveal the existence of bidirectional causality between defense spending and economic growth. The political climate in Nigeria has worsened in recent history despite the huge defense budget. Poor electoral processes, corruption, and mortgaged institutions like the judiciary and the electoral umpire (Independent National Electoral Commission – INEC) are some of the contributors to Nigeria's political uncertainty or instability. The ugly situation has affected investors' confidence such that key multinationals are dumping Nigeria for relatively stable neighboring economies like Ghana and South Africa. Examples are Procter and Gamble, Deli Foods, Surest Foam Limited, and many more. The most recent to exit is the pharmaceutical giant, GlaxoSmithKline (GSK). From the foregoing, it is observed that very few studies have examined the association between Nigeria's defense spending and growth with conflicting conclusions (positive/negative association). The findings of this study will arguably benefit both defense authorities and government advisors, especially in striking a balance between defense expenditure and other vital competing alternatives. Existing literature contains numerous studies on defense spending and economic growth, with limited focus on Nigeria. Furthermore, there's a scarcity of research exploring the combined impact of defense spending, political stability, and the feedback loop between defense spending and economic growth, particularly in the context of Nigeria. Also, the indirect impact of defense spending on economic growth is conspicuously ignored in the literature thus, this study bridges these identified knowledge gaps.

3. Methodology

The most relevant theory associated with the present study is the Endogenous Growth theory credited to **Romer (1986 & 1994).** Endogenous growth theory, often referred to as the AK model, dwells on capital and knowledge accumulation to explain growth. A and K stand for knowledge and capital accumulation, respectively. The theory summarises that economic growth miracles experienced by some economies are explainable by the dynamism of capital and knowledge accumulation built on the pillars of research and development and made possible by learning by doing. The choice of this theory as a theoretical framework underpinning this study is because most economies (especially the Asian Tigers in recent history) have witnessed an economic growth miracle due to a stable and friendly political environment. The overtime capital accumulation translates into knowledge development and subsequent inventions of technologies, including military hardware. Human and material capital so accumulated leave the economies with managerial expertise and more funds to spend on the critical sectors of the economy, including defense.

The nature of the data-generating process (DGP) for this study suggests that Dynamic Ordinary Least Squares (DOLS) is the most suitable **(Stock & Watson, 1993).** The method utilises lags and leads to account for the problem of serial correlation and heteroscedasticity. The method is particularly unique for the present study because of the feedback effect arising between defense spending and economic growth as revealed in the literature, suggesting an endogeneity issue. This study follows the works of Nwodo, Omeje, & Okereke, (2025) to construct a mathematical and econometric representation of the DOLS technique, starting with the functional form.

$$\text{lngdp} = f(\text{lndef}, \text{pol}) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

Where, lngdp = log of gross domestic product in 2015 constant US$, lndef = log of defense spending value, pol = political stability and f = functional form. Therefore, equation 1 is transformed, thus incorporating the interaction term (political stability and defense spending) as well as other relevant control variables.

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$$\text{lngdp}_t = \alpha_0 + \alpha_1 \text{lndef}_t + \alpha_2 \text{pol}_t + \alpha_3 \text{ln}(\text{pol} * \text{def})_t + \alpha_4 \text{lntech}_t + \alpha_5 \text{lnlab}_t + \vartheta_t \ldots\ldots 2$$

Dynamic Ordinary Least Squares (DOLS) representation according to Nwodo et al. (2023) is as follows;

$$A = [c, \alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5]';\ X = [1, lndef_t, pol_t, lnpol * def, {}_t\ lntech_t, lnlab_t] \ldots\ldots\ldots 3$$

Following (2) above, generalised DOLS model is specified thus;

$$lngdp_t = A'X_t + \sum_{j=-J}^{j=J} \varphi_j \Delta X_{t-j} + \mu_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 4$$

where; A' is $1 \times K$ coefficient vector, X_t is a column vector of regressors, φ_j is the coefficient matrix of differenced regressors, -J and J are the lags and leads, respectively, and μ_t = white-noise error term. Relevant preliminary analyses, such as the unit root and cointegration tests, were conducted before the actual regression analyses. The results are presented below.

4. Results and Discussion

Table 1 presents the descriptive statistics for all the variables used in this study. The results indicate that the mean growth of defense spending (lndef), economic growth (lngdp), labour (lnlab), and technology (lntech) are approximately 25.9%, 26.5%, 17.8%, and 16.3% respectively, while that of political stability (pol) is -1.7.

Table 1 Descriptive Statistics

Variable	lndef	lngdp	lnlab	lnpoldef	lntech	pol
Mean	25.93425	26.50419	17.76560	27.48623	16.27052	-1.733352
Maximum	28.25796	27.01732	18.12534	49.59177	19.14280	-0.554922
Minimum	23.43672	25.79361	17.43430	-1.762781	9.534935	-2.228231
Std. Dev.	1.281668	0.420699	0.189715	6.249645	3.444806	0.411503
Skewness	-0.228450	-0.409103	0.078446	-3.100204	-1.046753	1.398978
Kurtosis	2.199785	1.658906	2.022366	16.79167	2.467213	4.113998
Jarque-Bera	3.820957	11.10597	4.411730	1028.949	20.99984	40.81296
Probability	0.148010	0.003876	0.110155	0.000000	0.000028	0.000000
Observations	108	108	108	108	108	108

Source: Author's computation using Eviews9

As the average growth rates of defense spending and economic growth remain 26% and 27%, respectively, it appears that security and the standard of living have not improved commensurately. Additionally, the mean value of the interaction impact (lnpoldef) is about 27% implying that defense spending can bring about political stability in Nigeria. Similarly, the standard deviation (Std. Dev.) of the associated variables is largely small implying relative fluctuation around their mean values. On the part of the normality test, aside lndef and lnlab, every other variable is not normally distributed. This is verifiable from the associated p-values.

Table 2 ADF Breakpoint Unit root test

With Constant & Trend							
Variables	ADF Level Stat.	ADF Level P-value	ADF 1st Diff. Stat.	ADF 1st Diff. P-value	ADF Break Date		Remark
					At level	At 1st diff.	
Lndef	-4.433699	0.1553	-6.358023	0.0000	1999Q3	2007Q3	*I*(1)
Lngdp	-2.713723	0.9652	-5.165518	0.0195	2015Q1	2001Q1	*I*(1)
Lnlab	-4.961561	0.0371	-	-	2011Q1	-	*I*(0)
lnpoldef	-2.506417	0.9833	-5.198685	0.0178	2021Q1	2021Q1	*I*(1)
Lntech	-9.609188	0.0000	-	-	2000Q1	-	*I*(0)
Pol	-3.381574	0.7602	-5.656099	0.0000	1999Q4	2002Q1	*I*(1)

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Source: Author's computation using Eviews9

Tabel 4.2 presents the Augmented Dickey Fuller (ADF) breakpoint unit root test results. The results show that the variables are combination of different orders which is of first-order, at most. For instance, lndef, lngdp, lnpoldef, and pol are all integrated of order one whereas lnlab and lntech are integrated of zero order. For instance, defense spending (lndef) has a large probability value – p-value (0.1553) at levels which is greater than 0.05 significant level threshold hence the failure to reject the null hypothesis of a unit root or non-stationarity at levels. However, after the first difference, lndef became stationary since the associated p-value is small (0.0000) compared to the 0.05 significant level benchmark thus the null hypothesis is rejected in favor of the alternative hypothesis. In terms of the structural break, most of the break dates overwhelmingly correspond to the periods of important structural change in Nigeria. For instance, 1999Q3 break date corresponds to the period of Nigeria's democratic transition from military rule, 2007Q3 corresponds to the period of global financial crises, 2011Q1 and 2015Q1 correspond to the general election periods while 2021Q1 could be linked to the novel corona virus disease (COVID-19).

Table 3 Johansen Cointegration Test

Hypothesized No. of CE(s)	Trace Statistic	Trace Statistic	Max-Eigen Statistic	Prob.**
None *	225.1068	225.1068	83.21477	< 0.05
At most 1 *	141.8921	141.8921	68.99540	< 0.05
At most 2 *	72.89666	72.89666	40.59090	< 0.05
At most 3 *	32.30577	32.30577	26.14529	< 0.05
At most 4	6.160476	6.160476	6.066543	> 0.05
At most 5	0.093933	0.093933	0.093933	> 0.05

Source: Author's computation using Eviews9

Table 3 displays the cointegration test based on simultaneous equation models of the Johansen approach. The results show that at least four (4) cointegrating equations are confirmed for both the Trace and Maximum-Eigen statistics. Thus, cointegration is confirmed. More explicitly, the p-values of the hypothesized equations with asterisk (*) is less than (<) 0.05 level of significant implying cointegration or long run association in these equations. Whereas the equations with no * (i.e at most 4 & 5) have p-values larger than (>) 0.05 level of significant.

Table *Error! No text of specified style in document.* **Dynamic Ordinary Least Square (DOLS) Results; Dep. Var.: lngdp**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
lndef	0.230577	0.070392	3.275615	0.0016
pol	0.048890	0.087085	0.561407	0.5761
lnpoldef	0.012910	0.003178	4.062934	0.0001
lntech	0.040433	0.012282	3.291903	0.0015
lnlab	0.055296	0.475908	0.116191	0.9078
C	18.62823	6.691784	2.783747	0.0067
R-squared	0.986371			

Source: Author's computation using Eviews9

The DOLS regression results with Heteroscedasticity and Autocorrelation Corrected (HAC) standard errors are presented in Table 4. The reason for the use of HAC is that the estimated model suffers from serial correlation and heteroscedasticity problems. The results show that defense spending (lndef), the interaction between defense spending and political stability (lnpoldef) and technology (lntech) are statistically significant, whereas political stability (pol) and labour force (lnlab) are not statistically significant. In terms of the relationship with economic growth (lngdp), all the variables are positively associated with economic growth. More explicitly, 1% rise in defense spending will increase economic growth by about 0.23% on

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the average ceteris paribus. This follows economic theory which suggests that government expenditure is bound to improve growth especially when such expenditure is channeled to the critical sectors of the economy. Political stability is not statistically significant though it is capable of improving economic growth of Nigeria. This result is not however surprising as Nigeria has not witnessed stable political environment overtime especially in recent time right from the inception of the military to the democratic regimes. In the same vein, 1% increase in interaction of political stability and defense spending (lnpoldef) will significantly raise economic growth by about 0.01% on the average ceteris paribus. This implies that in the presence of defense spending, political stability can significantly improve economic growth in Nigeria. Technology (lntech) is found to significantly improve economic growth such that 1% increase in the level of technology will raise economic growth by about 0.04% on the average ceteris paribus. This follows economic theory because technology is seen as a catalyst for development. Labour force (lnlab) is surprisingly found to be statistically insignificant though positively associated with economic growth. A country whose reasonable population is not gainfully employed with majority being largely underemployed will definitely have their economic growth unaffected or insulated by the labour force. This is a typical case of Nigeria; large percentage of Nigeria population is poorly employed whereas many others are largely underemployed hence the labour force being statistical insignificant factor of economic growth is justified at least in Nigeria. Further results indicate that about 98% fluctuations in lngdp are accounted for by lndef, pol, lnpoldef, lntech and lnlab put together.

Finally, according to Nwodo et al (2023), Hansen cointegration test serves as robustness checks and it confirms the earlier established results by Johansen cointegration test. Similarly, residual diagnostic test (serial correlation and heteroscedasticity) shows clear evidence against the null hypothesis hence heteroscedasticity and autocorrelation (HAC) corrected standard error is applied for correction. Additionally, residual normality test indicate evidence in support of the null hypothesis hence the residual is normally distributed. Also, the dynamic stability of the model is well confirmed by the Cumulative Sum (CUSUM) test result which shows that the model lies within the 5% critical bounds. All these econometrics higher-order test results are presented in appendix of this study.

4.1 Discussion of Findings

Defense spending has a positive and significant effect on the economic growth in Nigeria, following results presented in Table 4. More explicitly, 1% rise in defense spending will increase economic growth by about 0.23% on the average, ceteris paribus. The significance level is established since the p-value (0.0016) associated with defense spending is less than the 0.05 significance level threshold. This follows economic theory, which suggests that government expenditure is bound to improve growth, especially when such expenditure is channelled to the critical sectors of the economy. Moreso, expansionary fiscal policy has been found to improve and engineer economic activities. These findings are overwhelmingly consistent with some previous literature (Ayange, Samuel, Prince, & Ndubuaku, 2020 and Amana, Aigbedion, & Zubair, 2020). Theory suggests that most of the technological advancements in place today are offshoots, byproducts and research efforts of the military. For instance, the internet connectivity was first developed to enhance communication among the United States military, which later metamorphosed into a global communication network. It has particularly changed the business world today and made the world a global village by enhancing seamless transactions across various platforms. The internet system is today the crucial technological driver of the present changing world. All these have no doubt enhanced firms' profitability and, by extension, the economic growth of Nations, including Nigeria.

From Table 4, political stability is not statistically significant though it is capable of improving economic growth of Nigeria. This is because the p-value (0.5761) associated with political stability is far larger than the 0.05 significant benchmark. This means that the null hypothesis of no statistically significant impact of political stability on economic growth cannot be rejected. This result is not however surprising as Nigeria has not witnessed stable political environment over

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time specifically since the transition of the military regime to democratic/civilian regimes. Also, the behaviour of some political actors in Nigeria scares away potential investors and for the fact that Nigeria political environment remains unpredictable discourage potential investors as well. For the fact that one cannot confidently predict what will happen in the next minute concerning the political configuration in Nigeria could be another reason why political stability is insignificant. In Nigeria, every general election carries too much apprehension and leaves many onlookers especially the investors in suspense because they cannot predict or guarantee stability with certainty after the general elections. Nigerian polity is always heated during general elections such that most international organization including those from the United States predicted the divisibility of Nigeria towards the 2015 general elections. Therefore, overtime especially in this current democratic dispensation, Nigeria political terrain has never been a smooth and friendly one such that the political activities and its potential outcome leaves many in apprehensive mood. This therefore distorts the planning of the economic agents as well as their business confidence to invest in Nigeria which arguably makes political stability an insignificant factor on growth. Despite the fact that military regimes cannot be absolved of propagating corruption in Nigeria, civilian regimes seem to have exacerbated the phenomenon such that corruption has become customary especially among the politicians. Summarily, in terms of positive relationship between political stability and economic growth, the findings of this study validate some previous studies (Nomor, & Iorember, 2017), but invalidates some others in terms of level of significance and negative association (Olamide & Olaniran, 2022).

Additionally, empirical findings indicate that the interaction effect between defense spending and political stability on the economic growth of Nigeria is positive and statistically significant at 1%. This implies that the null hypothesis of no interaction impact is rejected in favor of the alternative. This is exemplified as the associated p-value (0.0001) is far lesser than the 0.05 level of significant benchmark. Therefore, 1% increase in interaction of political stability and defense spending will significantly raise economic growth by about 0.01% on the average ceteris paribus. This implies that in the presence of defense spending, political stability can significantly improve economic growth in Nigeria. This result is quite intuitive because increase in defense spending will arguably stabilize the polity and stability in the polity will entrench economic and business viability which cumulatively enhance economic growth. Though there exist paucity and limited theoretical efforts in this regard, this finding validates close efforts on the effect of tourism receipts on the economic development through the moderating effect of political stability in SSA (Asongu, Rahman, & Nnanna, 2023).

5. Conclusion and Policy Recommendations

Nigeria is classified as an emerging economy by the World Bank indices. In Africa, Nigeria is an economic heavyweight commanding the largest economy on the continent. Nigeria's huge population (mostly young) and large military base make her command respect amongst the committee of nations. Nigeria's large military base and experienced officers are exemplified by her participation and contributions in various peacekeeping missions across Africa and beyond; notably in Liberia, Sierra Leone, Cote d'Ivoire, Angola, DR Congo, South Africa and so on. Changes in Nigeria political and economic environment definitely have some reasonable impact on her neighboring and economic/political partners. Therefore, the findings of this study with respect to defense spending appeared to significantly improve growth while political stability seems to be insignificant but capable of improving economic growth. The interaction term demonstrates the capacity of political stability in stimulating the impact of defense spending on the economic growth. Whilst technology demonstrates its importance in enhancing economic growth, its labour force counterpart appeared to have insignificant positive impact on growth.

Therefore, this study recommends that Nigerian Government should improve and sustain her defense expenditure levels as it will enhance the security of life and properties which is the bedrock of any meaningful development. Also, Nigerian political actors and other relevant stakeholders such as the government, electoral umpire (INEC), and political parties including the judiciary should work harmoniously to ensure a stable political

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environment at all times while consistently improving the institutional apparatus to boost the confidence of both local and foreign investors which will in turn stimulate Nigeria's economic growth.

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