An Assessment of the Impact of Public Expenditure on Economic Growth in Azerbaijan

Azerbaycan'da Kamu Harcamalarının Ekonomik Büyüme Üzerindeki Etkisinin Değerlendirilmesi

Latif ZEYNALLI
PhD, Unvan, The Academy of Public Administration
under the President of the Republic of Azerbaijan,
latif.zeynalli@gmail.com
https://orcid.org/0000-0001-5887-7946

Murteza HASANOĞLU
Doç. Dr., The Academy of Public Administration
under the President of the Republic of Azerbaijan,
m_hasanoglu@yahoo.com.tr
https://orcid.org/0000-0003-3734-4045

ÖZET

Anahtar Kelimeler:

Kamu Harcamaları,

Ekonomik Büyüme,

Eğitim Harcamaları,

Ekonomik Harcamalar,

Sosyal Harcamalar,

Kamu harcamalarının ekonomik büyümeyi nasıl etkilediği, devletin ekonomideki rolünün düzeyi geniş tartışmalara neden olan konulardan biridir. Bu çalışmada, 2000-2021 döneminde Azerbaycan Cumhuriyeti'nde kamu harcamaları ile ekonomik büyüme arasındaki ilişki araştırılmıştır. Sonuçlar, sağlık harcamaları (HE) ve araştırma harcamaları (REX) katsayılarının işaretlerinin GSYİH, eğitim harcamaları (EDEX), ekonomik harcamalar (EXEC), sosyal koruma ve sosyal koruma arasındaki ilişki hakkındaki beklentilerle tutarsız olduğunu göstermektedir. Bu durum, sağlık ve araştırma harcamalarının ekonomik büyüme ile ters orantılı olduğu ve büyümeyi olumsuz etkilediği; eğitim, ekonomik ve sosyal harcamalar gibi diğer harcamaların ise ekonomik büyüme üzerinde olumlu etkisi olduğu sonucunu ortaya koymaktadır. Yapılan araştırma, genel olarak kamu harcamalarının etkinliğine bağlı olarak, kamu harcamaları ile ekonomik büyüme arasındaki ilişkinin olumlu veya olumsuz olabileceğini göstermektedir. Bu çalışma, hükümet harcamalarının ekonomik büyüme ile ilişkili olduğunu ve ekonomik büyüme üzerinde önemli bir etkiye sahip olduğunu gösteren artan kanıtlara katkıda bulunuyor. Ayrıca çalışma, bu araştırmada incelenen devlet harcamalarının bileşenlerinin Azerbaycan'ın ekonomik büyümesini açıklamada önemli değişkenler olduğu sonucuna varmaktadır.

ABSTRACT

Keywords:

Public Expenditure,

Economic Growth,

Education Expenditures,

Economic Expenditures,

Social Expenditures,

How public expenditure affects economic growth, the state the level of its role in the economy is one of the topics that causes a wide discussion. This research work is dedicated to the investigation of the relationship between public expenditure and economic growth in the Republic of Azerbaijan on the eve of 2000-2021. The results show that, while the signs of the coefficients health expenditures (HE) and research expenditures (REX) are inconsistent with expectations about the relationship between GDP, those of education expenditures (EDEX), economic expenses (EXEC), and social protection and social security expenses (SPEX) are. This means that health and research expenditures are inversely related to economic growth and have a negative impact on it, whereas other expenditures such as education, economic and social expenditures have a positive impact on economic growth. Generally, the research shows that depending on the effectiveness of public expenditure, the relationship between public expenditure and economic growth can be positive or negative. This study adds to the growing body of evidence indicating that government spending is related to and has a significant impact on economic growth. In addition, the study concludes that the components of government spending examined in this study are important variables in explaining Azerbaijan's economic growth.

1. INTRODUCTION

As an important component of GDP composition, public expenditure has an impact on economic growth and development. Many studies have been conducted on the impact of fiscal policy on economic growth in both developed and developing countries. The research focuses on revenue and expenditure as the basic instruments of public finance. The authors' approach to research on the effect of public expenditure on economic growth is oriented toward different forms of study for different categories of public expenditure, either according to functional divisions or budget classifications of expenditure. The relationship between government spending and economic growth has received a great deal of attention in recent years as economists and politicians try to figure out how government spending affects economic growth.

Researchers are interested in confirming and comprehending the links between fiscal policies and economic growth as a result of the current revival of interest in growth theory. By utilizing state budget resources more efficiently, it funds, stimulates, and supports in some way the areas that are more critical for growth, resulting in long-term economic development. This means that the budget serves as the state's primary financial pillar and the primary supplier of long-term economic development. Increasing the proportion of state budget expenditures directed to sustainable development is a requirement for the normal development of economic sectors and an important condition for our economic progress and, as a result, the formation of state budget revenues in order to achieve strategic goals in modern conditions.

They utilize the indicator of the ratio of state expenditures to GDP to think about the function of the state in the economy. Of course, this signal provides justification for a particular viewpoint, but it is insufficient to reach a conclusive decision. When we compare the dynamics of that indicator to the dynamics of economic progress, we see an intriguing phenomenon. As the economy grows and financial opportunities expand, the state's involvement in tackling social problems grows. In European nations such as Austria, France, and Germany, the particular weight of public expenditure in total expenditure has grown more than fivefold in the previous 150 years (Samedzade, 2020). The relationship between government spending and economic growth has received a great deal of attention in recent years as economists and politicians try to figure out how government spending affects economic growth (Nyasha and Odhiambo, 2019).

Government spending has piqued the interest of both academics and macroeconomic policymakers around the world due to its effects on an economy's level of growth. There are numerous political philosophers, including Hobbes and Locke, thought about the hypothetical disadvantages of life without government (Gukat and Ogboru, 2017).

Economic, social, and political events in today's mixed economic systems have raised questions about the role of the state in the economy. In general, the economic position of states is attempted to be determined by using the public expenditures measure. In general, there is an increasing trend in government expenditures. According to World Bank data, global public expenditures have risen by an average of 2,28% since the 1970s. The economic reflections of government spending, on the other hand, are generally examined in terms of their impact on economic growth (Altner, 2019).

Generally speaking, empirical studies of the impact of government spending on economic growth rely on a number of relative parameters, such as the share of budget spending in GDP, the share of those employed in the budget sector in total employment provided in the economy, the share of state budget investments in total investments, and so on.

2. LITERATURE REVIEW

Government spending and its influence on economic growth may be forecast in the short and long runs. However, economists are eager to learn about the influence of government spending on economic growth. A number of studies have been conducted in both developed and developing countries to investigate the relationship between public expenditure and economic growth. This section will go over some of the findings of this research.

Economic schools see government interference in economic life differently. Among these approaches, classical economists or classical financiers, who were previously accepted as the dominant view, assume that potential disruptions in an economy are temporary and that there are sufficient dynamics within the market economy structure to eliminate them; thus, they argue that state interventions in economic life are unnecessary. Despite

this, they argue that government intervention in the market will not assist the economy; rather, it will upset the order that functions within the natural rules of the economy.

The relationship between public expenditures and economic growth has been evaluated from different perspectives, and controversial results have been obtained. These discussions go back to Adam Smith, who is accepted as the founder of classical economic thought. Classical economic thought argues that public expenditures are ineffective, so their effect on economic growth will be negative and should be reduced as much as possible (Abar et al., 2014).

Economists have put forward many views about the position of the public in the economy. Among the primary objectives of the countries, there are many objectives such as ensuring economic growth, increasing the welfare level of their countries, and improving their living conditions. When the relationship between public expenditures and economic growth is evaluated by Wagner, it is in the direction that there will be an increase in public expenditures due to the diversification and increase in the needs of the country as a result of the realization of economic growth. Keynes, on the other hand, evaluated public expenditures among the factors that provide economic growth and argues that economic growth will occur thanks to the dynamism in the economy and the increase in the influence of the state in the economy (Tekbaş, 2019).

In theory, government investment is expected to increase private capital accumulation, which in turn should increase economic growth in the long run. And the impact of government consumption should be the inverse of that of government investment. Barro (1990) interprets government consumption as introducing distortions, such as high tax rates, without providing an offsetting boost to investment and growth (Haque, 2004).

Government investment in education and overall education expenditures are the only outlays that stay strongly related to growth throughout the investigation (Bose et al., 2007). Hasanli et al. (2009) investigated the impact of state budget spending on some macroeconomic indicators (inflation, salary, economic growth, etc.) in Azerbaijan (Hasanl, 2009).

Wang and Alvi (2011) used the Tobit regression and extreme bounds approach to identify the factors that contribute to government spending inefficiency. They discovered that as private economic activities like consumption, investment, and exports increased, so did government spending inefficiency (Wong, 2020).

Lamartina and Zaghini (2011) compared the public expenditures and economic growth figures of 23 OECD countries according to the ARDL panel data method. According to the result, Wagner's law is valid for the relevant countries, and economic growth, especially in developing countries, leads to a further increase in public expenditures (Lamartina and Zaghini, 2011).

Ağayev (2012) examined the relationship between public expenditures and economic growth in accordance with Wagner's law by taking 10 former Soviet countries as a sample for the years 1995-2009. As a result of the applied panel data and Granger causality tests, Wagner's law was found to be valid for the sample country group (Ağayev, 2012).

According to Christie (2012) research, governmental expenditures have a negative impact on economic growth (after an average of 33%) (Christie, 2012). Chamorro-Narvaez (2012) found that government expenditures and its impact on economic growth are in conclusive for developing countries under the neo-classical growth theory (Ağırman and Yılmaz, 2018). According to Alshahrani and Alsadiq (2014), a central question in growth theory is whether increasing government spending stimulates economic growth; however, empirical evidence is inconclusive (Dudzevičiūtė et al., 2018).

Esen and Bayrak (2015) examined the effects of 1990-2000 public spending on economic growth in the five Turkish republics using panel data analysis (*Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan*). The findings show that long-term government spending and economic growth have a positive and statistically significant relationship. The increase in public expenditures examined in transition countries has been found to have a positive effect on economic growth between 1990 and 2012 (Esen and Bayrak, 2015).

According to Forte and Magazine (2016), the link between economic growth and government spending is non-linear. As a result, after a certain level, government spending has a negative impact on economic growth (Forte and Magazzino, 2016). Kolawale (2016) discovered that only government spending directed towards the health sector induces inclusive growth in his study of government spending on various sectors (Kolawole, 2016).

In the research of Abdiyeva and Çetintaş (2017), when GDP increases by 1% in general, public expenditures increase by more than 1% in the long run. The causality test results show that there is a unidirectional causality between public expenditures and economic growth, from economic growth to public expenditures. While this

unidirectional causality finding rejects the Keynesian hypothesis, which states that public expenditures will increase economic growth in the analyzed period, it supports Wagner's law, which states that an increase in national income will increase public expenditures (Abdiyeva and Çetintaş, 2017).

Despite their mixed results, Kaur and Afifa (2017) confirm the Wagner law. In the case of the Indian economy, they also present evidence of a mutual causality linking government spending and economic growth (Kaur and Afifa, 2017). De Mendonça and Baca (2017) found that public health spending has a positive impact on economic growth (Dinçer and Yüksel, 2019).

In the research conducted by Mukhtarov and Rustamov (2018), the assessment of the effects of fiscal policy on economic growth from the perspective of the Azerbaijani economy was investigated. The results of the study using the method of least squares (OLS) showed that budget revenues have a negative effect on the Gross Domestic Product (GDP), and budget expenditures have a positive effect (Mukhtarov & Rustamov, 2018). In another research, Caliskan et al. (2018) concluded that education, health and social service expenditures positively affect economic growth (Çalışkan et al., 2018).

The results of the Karhan (2018) study's causality test show that there is no short-run causal relationship between government spending and economic growth, but there is a causal relationship between economic growth and government spending. Long-run causality exists between government spending and economic growth, as well as between economic growth and government spending (Karhan, 2018).

Trade openness is a major factor of economic growth in emerging economies. It has been argued in the literature that as a country's economy opens up and integrates with the international market, it is more likely that the country will experience high economic growth as a result of the allocation of new technology and innovative aids that aids in exploiting comparative advantage by increasing exposure to competition (Ahuja and Pandit, 2020).

Dan Lupu, et al (2018), used the ARLD model to assess the impact of public spending by function on economic growth in ten Southeast European countries from 1995 to 2015. According to the findings of the study, public expenditures on defense, public services, the economy, and social welfare have a negative impact on economic growth, whereas public expenditures on education and health care have a positive impact (Miftari et al., 2021).

Shaboti and Adıgüzel (2021) concluded in their research that there is a one-way relationship between the positive and negative components of public expenditures and economic growth. This means that Keynesian view is valid (Al-Shaboti and Adıgüzel, 2021). Individual studies measuring the impact of public spending on growth have contradictory results. However, considering the limitations applied in the studies, it is seen that there are many reasons for the conflicting results.

3. PUBLIC EXPENDITURES IN AZERBAIJAN

Improving the well-being of the population and ensuring the country's economic and social development are all dependent on budget expenditures. For this reason, spending budget expenditures correctly and according to their purpose, and improving the ways in which they are used, is one of the most pressing issues of our time.

In general, the first goal of any state is to have a strong economic force. In this way, first of all, it is necessary to choose the direction or strategy of economic development. In addition, it is important to direct all possible forces of the country to the realization of this concept within the capabilities of the state. After that, it is possible for the state to achieve a powerful economic situation and economic power. It goes without saying that the chosen development concept should be defined within the correct and objective possibilities.

The most generalized indicator that characterizes the scale of the state's activity in the economy is the amount of redistribution of financial resources through the state budget or the level of the share of state budget expenditures in GDP. The general view of public finance and the real GDP growth rate in the 2000-2021 periods in Azerbaijan are shown in Table 1. Looking at Table 1, it can be said that during the years 2000-2021, the expenses of the state budget exceeded the budget revenues. As it can be seen, only in 2004, 2006, 2011 and 2013 budget expenses were lower than budget revenues. On the other hand, during these years, the highest budget surplus was recorded in 2013 with 352,8 million manats, and the highest budget deficit was recorded in 2017 with -1077.8 million manats. Table 1 also gives the real GDP growth rate. According to the data in Table.1, Azerbaijan's economy has an average real GDP growth rate of 8% in 2000-2021, and significant fluctuations in the real GDP growth rate are observed in the mentioned period. Despite the recent Global Financial Crisis, 9,3% real GDP growth rate was recorded in 2009.

Table 1. Overview of the State Budget in Azerbaijan and Real GDP Growth Rate

Years	Revenues of the State Budget (in Million Manats)	Expenditures of the State Budget (in Million Manats)	Budget Deficit (in Million Manats)	Growth Rate in Real GDP (in Percent)
2000	714.6	764.0	-49.4	11.1%
2001	784.8	807.5	-22.7	9.9%
2002	910.2	931.8	-21.6	9.4%
2003	1220.9	1234.5	-13.6	10.2%
2004	1509.5	1502.1	7.4	9.3%
2005	2055.2	2140.7	-85.5	28.0%
2006	3868.8	3790.1	78.6	34.5%
2007	6006.6	6086.2	-79.6	25.0%
2008	10762.7	10774.2	-11.6	10.8%
2009	10325.9	10503.9	-177.9	9.3%
2010	11403.0	11765.9	-362.9	5.0%
2011	15700.7	15397.5	303.2	0.1%
2012	17281.5	17416.5	-135.0	2.2%
2013	19496.3	19143.5	352.8	5.8%
2014	18400.6	18709.0	-308.4	2.8%
2015	17498.0	17784.5	-286.5	1.1%
2016	17505.7	17751.3	-245.6	-3.1%
2017	16516.7	17594.5	-1077.8	0.2%
2018	22508.9	22731.6	-222.7	1.5%
2019	24398.5	24425.9	-27.4	2.5%
2020	26077.9	26416.3	-338.4	-4.3%
2021	26631.7	27422.4	-790.7	5.6%

Source: The State Statistical Committee of the Republic of Azerbaijan, https://stat.gov.az/source/finance/;
The World Bank, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AZ

The total government expenditure and total government revenue data given in Table.1 were graphed and Graph.1 was obtained. According to Graph.1, the series of public expenditures and public revenues in Azerbaijan develops with a similar trend. As can be seen from Graph.1, in general, government expenditures are higher than government revenues.

Graph 1. Total State Expenditures and Total State Revenues in Azerbaijan
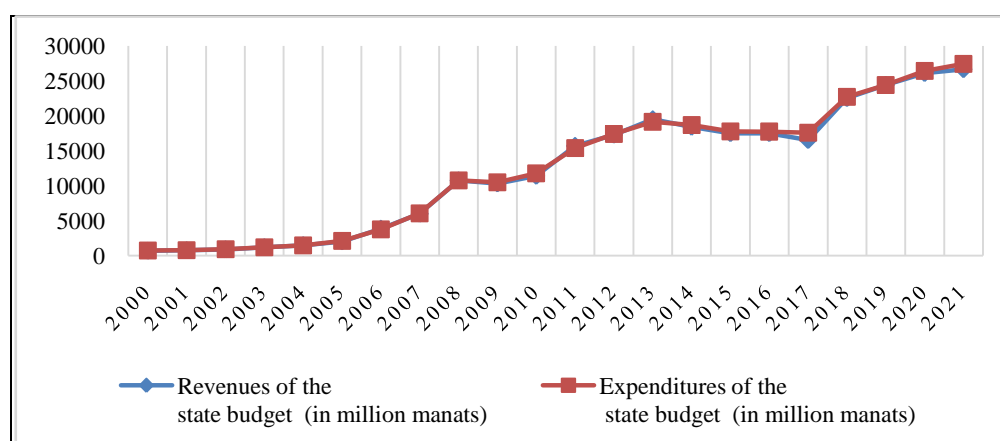
In the case of Azerbaijan, several research studies conducted by Aliyev and Nadirov (2016), Hasanov et al. (2016), Aliyev et al. (2016), Aliyev and Mikayilov (2016), Mukhtarov and Rustamov (2018), Hasanov et al. (2018) and Mukhtarov et al. (2018) investigated the impact of total government expenditures on economic growth and did not use government's education expenditures (Mukhtarov, 2020).

According to studies, the share of state budget expenditures in GDP in European countries is greater than 50 percent, whereas in Azerbaijan, it fluctuated between 16 and 36 percent between 2000 and 2021. So, while our country's specific weight of state budget expenses relative to GDP was 17,1 percent in 2005, it was 29,6 percent

in 2011, 32,7 percent in 2015, 36,4 percent in 2020, 36,4 percent in 2021, and 29,5 percent in 2021. In this regard, studies show that in order to identify a general pattern, the relationship between economic growth and the share of GDP redistributed by the state must be considered in a broader historical context.

The last few years, states use budget formation and management of budget funds as a means of managing the country's economy. However, recently, when global financial problems are becoming acute, the importance of budget processes as a means of managing the economy is increasing day by day.

4. METHODOLOGY

Based on current theoretical and empirical literature, this study hypothesizes a causal link between government spending and economic development in Azerbaijan. As a result, an exploratory causal research design is used to explore the influence of government spending on economic development in Azerbaijan. In examining data deemed relevant components of government expenditure and economic growth, an empirical econometric technique is used in research. The necessary time series data are taken from the Central Bank of Azerbaijan's Statistical Bulletin. The collection methodology is not probabilistic. Based on the anticipated causal relationship between the indicated variables of research interest, a stochastic multiple regression models are constructed to establish a link between government spending and economic development. This is to account for the potential impact of other variables that may have an impact on economic development but are not included in the model. This means that the effect of such random or intervening factors is acknowledged in the is study. However, the variables in the model are seen as components of government expenditure sufficient to explain economic development.

Government expenditure and economic growth data are used to estimate the specified model for numerical values of the coefficients of explanatory variables, as well as computation of other statistics relevant to the evaluation and operationalization of the study hypothesis, using appropriate econometric techniques. The estimated model is compared to provide a priori theoretical predictions regarding the sign of model coefficient numerical values. This sheds light on the nature and consequences of the link between government spending and economic development. Following cointegration and stability testing, the derived model is evaluated for statistical significance and explanatory capacity. The evaluation gives insight into the behavioral features of the various components of government spending included in the model, as well as the partial and combined effects on economic development. This offers a foundation for accepting or rejecting the study premise, as well as momentum for drawing conclusions about the role of government spending in the economic growth process. The model includes GDP as an explained variable, as well as education expenditures (EDEX), expenses to the economy (EXEC), health expenditures (HE), research expenditures (REX) and social protection and social security expenses (SPEX).

The model is estimated using ordinary least squares (OLS) procedures, which are aided by the using of the empirical econometric analysis program, E-Views. Other important data are included in the regression output to aid in further analysis and assessment. Estimates of model coefficients are examined for partial and joint significance of their influence on economic growth. The t- and F-statistics are used for assessment at the 0,05 level of significance and relevant degrees of freedom. The coefficient of determination is used to estimate the model's explanatory power as a measure of goodness of fit (R-Square and adjusted R-Square). These figures provide insight into the extent to which various government expenditures explain economic development in Azerbaijan over the time under consideration.

5. DATA ANALYSIS AND DISCUSSION

To examine the effects of public spending policy on long-term economic growth, the total amount of public spending must be divided into several categories and analyzed separately. Public expenditure on infrastructure and education has a direct impact on the economy's growth rate. In this case, changes in the rate of growth of public infrastructure and changes in the level of education affect the growth rate of the economy. In particular, whenever the level of education exceeds (lags) the level of knowledge and innovation there is a positive (negative) impact on economic growth. Other public expenditures, however, do not directly influence the growth rate (Grdinic, 2019). Statistical data and variables required for econometric evaluation are reflected in Table 2.

Table. 2 GDP and some state public expenditures

Year	GDP	EDEX	HE	EXEC	SPEX	REX
2000	4718.1	181.8	40.9	89.4	139.3	9.3
2001	5315.6	186.2	42.0	102.4	146.1	9.4
2002	6062.5	191.2	44.8	137.0	190.3	11.4
2003	7146.5	234.8	55.3	242.9	214.0	16.6
2004	8530.2	294.1	73.5	290.9	236.4	20.0
2005	12522.5	372.5	115.3	444.7	304.9	28.8
2006	18746.2	479.1	162.0	1246.9	341.5	32.0
2007	28360.5	723.0	257.2	2350.0	594.8	43.9
2008	40137.2	979.7	346.2	4958.6	846.4	62.1
2009	35601.5	1147.9	402.4	4373.9	1054.4	83.3
2010	42465	1180.8	429.2	4889.9	1123.0	92.8
2011	52082	1268.5	493.4	6803.2	1495.4	106.1
2012	54743.7	1453.2	609.4	6960.7	1769.5	116.7
2013	58182	1437.7	618.9	8207.5	1750.3	117.0
2014	59014.1	1553.9	665.3	7598.7	1971.2	124.2
2015	54380	1605.1	708.2	6408.8	1857.2	113.2
2016	60425.2	1754.4	702.5	4124.0	2645.2	110.2
2017	70337.8	1742.7	704.7	4394.3	2350.2	109.8
2018	80092	1966.6	709.9	7822.7	2150.7	117.8
2019	81896.2	2195.7	873.6	7961.5	2281.0	122.3
2020	72578.1	2774.3	1687.6	5545.6	3112.6	-
2021	92857.7	3092.2	1378.6	5500.6	3164.2	-

Source: The State Statistical Committee of the Republic of Azerbaijan https://stat.gov.az/source/finance/;

The GDP was regressed on the components of public expenditure (see Table 2) using EViews software, yielding the findings shown below.

Table 3. E-Views Regression Analysis Results

Dependent variable: GDP				
Method: Least Squares				
Date:08/24/22 Time: 22:06				
Sample (adjusted): 2000 2019				
Included observations: 20 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EDEX	42.77055	9.869571	4.333578	0.0007
EXEC	2.907037	1.135516	2.560102	0.0227
HE	-38.44630	29.69863	-1.294548	0.2164
REX	-180.1245	115.7979	-1.55507	0.1421
SPEX	9.450510	5.560096	1.699703	0.1113
C	124.4799	2220.195	0.056067	0.9561
R-squared	0.987824	Mean dependent var		39037.94
Adjusted R-squared	0.983475	S.D. dependent var		26138.20
S.E. of regression	3360.068	Akaike info criterion		19.32064
Sum squared resid	1.58E+08	Schwarz criterion		19.61935
Log likelihood	-187.2064	Hannan-Quinn criter.		19.37895
F-statistic	227.1529	Durbin-Watson stat		1.954952
Prob(F-statistic)	0.000000			

Source: E-Views Regression Output

While the signs of the coefficients for health expenditures (HE) and research expenditures (REX) are inconsistent with expectations about the relationship between GDP, the signs of the coefficients for education expenditures (EDEX), economic expenses (EXEC), and social protection and social security expenditures (SPEX) are. This indicates that health and research spending is negatively connected to economic growth and has a negative influence on it. However, education, economic, and social spending have a favorable impact on it.

The t-statistics and their probabilities associated with the coefficients show that, at the 0.05 level of significance, health expenditures (HE), research expenditures (REX), and social protection and social security expenses (SPEX) have negative effects on economic growth, whereas education expenditures (EDEX) and economic expenses (EXEC) have statistically significant positive effects on growth. The computed F-Statistic and its probability indicate that the combined effect of these components of government expenditure on economic growth is statistically significant. As a result, the study contends that there is a link between government spending and economic growth, and that the former has a significant impact on the latter.

The analysis also reveals that the explanatory variables included in the model explain approximately 98,8% of the variations in the explained variable. This means that, in the context of the model, government spending explained approximately 98,8% of the variability in economic growth during the study period. This high explanatory power indicates that the model is a good fit and that these components of government expenditure are important determinants of Azerbaijan's economic growth.

6. CONCLUSION

The impact of government spending on economic growth in Azerbaijan between 2000 and 2021 was examined in this study. This study has added to the empirical research on the effects of government spending on economic growth. As a result, this study adds to the growing body of evidence indicating that government spending is related to and has a significant impact on economic growth. In addition, the study concludes that the components of government spending examined in this study are important variables in explaining Azerbaijan's economic growth.

The study makes the following recommendations, among others, based on the findings of the empirical analysis;

- According to the result obtained from the analysis, an increase of 1 unit of education costs can increase economic growth by 42.8 units. The assessment shows that among the, the expenditure on education has a greater impact on economic growth among the variables. From this point of view, it is considered appropriate to increase education expenses in order to achieve high economic growth in the country;

- A one-unit increase in social protection and social security costs, on the other hand, leads to 9.5 units of economic growth. In comparison, a one-unit increase in economic costs leads to 2.9 units of economic growth. It is appropriate to increase social protection and social security, as well as economic spending, for this purpose;

- The existence of a relationship between government spending and economic growth necessitates the continued use of fiscal policy instruments in Azerbaijan to pursue macroeconomic goals.

REFERENCE

ABAR, Hayri, ERKAL, Gökhan and YILMAZ, Ömer (2014), "*Kamu Harcama Çeşitleri ile Ekonomik Büyüme Arasındaki Nedensellik İlişkisi: Gelişmiş, Gelişmekte Olan ve Az Gelişmiş Ülkeler Üzerine Bir Panel Veri Analizi*", **Uludağ Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi**, S.33(2), ss.127-146.

ABDIYEVA, Raziye and ÇETİNTAŞ, Hakan (2017), "*Kamu Harcamaları ve Ekonomik Büyüme Arasındaki İlişki: Kırgızistan Örneği*", **Optimum Ekonomi ve Yönetim Bilimleri Dergisi**, S.4(1), ss.19-34.

AĞAYEV, Seymur (2012), "*Kamu Harcamaları ve Ekonomik Büyüme İlişkisi: Eski Sovyetler Birliği Ülkelerinde Wagner Yasası Analizi (1995-2009)*", **Eskişehir Osmangazi Üniversitesi İktisadi ve İdari Bilimler Dergisi**, S.7(2), ss.7-27.

AĞIRMAN, Ensar and YILMAZ, Ömer (2018), "*Government Expenditures and Economic Growth: An Analysis of Developed, Developing and Underdeveloped Countries*", **Anemon Muş Alparslan Üniversitesi Sosyal Bilimler Dergisi**, S.6(4), ss.519-529.

AHUJA, Deepti and PANDIT, Deepak (2020), "*Public Expenditure and Economic Growth: Evidence from the Developing Countries*", **FIIB Business Review**, S.9(3), ss.228-236.

AL-SHABOTI, Moatasem Mohammed Hasan and ADIGÜZEL, Uğur (2021), "*Yemen'de Kamu Harcamaları ve Ekonomik Büyüme İlişkisi: 1989-2019 Dönemi*", **Journal of International Management Educational and Economics Perspectives**, S.9(2), ss.197-215.

ALTINER, Ali (2019), "*OECD Ülkelerinde Kamu Harcamaları ve Ekonomik Büyüme İlişkisi: Panel Simetrik ve Asimetrik Nedensellik Analizi*", **Atatürk Üniversitesi İktisadi ve İdari Bilimler Dergisi**, S.33(3), ss.849-870.

BOSE, Niloy, HAQUE, M. Emranul and OSBORN, Denise R. (2007), "*Public Expenditure and Economic Growth: A Disaggregated Analysis for Developing Countries*", **The Manchester School**, S.75(5), ss.533-556.

CHRISTIE, Tamoya (2012), "*The Effect of Government Spending on Economic Growth: Testing the Non-Linear Hypothesis*", **Bulletin of Economic Research**, S.66(2), ss.183-204.

ÇALIŞKAN, Şadan, KARABACAK, Mustafa and MEÇİK, Oytun (2018), "*Türkiye'de Uzun Dönemde Eğitim ve Sağlık Harcamaları ile Ekonomik Büyüme İlişkisi*", **Dokuz Eylül Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi**, S.33(1), ss.75-96.

DİNÇER, Hasan and YÜKSEL, Serhat (2019), "*Identifying the Causality Relationship between Health Expenditure and Economic Growth: An Application on E7 Countries*", **Journal of Health Systems and Policies**, S.1(1), ss.5-23.

DUDZEVİČIŪTĖ, Gitana, ŠIMELYTĖ, Agne and LIUČVAITIENĖ, Ausra (2018), "*Government Expenditure and Economic Growth in the European Union Countries*", **International Journal of Social Economics**, S.45(2), ss.372-386.

ESEN, Ömer and BAYRAK, Metin (2015), "*Kamu Harcamaları ve Ekonomik Büyüme Iliskisi: Geçis Sürecindeki Türk Cumhuriyetleri Üzerine Bir Uygulama*", **Bilig Dergisi**, S.73, ss.231-248.

FORTE, Francesco and MAGAZZINO, Cosimo (2016), "*Government Size and Economic Growth in Italy: A Time-Series Analysi*", **European Scientific Journal**, S.12(7), ss.149-169.

GRDINIC, Maja (2019), "*Public Expenditures and Economic Growth: The Case of the Republic of Croatia*", **Economic and Social Development: Book of Proceedings** (Ed. Miroslaw Przygoda, Petar Misevic, Mustapha Machrafi), 25-26 November 2019 – Warsaw, ss.198-206.

GUKAT, Bonmwa Tontu and OGBORU, Ishmael (2017), "*An Empirical Analysis of Government Expenditure and Economic Growth in Nigeria*", **Journal of Economics and Development Studies**, S.5(4), ss.122-134.

HAQUE, M. Emranul (2004), "*The Composition of Public Expenditures and Economic Growth in Developing Countries*", **Global Journal of Finance and Economics**, S.1(1), ss.97-117.

HASANLI, Yadulla, BULUT, Cihan, VALIYEV, Vilayat and BAXIŞOV, N (2009), "*Bütçe Harcama Kanallarının Sosyo-Ekonomik Kalkınma Göstergelerine Etkisi*", **X Ekonometri ve İstatistik Sempozyumu Bildiriler Özet Kitapçığı**, 27-29 Mayıs 2009 - Erzurum, Atatürk Üniversitesi Yayını, Erzurum, ss.10

KARHAN, Gökhan (2018), "*The Relationship Between Public Expenditures and Economic Growth: A Panel Var Approach*", **Cumhuriyet Üniversitesi İktisadi ve İdari Bilimler Dergisi**, S.19(2), ss.35-43.

KAUR, Kirandeep and AFIFA, Umme (2017), "*Testing Wagner's Law in India: A Cointegration and Causality Analysis*", **Communications in Statistics-Theory and Methods**, S.46(17), ss.8510-8520.

KOLAWOLE, Bashir Olayinka (2016), "*Government Spending and Inclusive-Growth Relationship in Nigeria: An Empirical Investigation*", **Zagreb International Review of Economics and Business**, S.19(2), ss.33-56.

LAMARTINA, Serena and ZAGHINI, Andrea (2011), "*Increasing Public Expenditure: Wagner's Law in OECD Countries*", **German Economic Review**, S.12(2), ss.149-164.

MIFTARI, Florije, KIDA, Nakije and SHALA, Nuhi (2021), "*The Effect of Public Expenditures on Economic Growth of Kosovo: An Econometric Analysis*", **Economics, Management and Sustainability**, S.6(1), ss.61-69.

MUKHTAROV, Shahriyar and RUSTAMOV, Ulvi (2018), "*Fiskal Siyasətin İqtisadi Artıma Təsirlərinin Qiymətləndirilməsi: Azərbaycan Nümunəsi*", **II International Scientific Conference of Young Researchers**, 27-28 April 2018 – Baku, Baku Engineering University Publisher, Bakü, ss.527-531.

MUKHTAROV, Shahriyar, MAMMADOV, Ilkin and HUMBATOVA, Sugra Ingilab (2020), "*The Relationship between Government Expenditures on Education and Economic Growth: The Case of Azerbaijan*", **Research in World Economy**, S.11(1), ss.195-201.

NYASHA, Sheilla and ODHIAMBO, Nicholas M. (2019), "*The Impact of Public Expenditure on Economic Growth: A Review of International Literature*", **Folia Oeconomica Stetinensia**, S.19(2), ss.81-101.

SAMEDZADE, Ziyad (2020), "*Dövlətin Iqtisadi Təhlükəsizliyinin Təmin Edilməsinin Bəzi Məsələləri Barədə*", **İqtisadi Təhlükəsizlik: Mövcud Vəziyyət və Perspektivlər**, 8-9 Temmuz 2020 – Sumgayit, Sumgayıt Devlet Üniversitesi Yayını, Sumgayıt, ss.8-17.

TEKBAŞ, Murat (2019), "*Kamu Harcamalarının Ekonomik Büyüme Üzerine Etkisi: 1990-2017 Türkiye Örneği*", **İşletme Araştırmaları Dergisi**, S.11(4), ss.2412-2424.

THE STATE STATISTICAL COMMITTEE OF THE REPUBLIC OF AZERBAIJAN (2022), **The State Statistical Committee of the Republic of Azerbaijan Corporate Web Page**, https://stat.gov.az/source/finance/ (Date of Access: 23.08.2022).

THE WORLD BANK (2022), **The World Bank Corporate Web Page**, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AZ (Date of Access: 23.08.2022).

WONG, Sing Yun (2020), "*Assessment of Public Expenditure Efficiency: A Review*", **Journal of Economics and Sustainability (JES)**, S.2(2), ss.12-12.