

## Original Research Article

# THE EFFECT OF PRIVATE AND PUBLIC HEALTH EXPENDITURE ON ECONOMIC GROWTH IN SUB-SAHARAN AFRICA

### ABSTRACT

This study examined the relationship between health expenditure and economic growth in sub-Saharan Africa. The General Method of Moments (GMM) estimation technique was used and the data covered the period 2000-2019 for forty-six countries. The results of the difference GMM-1 and GMM-2 steps indicate that, a 1% change in public health expenditure per capita (LPUHE\_PC) is associated with a 0.1362% and 0.1521% rise in GDP per capita (GDP\_PC) in the short run. The system GMM-1 and GMM-2 steps indicate that, a percentage change in LPUHE\_PC is associated with a respective 0.0148% and 0.0109% rise in GDP\_PC in the short run at 1% level of significance, on average ceteris paribus. In the long run, the difference GMM-2 step indicates that a 1% change in the LPUHE\_PC has a larger positive effect on the GDP\_PC (1.34899%) than in the short run (0.1521%). The result of the system GMM-1 and GMM-2 step indicates that a 1% change in LPUHE\_PC has a larger positive effect on the GDP\_PC in the long run (0.39967% and 0.24135%) than in the short run (0.0148% and 0.0109%) respectively. This analysis indicates that a rise in government health spending will stimulate economic growth with a larger effect in the long run than in the short run in Sub-Saharan Africa. Thus, the government should increase health budgetary allocations.

Keywords: public spending, General Method of Moments (GMM), economic growth, GDP per capita, long run.

### 1. Introduction

The two main functions of the government in any given society are fortification (security) and the supply of certain public goods. Public expenditures include defense, roads, education, health,

and power under the terms of public goods. Increased government spending on socioeconomic and physical infrastructures, according to some researchers, promotes economic growth. Labor productivity and national production growth is highly improved when Government expenditure on education and health, is on the increase. Similarly, lower production costs, infrastructure expenditure, such as power, roads and communications could enhance firm profitability, and private sector investment, which promote economic growth (Akpokerere & Ighoroje 2013). Lane, Shannon and Kim (2013) investigated the association between national health outcomes and public health spending in developed countries, discovering that government expenditure was negatively correlation with infant mortality rate and positive associated with expected living-period.

Private health expenditure components include payments directly for health by corporations, households (out-of-pocket expenditure), and charitable health cover, and is defined as a proportion of total health expenses. The household's expenditure accounts for 32 percent to 38 percent of overall health-care spending in Sub-Saharan Africa. In Sub-Saharan Africa, health spending increases life expectancy and reduces newborn mortality, under-five mortality, and crude death. Private health spending has also been proven to have a significant positive link on expected living-period and a negative impact on below five years mortality (Weibo & Yimer, 2019)

Inadequate investment from corporate and public sectors makes improving health outcomes in Africa difficult. Most African governments find it difficult to devote at least 15% of their yearly financial plan to the health division, as recommended by the World Bank. This can be attributed to rising health-care expenses and the economic crisis, both of which have increased the burden on health-care spending. Infrastructure, equipment, and qualified health care practitioners are all

lacking in these African countries' health-care systems. In 2010, African countries spent an average of US\$ 135 per capita on health, compared to US\$ 3150 in high-income countries. Furthermore, in 2016, health spending per capita in the Latin American and Caribbean regions, European Countries, Sub-Saharan Africa and North America, , and was approximately \$ 63, \$3,183, \$84, and, \$9,031 correspondingly (W.H.O. 2013). This demonstrates how distant African countries are from meeting the bare minimum of health-care requirements, let alone catering to the health needs of Africans in particular (Weibo and Yimer, 2019). This has resulted in higher rates of mother and newborn mortality, HIV/AIDS, and other deadly diseases in Africa. These figures show that Sub-Saharan African countries need to invest more in health in order to catch up with other parts of the world.

Even before the advent of covid-19 pandemic, global health spending has continued to rise, albeit at a slower rate in recent years. In 2016, the global health budget was US\$7.6 trillion, which grew to US\$7.8 trillion in 2017. 2018 was the first time in five years that global health spending increased slower than GDP (World Health Organization, 2020). An Increase in investment is required to keep up with the needs of preserving the population's excellent health, the health department, faster than the economy keeps developing. In real terms, GDP and global health spending, raised by 3.0 percent and by 3.9 percent per year respectively between 2000 and 2017.

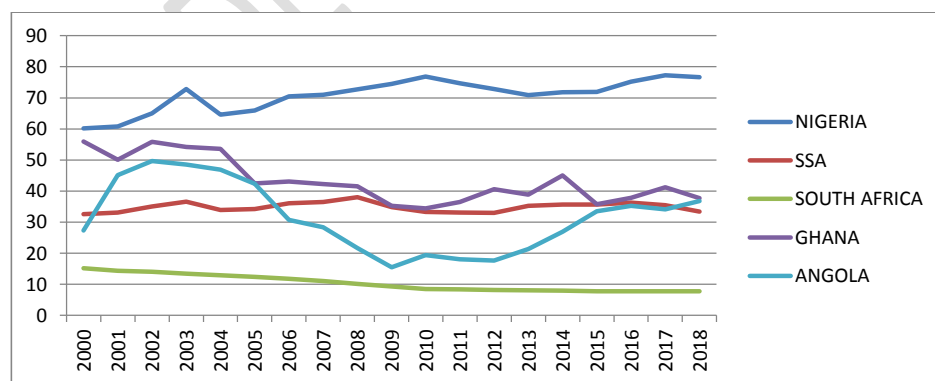
This study will look at the impact of private and public health spending on Sub-Saharan Africa's economic growth, as well as the validity of Wagner's theory of government spending, The expansion of an economy and the increase of government operations are functionally related, according to this theory, the latter is growing at a faster rate than the former.

## 2. Literature Review

### The Trend of Private and Public health expenditure

#### Private Health Expenditure

This has to do with spending from collective assets that are not within government power, like payments directly for health by corporations, the out-of-pocket expenditure from the households, and charitable health cover and is defined as a proportion of total health expenses on health. Some countries like Nigeria and Ghana expenditure out-of-pocket for health is more than 60% and 55% respectively and on a relative increase in Nigeria but a decrease in Ghana from year 2000 to 2018 as shown in the *Figure 2.2* below. This shows that Ghana, expenditure- out-of-pocket is on a decline and this signify that other means of health care expenditure, for instance public health expenditure is steadily kicking out the health care payment from out-of-pocket while in Nigeria health -care is dominated by the expenditure-out-of -pocket way of payment which is on the rise yearly . Countries like South-Africa have low figures of 17.7% as at 2018 and Angola have unsteady figures ranging from 15% to 49%. For Sub-Saharan Africa as whole, has a range of 32%-38% of total health care payments which is by means of out-of-pocket spending



Source: Author's compilation with data from World Development Index (WDI) 2021

Figure 1.: Out-Of-Pocket Expenditure (% of Total Health Expenditure) 2000-2018

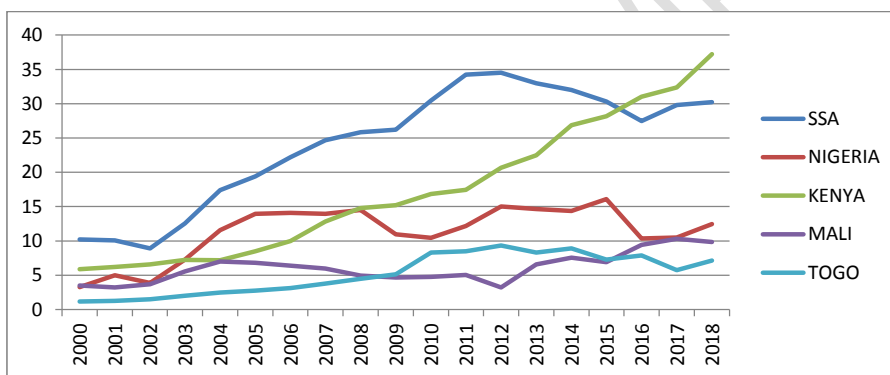
### **Public Health Expenditure**

This denotes the amount of money spent on health care by the government and this amount of money is got from the social security schemes, local government bodies, state and regional. State capital formation in health includes both public investment in health facilities and capital transfers to the private sector for hospital building and equipment. Capital spending from municipal and central government financial plans, and foreign borrowings, social health cover and grants funds are included in public health spending. The impact of major changes in government spending on the gross domestic product was investigated, and it was discovered that, contrary to popular belief, more government spending may not be the best way to grow the Zambian economy (Mpundu, Mwafulirwa, Chaampita & Salwinda, 2019). Public health coverage in Egypt offered free health service via the ministry of health. The country currently is working on improving its public health care system. (Rashad & Sharaf, 2015).

The dynamic interaction or association between macroeconomic factors and public health expenditure of India 15 major states from 1990-2014 was a study carried by Behera and Dash (2018). The result of empirical studies has shown that the financing the health care of Indian states is mainly by the public providers (the central transfer- tax devolution and state's revenue -tax revenue and indirect tax). There is no impact exhibited by other sources (non-tax revenue and direct tax) of government revenue on the short run on spending of public -health but on the long run the impact was positive. As a result, it was found that favorable impact on public health expenditure in the long run is traceable to fiscal balance and growth of economy. The adequate utilization of grants from the central and a rise in the tax-base due to enhanced way of

collection of revenue would bring about in the economy fiscal space. As a result channeling enough funds toward public health care by the government become practical.

Figure 2.3 below shows that the public expenditure per capita on health excluding funds from external sources for sub-Saharan Africa increased from approximately \$10 in the year 2000 to \$30 US dollars in 2018. Nigeria, Mali and Togo also experienced increases as shown also in the graph below with Kenya having an impressive increase from \$5.8 to \$37 in 2018. Despite the notable increases, the recommended \$44 recommendation hasn't been reached as at 2018.



Source: Author's compilation with data from World Development Index (WDI) 2021  
 Figure 2.: Public Expenditure on Health 2000-2018

## Theoretical framework and empirical review

### Theoretical Framework

The theoretical understanding of the relationship between expenditure and growth is supported by the standard dynamic model of growth. The generalization of the models of economic growth, which is associated with the Keynesian model that describes the fractional dynamics of national income. In this model Keynes recognizes the income is a primary determinant of spending by

households if people had more income they would buy more goods and services, which in turn raise the level of aggregate demand. Similarly, increased government spending, raises aggregate demand and increases consumption. These linkages become a key piece of the complete macro model.

In the standard dynamical Keynesian model with continuous time,

$$E(t) = C(t) + I(t) + G(t) \text{ Where,}$$

$Y(t)$  is the national income;  $G(t)$  is the government expenditure;  $C(t)$  captures the consumption expenditure;  $I(t)$  describes the investment expenditure. All the variables describe the dynamics of the expenditure parts of the economy where  $E(t)$  is a total expenditure, i.e.,  $E(t)$  is defined as the total of all expenditures

#### **Effects of public and private health expenditure on economic growth**

Tae Kuen and Shannon Lane (2013) analyzed the relationship between public health expenditure and national health outcomes among developed countries and data was collected from seventeen OECD countries between 1973- 2000. Infant mortality rate and life expectancy at birth were used as dependent variables and to analyze cross-country panel data, a mixed effect model was used. Government health expenditure and public health outcomes gave a statistically significant result and a positive relationship between government health expenditure and life expectancy at birth. Ali and Ogeto (2019) investigated the effect of health expenditure on economic growth in Sub Saharan Africa using the linear dynamic generalized method of moments instrumental variable (GMM-IV) on a panel data of 38 Sub-Saharan African countries over the period 2000-2016. Results revealed that health expenditure significantly improves economic growth in Sub Saharan Africa. The Public and private health expenditures gave a significant positive relationship on economic growth as separate effects. In addition to health expenditure, other

determinants like gross domestic saving, foreign direct investment, and labor force brought a statistically significant improvement on economic growth. Weibo and Yimer (2019) examined the effect of health expenditure on the selected health outcomes which included Life Expectancy, Infant Mortality, Under-Five Mortality and Crude death in Sub Saharan Africa. The linear dynamic generalized method of moments instrumental variable (GMM-IV) was used on a panel of 39 Sub-Saharan African Countries for the years 1995-2014. Results of this study showed that health expenditure significantly improves life expectancy and lowers infant mortality, under-five mortality & crude death in Sub Saharan Africa. The separate effects of Public and private health expenditures have also shown a significant positive relationship on life expectancy and negative on infant mortality, under-five mortality & crude death. Behera and Dash (2018) examined the dynamic relationships between public health expenditure and macroeconomic factors like economic growth, domestic revenue, domestic debt, fiscal balance, and central government transfer of 15 major states of India using the period 1990-2014. The empirical result showed that state's revenue (i.e. tax revenue and indirect tax) and central transfer (i.e. tax devolution) are the major public providers for financing the health care of Indian states. The result suggested the improvement in revenue collection, increase in the tax base and the efficient utilization of central grants would generate fiscal space in the economy, and thereby the government can apportion additional funds toward public health care. Mpundu, Mwafulirwa, Chaampita and Salwindi (2019) explored the fundamental changes in public expenditure and the resulting effect on the gross domestic product using an ARDL approach for time series data over the period 1980-2017. The control variables included foreign direct investment and current account balance. The objective was to determine changes which had occurred with regard to the performance of GDP

since 1980. Contrary to theory, increased government expenditure may not be ideal for growing the Zambian economy

### 3. Methodology

The General Method of Moments (GMM) estimation technique was used and the data covered the period 2000-2019 for forty-six countries in sub-Saharan Africa and the data would be derived from the ministry of health and World Bank Database.

#### Model specification

Objective: Examine the impact of governmental and private health spending on Sub-Saharan Africa's economic growth.

$$GDP = f(PUHE, PRHE, INFL, PGR, LF) \quad (3.1)$$

$$\ln GDP_{it} = \alpha_0 + \alpha_1 \ln PUHE_{it} + \alpha_2 \ln PRHE_{it} + \alpha_3 \ln INFL_{it} + \alpha_4 \ln PGR_{it} + \alpha_5 \ln LF_{it} + \varepsilon_{2it} \quad (3.2)$$

Where;

INFL stands for inflation, PGR stands for population growth, and LF stands for life expectancy at birth, PRHE is for private health spending.

**PUHE**

**Comment [U1]:** This variable is not defined. Please define it

$\beta_s, \alpha_s, \delta_s$  represent the coefficients of the regression equation, " $\beta_0, \alpha_0, \delta_0$ " are constants and " $\varepsilon_{1it}, \varepsilon_{2it}, \varepsilon_{3it}$ " are the error term. GDP is Gross domestic product capturing economic growth,

$H_0$ : There is no significant relationship between public health expenditure and economic growth in Sub-Saharan Africa

## Results and Discussion of Results

### Unit root test

Comment [U2]: Please number it

Comment [U3]: Little more explanation of the concept could add more value to the manuscript

To avoid estimating a spurious regression, the unit root tests are presented in *table 1* so that the stationary condition of the series could be achieved before further estimation is carried out. In this study the Fisher, Phillip Perron (PP), Fisher Augmented Dickey Fuller (ADF), I'm-Pesaran-Shu (IPS) and Levin, Lin and Chu (LLC) unit root tests were conducted. Therefore, conducting a co-integration test to examine if a long run relationship exists among the variable is not necessary

**Table 1 Unit root Analysis**

Variables	Fisher PP		Fisher ADF		IPS		Remark
	Level	First difference	Level	First difference	Level	First difference	
LGDP_PC	116.630 (0.0524)	370.19 (0.000)	86.399(0.645) )	211.37 (0.000)	3.721(0.999)	-7.012 (0.000)	I (1)
PUHE_PC	72.091 (0.938)	665.46 (0.000)	67.737 (0.973)	304.55 (0.000)	1.956 (0.975)	-11.194 (0.000)	I (1)
PRHE_PC	78.886 (0.871)	671.65 (0.000)	86.057(0.655) )	259.45 (0.000)	0.389 (0.651)	-9.901 (0.000)	I (1)
CHE_PC	68.458(0.939)	483.33 (0.000)	75.862(0.819) )	249.49 (0.000)	0.512 (0.696)	-8.787 (0.000)	I (1)
LLEB	51.399(0.999)	146.13 (0.000)	73.616 (0.920)	1098.14 (0.000)	3.203 (0.999)	-28.576 (0.000)	I (1)
LGE	166.615 (0.100)	-12.504 (0.000)	109.008(0.084)	324.49 (0.000)	1.461(0.072)	-12.504 (0.000)	I (1)

*The probability values are in parentheses*

*Source: Author's Computation*

### Cointegration Tests for the GMM model

**Comment [U4]:** Little more explanation of the concept could add more value to the manuscript

Having established the order of integration of the series, this study employed both the Kao and Pedroni cointegration tests for the possibility of long-run equilibrium between the variables under study. The test results are presented in *table 2* below. The Pedroni test results for the model, which capture the first ADF can be rejected at 1% level of significance. In addition, for the same model, the Kao test reveals that there is co-integration and long-run relationship between all the variables at 1 percent level of significance. The results of Rho panel and group are all consistent with the assumption of cointegration among the variables

**Table 2 Cointegration tests**

Cointegration Test	KAO ADF Statistics	Pedroni Cointegration test					
		Panel PP-Statistic	Group PP-Statistic	Panel ADF-Statistic	Group ADF-Statistic	Panel Rho Statistics	Group Rho Statistics
	-4.2384 (0.0000)	-13.6455 (0.0000)	-7.4203 (0.000)	-3.4441 (0.0003)	4.1967 (0.0023)	5.7759 (0.0324)	11.7075 (0.0145)

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Source: Author's Computation*

### Presentation of Results

The objective of this paper is to examine the effect of public and private health expenditure on economic growth in Sub- Sahara Africa

### Short-run effect of private and public health expenditure on economic growth

The short-run impact of private and public health spending on economic growth is depicted in this section utilizing the Generalised Moments Methods (GMM). The findings of one-step and two-step differences, as well as system dynamic panel GMM estimate, are presented. *Table 3* shows the outcome of one-step short-run differenced GMM panel data estimate. From the result, one lag value of LGDP\_PC at a 1% level of significance, it was discovered to be positive and significant, indicating that one lag value of GDP\_PC has a direct effect on the current GDP\_PC in the short run. The results of the difference GMM-1 step indicate that, a percentage change in public health expenditure per capita (LPUHE\_PC) is associated with a 0.1362% increase in GDP per capita (LGDP\_PC) in the short run at 5% level of significance, on average ceteris paribus. Although, a 1% change in public health expenditure per capita results is less than 1% change in Real Gross Domestic Products (GDP\_PC), but an increase in government spending on health will improve economic growth in Sub-Saharan Africa in the short run. The AR (1) has a significant probability value as expected, while the probability value of AR (2) is not significant which shows The lack of a second order serial correlation indicates that the lag of the dependent variables employed as instruments is not endogenous. The probability of the Hansen test (0.289) is not significant and it indicates that the instruments are good. In summary, higher government health-spending will aid the Sub-Saharan Africa's economic-growth in the short run.

**Table 3: Short-Run differenced & system(GMM-1 & GMM-2) Dynamic Panel Data Estimation**

LGDP_PC	Diff GMM_1	Diff GMM_2	Sys GMM_1	Sys GMM_2
	0.863515 (19.21)***	0.887258 (16.81)***)	0.96297 (43.07)***	0.955029 (31.67)***
LGDP_PC_1				
LPUHE_PC	0.001362(2.36)**	0.001521(2.42)**	0.000148 (2.96)***	0.000109 (1.67)*

LPRHE_PC	0.000492(1.01)	0.000499(1.04)	-0.00021(-1.34)	-9.3E-05(-0.59)
LGE	0.00622(0.22)	0.005134(0.19)	0.00306(0.15)	0.013801(0.8)
PGR	0.033996(1.03)	0.021106(0.51)	0.027858(1.27)	0.003432(0.16)
LCHE_PC	-0.00432(0.18)	-0.00843(-0.36)	0.016635(2.01)	0.014591(1.36)
Hansen Prob	0289	0.289	0.393	0.393
Sargan test	19.56	19.56	30.24	30.24
Sargan Prob	0.297	0.297	0.035	0.035
Hansen test	19.72	19.72	18.97	18.97
AR (1) test	-2.4	-2.32	-2.46	-2.76
AR (1) P-value	0.017	0.02	0.014	0.006
AR (2) test	0.22	-0.03	-1.07	-1.39
AR (2) P-value	0.823	0.973	0.287	0.164
No. of Instruments	23	23	24	24
No. of Observations	634	634	620	620

The Z statistics in parenthesis and \*, \*\*, & \*\*\* correspond to 10%, 5%, & 1% level of significance

*Source: Author's Computation*

### Short-Run differenced GMM-2 Dynamic Panel Data Estimation

Table 3 presents the result of the two-step short-run differenced GMM panel data estimate. From the result, one lag value of LGDP\_PC was found to be positive and significant at the 1 % level of

significance, indicating that a one lag value of GDP\_PC has a direct effect on current GDP\_PC in the short run. The results of the difference GMM-2 step indicate that, a percentage change in public health expenditure per capita (LPUHE\_PC) is associated with a 0.1521% increase in GDP per capita (LGDP\_PC) in the short run at 5% level of significance, on average ceteris paribus. Despite the fact that a 1% increase in public health-expenditure per capita results in a 1% increase in GDP per capita (GDP PC), The probability value of the AR (1) is 0.02 which is significant as expected, while the probability value of AR (2) is not significant which shows that there is no second order serial correlation, The AR (2) infers that lag of the dependent variables used as an instrument are not endogenous. The probability of Hansen test (0.289) shows that it is not significant and it indicates that the instruments are good. In summary, in the short run, increasing government spending on health will spur Sub-Saharan Africa's economic growth.

#### **Short-Run system GMM-1 Dynamic Panel Data Estimation**

*Table 3* showed the outcome of one-step short-run GMM panel data estimate. From the result, one lag value of LGDP\_PC at a 1% level of significance, it was discovered to be positive and significant, indicating that one lag value of GDP\_PC has a direct effect on the current GDP\_PC in the short run. The results of the system GMM-1 step indicate that, a percentage change in public health expenditure per capita (LPUHE\_PC) is associated with a 0.0148% increase in GDP per capita (LGDP\_PC) in the short run at 1% level of significance, on average ceteris paribus. Although a 1% increase in public health expenditure per capita translates in a smaller than 1% rise in GDP per capita (LGDP PC), an increase in government health spending will help economic growth in Sub-Saharan Africa in the short term. A percentage rise in current health expenditure per capita is also related with a 1.66353 percent increase in GDP per capita (LGDP PC) in the near term at a level of 5% significance, on ceteris paribus average, according to the

system GMM-1 step result. A one percent change in current health expenditure per capita results in more than 1% change in GDP per capita (LGDP\_PC). The probability value of the AR of order 1 is 0.014 and shows it is significant while the probability value of AR of order 2 is not significant which shows that there is no second order serial correlation which implies that lag of the dependent variables used as instruments are not endogenous. The Hansen Prob (0.393) is not significant and it indicates that the instruments are good. Thus, an increase in current health expenditure per capita and government spending per capita on health will improve economic growth in Sub-Saharan Africa in the short run.

#### **Short-Run system GMM-2 Dynamic Panel Data Estimation**

*Table 3* presents the result of the two-step short-run system GMM panel data estimate. From the result, one lag value of LGDP\_PC was found to be positive and significant at the level of 1 % significance, indicating that a one lag value of LGDP\_PC has a direct effect on current LGDP\_PC in the short run. The results of the system GMM-2 step indicate that, a percentage change in public health expenditure is associated with a 0.0109% increase in GDP per capita (LGDP\_PC) in the short run at the level of 10% significance, on average ceteris paribus. Although, a 1% change in public health expenditure results in a less than 1% change in GDP per capita (LGDP\_PC), an increase in government spending on health will improve economic growth in Sub-Saharan Africa in the short run. The probability value of the AR of order 1 is 0.006 which shows that the result is significant at order 1 while the probability value of AR of order 2 (0.164) is not significant which shows that there is no second order serial correlation and this means that lag of the dependent variables used as instruments are not endogenous. The Hansen Prob (0.393) is not significant and it indicates that the instruments are good.

#### **Long-Run effect of private and public health expenditure on economic growth**

This section shows the long-run effect of private and public health expenditure on economic growth using the Generalised Methods of Moments (GMM). It presents results of one-step and two-step difference and system dynamic panel data estimation. *Table 4* presents the result of the one-step long-run difference GMM panel data estimate. From the result, LPUHE\_PC is found to be positive significant at 5% level. The result of the difference GMM-1 step indicates that a percentage change in public health expenditure per capita in the long run is associated with 0.99811% rise in growth of economy at the level of 5% significance, on ceteris paribus average. Hence, public health expenditure per capita on economic growth exhibits a direct relationship, indicating that a 1% change in public health expenditure results in a less than 1% change in Real Gross Domestic Products (GDP\_PC). In addition, a one percent change in the public health expenditure per capita has a larger positive effect on the GDP\_PC in the long run-(0.99811%) than in the short run-(0.13623%). In sum, a rise in government spending on health will improve (in the long run) Sub-Saharan Africa's economic-growth.

**Table 4: Long-Run differenced & system (GMM-1 & GMM-2) Dynamic Panel Data Estimation**

LGDP_PC	Diff GMM_1	Diff GMM_2	Sys GMM_1	Sys GMM_2
LPUHE_PC	0.0099811 (2.16)**	0.01348999 (1.80)*	0.0039967 (2.51)**	0.0024135 (2.04)**
LPRHE_PC	0.0036053 (1.09)	0.0044218 (1.02)	-0.0055443 (-0.95)	-0.0020656 (-0.52)

LGE	0.0455754 (0.22)	0.0455329 (0.19)	0.0826226 (0.15)	0.3068859 (0.82)
PGR	0.2490789 (1.19)	0.1872018 (0.58)	0.7523152 (0.86)	0.0763205 (0.16)
LCHE_PC	-0.0316542 (-0.17)	-0.0747407 (-0.32)	0.4492342 (2.06)**	0.3244548 (2.24)**

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Source: Author's Computation*

#### **Long-Run difference GMM-2 Dynamic Panel Data Estimation**

Table 4 presents the result of the two-step long-run differenced GMM panel data estimate. From the result, LPUHE\_PC was found to be positive significant at 10% level. The result of the difference GMM-2 step indicates that a percentage change in public-health expenditure per head in the long run is associated with a 1.34899% rise in the growth of economy at the level of 10% significance, on ceteris paribus average. Hence, public-health expenditure per head on economic-growth exhibits a direct relationship, indicating that a 1% change in public-health expenditure per head results in a more than 1% change in Real Gross Domestic Products (GDP\_PC). In addition, a one percent change in the public health expenditure per capita has a larger positive effect on the GDP\_PC in the long run (1.34899%) than in the short run (0.1521%). Hence, an increase in government spending on health will improve (in the long run) Sub-Saharan Africa's economic growth.

#### **Long-Run system GMM-1 Dynamic Panel Data Estimation**

Table 4 presents the result of the one-step long-run system GMM panel data estimate. From the result, LPUHE\_PC and LCHE\_PC at a 5% level of significance, are discovered to have a positive and significant influence on LGDP PC. The result of the system GMM-1 step indicates that a percentage change in public health expenditure per capital in the long run is associated

with 0.3997% rise in LGDP\_PC at the level of 5% significance, on ceteris paribus average. Hence, public health expenditure on economic growth exhibits a direct relationship indicating that a 1% change in public health expenditure results in a less than 1% change in Real Gross Domestic Products (GDP\_PC). In addition, a one percent change in public health expenditure per capital has a larger positive effect on the GDP\_PC in the long run (0.39967%) than in the short run (0.0148%). Furthermore, from the system GMM-1 step result, a percentage change in current health expenditure per capita in the short run is associated with a 44.92342% rise in economic growth at the level of 5% significance, on ceteris paribus average. Hence, current health expenditure per capita on economic growth exhibits a direct relationship indicating a 1% change in public health expenditure results in a more than 1% change in Real Gross Domestic Products (GDP\_PC). In addition, a one percent change in the current health expenditure per capita has a larger positive effect on the GDP\_PC in the long run (44.92342%) than in the short run (16.635%).

#### **Long-Run system GMM-2 Dynamic Panel Data Estimation**

*Table 4* presents the result of the two-step long-run system GMM panel data estimate. From the result, LPUHE\_PC and LCHE\_PC are found to have a positive and significant effect on LGDP\_PC at 5% level. The result of the system GMM-2 step indicates that a percentage change in public health expenditure in the long run is associated with a 0.24135% rise in gross domestic product at the level of 5% significance, on ceteris paribus average. Hence, public health expenditure on economic growth exhibits a direct relationship indicating that a 1% change in public health expenditure results in a less than 1% change in Real Gross Domestic Products (GDP\_PC). In addition, a one percent change in the government spending has a larger positive effect on the GDP\_PC in the long run (0.24135%) than in the short run (0.0109%). Finally, the

result of the system GMM-2 steps, a percentage change in current health expenditure per capita the short run is associated with a 32.44548% rise in the growth of economy in at the level of 5% significance, on ceteris paribus average. Hence, current health expenditure per capita on economic growth exhibits a direct relationship indicating that a 1% change in current health expenditure per capita results in a more than 1% change in Real Gross Domestic Products (GDP\_PC). More so, a one percent change in the current health spending per capita has a larger positive effect on the GDP\_PC in the long run -(32.44548%).

### **Discussion of Findings**

This section provides economic insight into the public and private health spending impact on various sub-Saharan African regions. The summary statistics, correlation, and unit root are all included in the descriptive statistics results. The mean and standard deviation of the variable series, as shown in the summary statistics, reveal that the data series are widely dispersed and substantially positively skewed; thus emphasizing variation in data collected from different countries. In the case of regions, it was discovered that as the number of countries decreases, the variability in data series narrows.

All health expenditure indices and real gross domestic products have a substantial link, according to the correlation study. The correlation coefficients for current health expenditure per capital, capital health expenditure per capital, public health expenditure per capital, private health expenditure per capital, and government expenditure were all above 50%, indicating a strong link between these variables and real GDP. Public and private health spending were separated.

The results of a GMM analysis (Generalized Method of Moment) of the short and long-run effects of private and public health spending on GDP show that spending of Public health per

head has a positive impact on GDP. Ndaguba and Hlotywa (2021), Tae Kuen and Shannon Lane (2013), Ali and Ogeto (2019), Mukui, Onjala, and Awiti (2020), and Ibe and Olulu-Briggs' studies are all in agreement with this finding (2015). They all showed a strong and positive correlation between government investment on health and economic growth.

Olayiwola, Bakare-Aremu, and Abiodun (2021) found evidence of a long-term link between Public health spending and economic growth in Nigeria. Health spending has a significant impact on Sub-Saharan Africa's economic growth, according to Aboubacar and Xu (2017).

This shows that increasing Sub-Saharan Africa's Public health investments can boost Short-term and long-term economic growth. Health spending boosts Sub-Saharan Africa's economic growth according to Ali and Ogeto (2019). Furthermore, using data from a panel of 38 countries in Africa(Sub-Saharan) from 2000-2016; the unique public and private health spending effects demonstrated significant and positive influences on economic growth.

## **5. Summary, Conclusion and Recommendation**

This study examined the link between health expenditure and economic growth in sub-Saharan Africa. Chapter one was introduction, section two was review of relevant literature, section three was the research methodology, the fourth section is data presentation, analysis, discussion of results and findings. Section five was the summary, conclusion and recommendations. The General Method of Moments (GMM) was used to analyze the effect of public and private health expenditure on economic growth in sub-Sahara Africa. From the findings, it can be summarized that an increase in government spending on health would significantly improve economic growth in Sub-Saharan Africa in both the short run and long-run.

In conclusion, results of difference GMM-1 and GMM-2 steps indicate that a percentage change in public health expenditure per capita (LPUHE\_PC) is associated with a 0.1362% and 0.1521% increase in GDP per capita (LGDP\_PC) in the short run at 5% level of significance, on average ceteris paribus. Although, a 1% change in public health expenditure per capita results is less than 1% change in Real Gross Domestic Products (GDP\_PC), but increase in government spending on health care will improve economic growth in Sub-Saharan Africa in the short run

The result of the difference GMM-2 step indicates a one percent change in the public health expenditure per capita has a larger positive effect on the GDP\_PC in the long run (1.34899%) than in the short run (0.1521%).

The results of the system GMM-1 and GMM-2 steps indicate that, a percentage change in per capita public health expenditure (LPUHE\_PC) is associated with a 0.0148% and 0.0109% increase GDP per capita LGDP\_PC) in the short run at 1% level of significance, on average ceteris paribus. Although, a 1% change in public health expenditure per capita results in less than 1% change in GDP per capita (LGDP\_PC), but in the short run, the increase in government spending on health will improve economic growth in Sub-Saharan Africa

The result of the system GMM-1 steps indicates that a one percent change in public health expenditure per capital has a larger positive effect on the GDP\_PC in the long run (0.39967%) than in the short run (0.0148%). The result of the system GMM-2 step indicates that a one percent change in the government spending has a larger positive effect on the GDP\_PC in the long run (0.24135%) than in the short run (0.0109%).

Based on the results of this study, the following are the recommendations;

The results of the short and long run effects of private and public health expenditure on economy growth presented by the Generalized Method of Moments (GMM) showed that public health

expenditure per capital has a positive effect on gross domestic product. This shows that if more investment is made into the public health care system by the government, there would be more impact on the economic-growth of the region so the government should increase budgetary allocations geared towards the health sector to at least 15%. This study also recommends the implementation of growth allied policies that will further enhance and encourage the economic growth of the private health care system so as to increase its impact on the economy as a whole.

### REFERENCES

1. Aboubacar, B. and Xu, D.Y. (2017) The Impact of Health Expenditure on the Economic Growth in Sub-Saharan Africa. *Theoretical Economics Letters*, 7(3), 615-622. <https://doi.org/10.4236/tel.2017.73046>
2. Ahmed, E. M., & Hanif, C. M. (2018). Sub-Saharan African Countries Public Expenditure and Economic Growth: Wagner's Panel Cointegration and Causality Applications.
3. Akpokerere, O. E., & Ighoroje, E. J. (2013). The effect of government expenditure on economic growth in Nigeria: A disaggregated analysis from 1977 to 2009. *International Journal of Economic Development Research and Investment*, 4(1), 60-70.
4. Ali, B. Y., & Ogeto, R. M. (2019). Healthcare Expenditure and Economic Growth in Sub-Saharan Africa. *Asian Journal of Economics, Business and Accounting*, 1-7.
5. Arellano, M and O. Bover. (1995). Another look at the instrumental variable estimation of error component models. *Journal of Econometrics*, 68, 29-52.
6. Arellano, M. and S. Bond. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *Review of Economics and Statistics*, 58, 277-297.
7. Behera, D. K., & Dash, U. (2018). The impact of macroeconomic policies on the growth of public health expenditure: An empirical assessment from the Indian states. *Cogent Economics & Finance*, 6(1), 1435443.
8. Ibe, R. C., & Olulu-Briggs, O. V. (2015). Any nexus between public health expenditure and economic growth in Nigeria. *Iard international journal of banking and finance research*, 1(8), 3-11.
9. Lingxiao, W. A. N. G., Peculea, A. D., & Xu, H. (2016). The relationship between public

expenditure and economic growth in Romania: Does it obey Wagner's or Keynes's Law? *Theoretical & Applied Economics*, 23(3).

10. Mpundu, M., Mwafulirwa, J., Chaampita, M., & Salwindi, N. (2019). Effects of Public Expenditure on Gross Domestic Product in Zambia from 1980-2017: An ARDL Methodology Approach. *Journal of Economics and Behavioral Studies*, 11(2 (J)), 103-111.
11. Mukui, G., Onjala, J., & Awiti, J. (2020). Effect of Tax and Debt Financed Government Expenditure on Economic Growth in Kenya. *Journal of Economics, Management and Trade*, 1-13
12. Ndaguba, E. A., & Hlotywa, A. (2021). Public health expenditure and economic development: The case of South Africa between 1996 and 2016. *Cogent Economics & Finance*, 9(1), 1905932.
13. Olayiwola, S. O., Bakare-Aremu, T. A., & Abiodun, S. O. (2021). Public Health Expenditure and Economic Growth in Nigeria: Testing of Wagner's Hypothesis. *African Journal of Economic Review*, 9(2), 130-150.
14. Piabuo, S. M., & Tieguhong, J. C. (2017). Health expenditure and economic growth-a review of the literature and an analysis between the economic community for central African states (CEMAC) and selected African countries. *Health economics review*, 7(1), 1-13.
15. Rashad, A., and Sharaf, M. (2015). "Who benefits from public healthcare subsidies in Egypt?", *Journal of Social Sciences*, 4:1162-1176. p1163
16. Lane, Shannon & Kim, T.K.. (2013). Government health expenditure and public health outcomes. *American International Journal of Contemporary Research*. 3. 1-13.
17. Van Zon, A., & Muysken, J. (2001). Health and endogenous growth. *Journal of Health economics*, 20(2), 169-185.
18. Weibo, X., & Yimer, B. (2019). The Effect of Healthcare Expenditure on the Health Outcomes in Sub-Saharan African Countries. *Asian Journal of Economics, Business and Accounting*, 1-22.
19. World Health Organization, (2013). World Health Organization Regional Office for Africa. State of Health Financing in the African Region