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GOVERNANCE QUALITY AND ECONOMIC GROWTH IN NIGERIA

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Abstract
This study examined the effect of governance quality on economic growth in Nigeria. The study used annual time series data covering the period of 1999 to 2023; Augmented Dickey Fuller (ADF) and Phillips Perron (PP) unit root test was carried out and the result revealed that all the variables were integrated at level I(0) and first difference I(1). Governance quality was proxied on government effectiveness, rule of law, control of corruption, regulatory quality, control of corruption, voice and accountability while gross domestic product growth rate was used as proxy for economic growth. Consequently, the ADF bound test was employed and the result revealed the existence of long-run relationship between governance quality and economic growth. The Auto-Regressive Distributed Lag (ARDL) model was adopted for the study, and it was found that government effectiveness, political stability, rule of law, control of corruption, voice and accountability were statistically insignificant while only regulatory quality had positive and significant effect on growth in Nigeria. The overall finding revealed that governance quality has significant effect on economic growth in Nigeria. The study therefore recommended that; the existing regulatory institutions of the government should be strengthened and given the full authority and independence to design and implement policies that will encourage hard work, sincerity and dedication which will spur productivity and output. More so, appointments into these regulatory agencies should be on merit and not partisanship. This will propel those who are saddled with the responsibility to perform to the best of their ability that will match with the confidence reposed in them.

Keywords: Governance quality, Economic Growth, ARDL

1.0 Introduction

The material wellbeing of the people is determined by the flow of goods and services in a country. If more goods are produced and offered, the material welfare of the people would be promoted. People would consume more goods and feel happier provided the goods so produced are distributed fairly or equitably among them. When there is consistent increase in the production of goods and services over a long period of time, economic growth is said to be attained.

Economic growth as pursued by the countries seeking the path to affluence is accompanied by improvement in the life quality of the people, creates jobs, accelerates infrastructural development, improves the revenue base of a country, and as well attracts local and foreign investments. To achieve and reap the benefits of economic growth, different countries have adopted measures so as to

expand their productivity. Some of these countries are able to increase their productivity after implementing lofty measures and have started reaping the benefits that accompanies it (Ugwuoke, Okoli & Adebanjoko, 2015).

It is expected that increased government spending should be accompanied by improvement in economic growth rate performance. This is because, productive government spending is expected to stimulate economic productivity and investment that will lead to enhanced economic growth (Sidek, Mohd & Mehmet, 2020). However, in Nigeria, free riding and rent seeking behaviour orchestrated by weak and poor governance quality has ensured that despite scaling up government spending, Nigerian economic growth rate process has been unimpressive (Ugwuoke & Agot, 2016). Moreso, poor quality of governance in Nigeria translate into corruption, inefficiencies, poor management of resources that ultimately stiff investment and stagnate economic growth (Abdullahi et al., 2019).

Governance quality is essential and imperative in contributing to economic growth of a nation. This is because resilient institutions create an environment that fosters economic activities, while weak or dysfunctional institutions can hinder economic progress. It is worth knowing that there are six major indicators used to measure the quality of institution globally and they include; government effectiveness, rule of law, control of corruption, regulatory quality, political stability, voice and accountability (World Development Indicators, 2023). There is no doubt that governance quality is a bedrock that promote economic growth of nations, it is highly important to both developed and developing nations. This is because quality governance helps the government of a nation to have framework on protecting individual property rights, resolving disputes among grieved individuals, enforcing and monitoring of contracts for infrastructural development, creating a friendly and secured environment for businesses and safe guarding lives as well as properties of citizens. Also, rule of law brings about a strong and impartial legal system in a country which in turn build confidence and trust in individuals in the society (Fukuda-Parr, 2024). Furthermore, Abubakar (2023) stressed that quality governance is very critical in ensuring the regulation and implementation of social, political and economic activities around the globe, as well as effective monitoring and evaluation. Sound institutions foster global

social cohesion and macroeconomic stability which then result to increase in productivity, investment and economic growth (Easterly, Ritzen & Woolcock, 2016). Similarly, Abubakar (2024) argued that countries with sound and effective institutions motivates a strong legal framework for resilient fund mobilization and allocation thereby resulting to a less vulnerable and risky business environment. It is pertinent to buttress that Latin America and African countries are faced with basic impediments and setback in terms of economic growth due to political instability, uncertainties and manipulation, lack of trust in the judiciary system, bribery, tax evasion, ill-defined property rights, high level of insecurity, worst of all corruption (Charnock, 2022). Most African countries and Latin Americans are experiencing inefficient governance such as lack of accountability, failed electoral processes in voting, importation of foreign policies not coherent to their economic situation, and non-economic growth policies that are ill conceived and arranged by political leaders thereby making their environment unattractive for both local and foreign investors (Luiz, 2019; Fosu, Betes & Hoeffler, 2020). For example, economies in Asia and America have achieved development economically due to their governance quality, but in Africa as a continent, most nations including Nigeria are plagued with high level of corruption, insecurity, incompetent political leaders, unemployment and poverty. Also, Nair, Arvin, Pradhan and Bahmani (2021) stressed that despite the natural endowment of abundant mineral resources in Nigeria and Democratic Republic of Congo, these nations have continued to struggle to attract foreign investors due to weak and bad governance. However, this empirical tale has shown that governance quality can influence both foreign and local investment, it can also influence economic growth in both developed and developing nations. Rodrick (2024) argued that nations with very weak governance find it very difficult to evolve assiduously enough to enjoy economic growth and also compete with developed economies. The aforementioned reasons justify why governance quality is key to economic growth of every nation, it is seen as part of a nation's productiveness and capability frontier.

Over the years, Nigeria has witnessed deteriorating quality of governance. It is glaring that the indices for political stability, regulatory quality, rule of law, control of corruption, government effectiveness, voice and accountability

have been trending negatively in the 21st century (World Governance Indicators [WGI], 2023). Despite all the attempts in enhancing governance quality in Nigeria, the country is still rated as second most corrupt nation after Afghanistan (United Nations [UN], 2023). It is worth stating that the Federal Republic of Nigeria during the return of democracy in 1999, made several efforts at establishing institutions to combat corruption and strengthen governance but the nation is still experiencing stifling economic growth due to weak governance. For instance, the Federal government established the Independent Corrupt Practices Investigation Commission, the Code of Conduct Bureau, and Public Complaint Commission. There were further attempts made in the course of democratic governance by setting up institutions that could ensure efficiency and accountability in resource management in both public and private sectors geared towards sustainable economic growth. Some of these institutions include the Independent Corrupt Practices and other related offences Commission (ICPC) and Economic and Financial Crime Commission (EFCC); the Nigerian Financial Intelligence Unit (NFIU), and Fiscal Responsibility Commission (FRC) but these institutions were unable to yield the desired goal (Andrew, 2023).

Having established the level of deficiencies in Nigeria's institutions above and the trending negative effect over the years, it has become very essential for this study to investigate how governance quality affect economic growth in Nigeria, especially those saddled with the responsibility in ensuring adequate utilization of scarce resources and management that are still not able to perform credibly due to weak legal system and lack of political will. Furthermore, the United Nations (2023) reported that Nigeria's governance quality has declined drastically compared to the military era. Consequently, Nigeria is grappled with weak and bad governance and it has become worrisome; the country's rate of economic growth has been slow compared to developed nations with sound governance. Importantly, there is widespread agreement that governance quality and economic growth are inseparable and they are closely knitted, the relevant economic literature is premised on the true nature of this relationship (Bruinshoofd, 2021). The consensus which is so common on the subject matter is that governance quality is most likely to promote economic growth than the other; hence, this study seeks to examine the

effect of governance quality on economic growth in Nigeria covering the period of 1996-2023.

Literature Review

2.1 Conceptual Clarification

Governance Quality

Governance quality refers to the effectiveness, efficiency, and fairness with which authority is exercised in the management of a country's economic, political, and social resources. It reflects the extent to which public institutions and leaders are accountable, transparent, responsive, and capable of delivering policies and services that promote development, justice, and stability (WGI, 2023). In essence, governance quality determines how well a government serves its citizens and facilitates sustainable development. Abubakar (2023) views governance quality as the overall effectiveness, integrity, and performance of a country's institutions, such as government, legal systems, regulatory bodies, and public services. It encompasses the degree to which these institutions support economic development, political stability, and the rule of law. High governance quality implies strong institutions, low corruption, and the protection of individual rights, fostering an environment conducive to economic growth and social well-being. Bruinshoofd (2021) view governance quality as the ability of a country to maintain law and order, ability of a nation to have high quality government regulation and services, individual's rights and her ability to reinforce laid down laws which in turn will result to economic growth. governance quality also entails individual rights, rule of law, effective government regulation and services. It is believed that when institutions are strong and effective, it brings about economic growth and development. For instance, a strong, stable political institution reduces uncertainties and promote economic activities, and political turmoil can deter investment and economic growth; nations with low levels of corruption tend to perform better economically that countries with high record of corruption (Rodrick, 2024). Furthermore, corruption erodes trust in governance, discourages investment amongst local and foreign investors and can lead to diversion of resources from productive uses. The extent to which a nation's governance foster international transactions, predictability, ability to provide effective and sound security for her citizens matters a lot.

Governance quality serve an important function by contributing to an economy, it

helps in reducing uncertainty inherent in economic interactions by making information readily available and the behavior of other key players more predictable. Andrew (2023) argued that for nations to experience sustainable growth, their institutions must be very effective. For instance, the works of Acemoglu and Robinson (2008), Arvin, Pradhan and Nair (2021) affirm that governance quality make the difference between developed and developing nations and whether a nation is on a steady growth trajectory. Furthermore, Botswana and Rwanda are reference point where despite limited resources, these countries experienced a dramatic positive change in political stability, governance and adherence to the rule of law which later transcended to their economic growth rate relative to many other African countries where their institutional framework is weak and compromised (Andrew, 2023). Thus, this study conceptualized governance quality as the effectiveness, efficiency, and fairness with which authority is exercised in the management of a country's economic, political, and social resources.

Economic Growth

Economic growth is viewed as the sustained increase in the real national income of an economy over successive years for a protracted duration (Asteriou & Spanos, 2019). The totality of outputs produced within an economy over a specified timeframe—typically one fiscal year—is denoted as economic growth. Economic growth also refers to an increase in the production of goods and services in an economy over a specific period of time. It is often measured by the percentage change in Gross Domestic Product (GDP). It serves as an indicator of developmental achievement and is intrinsically linked to governance quality and the enhancement of individuals' living standards (Sevinj, 2023). Economic growth is realized through various determinants, including the accumulation of both human and physical capital, enhancements in productivity, and specialization facilitated by trade.

Chin and Cheng (2023) view economic growth as the sustained increase in a country's production of goods and services over time, typically measured by the rise in its Gross Domestic Product (GDP); it refers to the increase in a country's production of goods and services over time. It is typically measured as an increase in the Gross Domestic Product (GDP) of a nation. Economic growth is often seen as a key indicator of a nation's overall economic health and is a central goal of economic policy in many countries. Romer (1990) viewed economic growth as a steady

process by which the productive capacity of the economy is increased over time to bring about rising levels of national income. Thus, economic growth is a steady process of increasing the productive capacity of the economy and hence of increasing national income, being characterized by high rates of increase of per capita output and total factor productivity, especially labour productivity and governance quality (Stilgz, 2023).

According to Todaro and Smith (2011), economic growth means the annual increase in real per capita income of a country over a long period. Economic growth means the growth of output per head of population. The main characteristics of economic growth are increasing rate of growth of per capita income or output, increasing rate of productivity, increasing rate of structural transformation, international flows of labour, goods and capital (World Bank, 2023). Another point which is worth mentioning in regard to the definition of economic growth is that the increase in national income or more correctly increase in per capita income or output, must be a 'sustained increase' if it is to be called economic growth. Conventionally, economic growth has also been measured in terms of Gross Domestic Product (GDP); as well as Human Development Index (HDI), which is an index that measures national growth based on measures of life expectancy at birth, education attainment, literacy and adjusted real per capita income. Looking at the above definitions so far, this study posits that economic growth is a sustained increase in the actual output of goods and services and is proxied by GDP.

However, this study has conceptualized economic growth as the sustained increase in the real national income of an economy over successive years for a protracted duration (Asteriou & Spanos, 2019). The percentage is employed as the metric for measurement. Furthermore, economic growth is seen as the aggregate outputs documented within an economy during a specified temporal interval, typically spanning one year.

2.2 Theoretical Framework

Inclusive and Extractive Theory of Institutions

This theory was propounded by Acemoglu and Robinson's in 2012, the theory emphasized on the role of institutions—defined as the formal and informal rules governing economic and political interactions—in shaping long-term economic outcomes. The theory asserted that inclusive economic institutions ensure broad participation in economic activities,

secure property rights, and promote innovation and investment. Inclusive political institutions enable widespread political participation and establish checks and balances to prevent the concentration of power. These institutions create environments conducive to sustained economic growth by empowering individuals and fostering creativity, entrepreneurship, and efficiency. The theory further explained that extractive economic institutions concentrate on wealth and resources in the hands of a few, undermining incentives for broader societal participation and innovation. Extractive political institutions centralize power in an elite group, often maintaining control through coercion and repression. These institutions prioritize short-term gains for the elite while stifling long-term economic development.

Sequel to the purported theory, it can be deduced that Nigeria as a nation inherited extractive institutions from colonial powers. These institutions prioritized resource extraction for the benefit of the colonizers, sidelining local economic development. For example, plantation economies and mining operations were designed to exploit Nigeria's natural wealth without establishing inclusive systems of property rights, education, or infrastructure that could benefit the broader population. However, Nigerian leaders maintained these extractive structures, often consolidating power and perpetuating inequality. This has clearly revealed that transitioning from extractive to inclusive institutions has been a significant challenge for Nigeria. Factors such as weak governance, corruption, and ethnic divisions have often impeded reforms which eventually has discouraged both local and foreign investment. The lack of inclusive political institutions has often resulted in instability, coups, and civil wars, further weakening economic structures in some African nations. For example, in Kenya and Zimbabwe, extractive land policies and centralized political control have contributed to economic decline. While countries like Botswana and Rwanda have made strides toward inclusive institutions, leading to economic progress. Botswana stands out as a success story, where stable and relatively inclusive institutions have fostered economic growth and good governance. The country's effective management of diamond resources has been a key factor in its sustained development. Similarly, Rwanda's post-genocide recovery has also highlighted the potential for institutional transformation which eventually led to

significant economic growth. While debates about the inclusiveness of its political institutions remain, its economic reforms have attracted investment and driven growth.

In the realm of economic growth, the role of institutional quality is of utmost significance to a nation. This is because the presence of robust and efficient institutions cultivates an environment conducive to economic activities, while feeble or malfunctioning institutions can impede progress in the economic sphere. It is noteworthy that the global assessment of institutional quality relies on six key indicators: government effectiveness, rule of law, control of corruption, regulatory quality, political stability, and voice and accountability (World Governance Indicators, 2023). Undoubtedly, institutional quality serves as the foundation that propels the economic growth of nations, making it highly pertinent to both developed and developing nations alike. This is due to the fact that quality institutions enable a nation's government to establish a framework for safeguarding individual property rights, resolving disputes among aggrieved individuals, enforcing and monitoring contracts for infrastructural development, fostering a business-friendly and secure environment, and ensuring the protection of the lives and properties of its citizens. Furthermore, sound institutions contribute to global social cohesion and macroeconomic stability, consequently leading to increased productivity, investment, and economic growth (Easterly, Ritzen & Woolcock, 2021). There exists substantial evidence suggesting that countries with sound and efficient institutions establish a solid legal framework for resilient fund mobilization and allocation, thereby creating a less vulnerable and risky business environment (Abubakar, 2023). For instance, Asian economies have achieved economic development due to the quality of their institutions, whereas in SSA countries, most nations are plagued by a high level of corruption, unemployment, and poverty. Even in the Democratic Republic of Congo, Nigeria, Sierra Leon and Kenya, despite their abundant mineral resources, these countries struggle to attract foreign investors due to weak institutions such as political instability and poor governance (Nair, Arvin, Pradhan & Bahmani, 2021). This implies that sound institutions can influence sustainable economic growth while weak institutions hinder investment and growth. Therefore, the model for this theory can be defined as follows:

$$GDPGr = f(PS, RQ, GE, CC, RL, \text{VA}) \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

Where GDPGr is for Gross Domestic Product growth rate, PS stands for political stability, RQ represents regulatory quality, GE stands for government effectiveness, CC denotes control of corruption, RL stands for rule of law while VA represents voice and accountability.

2.3 Empirical Review

Considerable study on governance quality and growth in both developed and developing economies have been carried out, and few of the studies have been reviewed as thus;

Bonn (2024) investigated the role of governance quality on inclusive growth using a balanced panel data of 42 provinces in Vietnam from 2010 to 2023 through the estimation method of difference panel Generalized Method of Moments (GMM). The study revealed that Government effectiveness, political stability, regulatory quality, voice and accountability had positive and significant effect on growth while control of corruption and rule of law exhibited inverse and insignificant effect on growth. The study further concluded that governance quality has positive and significant effect on economic growth.

Using time series data for Nigeria, Abubakar (2023) carried out research on the effect of institutional quality on economic growth from 2000 to 2022. The study used Johansen Cointegration and Ordinary Least Square (OLS) approach and the results showed that institutional quality does not significantly influence economic growth, the study revealed that political stability, government effectiveness, regulatory quality, and control of corruption had inverse relationship with growth while rule of law, voice and accountability exhibited positive but significant effect on economic growth in the country. However, the study examined the relationship using asymmetric approach while considering the composite index of institutional quality on economic growth in the country and found that institutional quality does not contribute to growth.

Walma (2023) employed Generalized Method of Moments (GMM) technique to examine the relationship between institutional quality and economic growth in Ethiopia. The study used time series data spanning for 36 years basically sourced from WDI. The study used rule of law, political stability, government effectiveness, control of corruption, and regulatory quality as measures of institutional quality. The findings revealed that weak institutions and per capita income are the major setback to economic growth in the country. This is because, control of

corruption, political stability, government effectiveness, and regulatory quality all had insignificant effect on economic growth, while only rule of law was discovered to have positive and significant effect on economic growth. The study added that nations with robust per capita income, and strong institutions tend to do better than nations with less per capita income and weak institutions. In addition, the study further revealed that institutional quality has positive but insignificant effect on economic growth.

Uddin (2023) examined the role of institutional quality, human capital index on economic growth in selected Sub-Saharan African countries. The study used Auto Regressive Distributed Lag model to examine the short and long run relationship between institutional quality and economic growth in SSA countries. The study found that government investment in health and education sector significantly influence growth in Africa, it added that institutional quality influences investment and economic growth. Though the study discovered that negative but significant relationship exist between control of corruption and economic growth in most of the selected SSA countries. The study concluded that institutional quality is the most effective driver of economic growth in the region but most African countries do not have strong institutions that would enhance growth.

Akinlo (2023) investigated the impact of institutional quality on economic growth in sub-Saharan Africa (SSA). The study used panel data from 26 SSA countries spanning the period from 1998 to 2021 were utilized, employing a two-step generalized method of moments technique. The findings of this study indicated that government effectiveness, voice and accountability had negative and insignificant impact on growth in the region. Economic governance exhibited positive but insignificant effect on growth while institutional governance had inverse and insignificant impact on growth in SSA countries. However, it was discovered that only the rule of law and the control of corruption exhibited a stimulating effect on economic growth. Contrary to initial expectations, the findings of this study suggest that institutional quality does play a role in mitigating the negative impact on economic growth in the SSA region. The study concluded that most SSA countries are blessed with abundant resources, but it is not evident on the citizens because of high level of corruption, mismanagement and government ineffectiveness. The study further recommended that developing

nations should focus on strengthening institutions and priority should be focused on agencies combating corruption in the country.

Sadik (2023) studied the effect of institutional quality on economic growth: Evidence from tripartite approaches in the context of war – torn countries. The study utilized panel Auto regressive distributive lag (PARDL) consisting of pooled mean group (PMG), mean group (MG) and dynamic fixed effect (DFE) to examine the link existing between governance indicators and economic growth. The study found that political stability as well as adherence to regulatory quality enhances economic growth of the war -torn countries. Also, the study found that rule of law, government effectiveness, voice and accountability had positive but insignificant effect on economic growth of the war – torn countries. Based on these findings, the study recommended the imperativeness of improving institutional quality as a sure course of actions among nations interested in driving economic growth.

A similar study conducted by Asongu (2021) examined the impact of institutional quality on inclusive growth in 42 selected African countries from 1990-2020 using the GMM system. The study found that good governance positively amplifies inclusive growth, voice and accountability had positive but insignificant impact on inclusive growth, while rule of law and control of corruption had negative and insignificant impact on growth in the region. The study showed that institutions have positive but insignificant impact on inclusive growth in selected Africa. This shows that most institutions in Africa are weak and insignificant. This finding is apparent in the region because most countries in Africa are bedeviled with corruption, political instability, and government ineffectiveness.

Bekana, Hayil and Sheen (2020) investigated the influence of institutional quality on economic growth and innovation across 37 African nations from 1996 to 2018. The study employed two methodological approaches: linear econometric specifications that are appropriate for panel data analysis and structural equation models to discern both the direct and indirect effects of institutional development on economic performance. The findings indicated that political stability, voice and accountability had negative and insignificant impact on growth even though the study found that institutional quality exerts a significant influence on economic performance and innovation within sub-Saharan African

countries. Furthermore, the study revealed that democracy is positively correlated with economic growth, whereas autocracy negatively affects economic performance. Additionally, the research corroborated that political development toward democratization positively impacts economic performance through two pathways: directly and indirectly via its favorable effect on the innovative capabilities of states.

Similarly, Adegboye et al. (2020) studied the effect of institutions' challenges on the FDI inflow and it impacts on economic growth. The study used data from 30 selected Sub-Saharan Africa (SSA) countries. It employed fixed and random effect regression model of estimation, it was discovered that foreign capital inflow is very crucial for economic growth in Sub-Sahara Africa and it was also discovered that institutional quality affect the level of FDI inflow to Sub-Sahara African countries.

Sabir, Rafique and Abbas (2019) conducted research on the impact of institutional quality on FDI and economic growth using the system Generalized Method of Moments (GMM). In all groupings of nations, the study indicated that institutional quality has a significant impact on FDI. The study used panel data for low, lower-middle, upper-middle, and high-income economies covering the period of 1996-2016. The study revealed that institutional quality influences FDI as well as economic growth in developed economies more than developing economies which are considered low income countries. The study further revealed that institutional quality indices such as control of corruption, rule of law, political stability, and regulatory quality appeared to be key drivers of growth in upper-middle and high-income countries. However, voice and accountability as well as government effectiveness were less relevant but significant driver to economic growth in Europe.

Peres, Ameer and Xu, (2018) used OLS regression method to examine the impact of institutional quality on foreign direct investment (FDI) constituting developed and developing economies; their results revealed that institutional quality positively and significantly influence FDI. The study revealed that developed economies tend to have high level of investment than developing economies due to quality institutions, capital intensity and advanced technologies while developing economies tend to be backward in terms of investment due to weak institutions and low level of technical know-how. The study therefore

concluded that governance is a very important indicator of institution that is needed to boost and attract foreign direct investment in both developed and developing economies.

Jilenga and Helian (2017) conducted research on the impact of institutional quality, FDI on economic growth constituting a sample of 36 SSA countries from 2001 to 2015. The study used the dynamic fixed effect and GMM models for the analysis. The study revealed that government effectiveness, regulatory quality, voice, rule of law voice and accountability had positive and significant impact on economic growth in the region. Similarly, the study revealed that institutional quality had a positive impact on economic growth even as foreign direct investment exerts negative impact on economic growth. The study further revealed that the relationship between institutional quality and FDI has a positive effect; the study showed that institutional quality increases the spill-over effect on FDI and it is key for economic growth.

Most of the reviewed empirical literatures on government expenditure in developing countries especially in Nigeria are more concern on its effect on economic growth, there are no sufficient literature examining the moderating effect of governance quality on government expenditure and economic growth nexus. Thus, excluding governance quality in the analysis of government expenditure and economic growth nexus is the key factor that accounts for growth differential across economies. This is because poor quality governance diverts resources from the productive sector to unproductive sector via rent seeking behaviour that retards economic growth. Therefore, underscoring the governance quality problematic in government expenditure and economic growth relations is of course a convincing value addition.

Also, conventional growth theories laid much credence to labour, capital and technology as key determinants of output. Thus, in production process, growth is tied to the capacity of a given economy to improve the quality of its labour force, enhance capital as well as technological progress. However, some human and physical endowed nations like Nigeria perform poorly in terms of growth when compared with less endowed nations. On this note, literatures have argued that the fundamental cause of this paradox is poor quality of governance as efficient high quality of governance promotes incentive structure that accelerates growth process. Thus, expanding the existing growth theories to include governance quality is a

major gap identified and to be filled in this study.

Furthermore, though, the effectiveness of government expenditure in enhancing growth is theoretically considered true, however, the extent to whether increased government expenditure will have significant or insignificant effect on economic growth will depend largely on the quality of institutions. This is because a mere increase in government expenditure does not in many cases reflect improved economic growth. Accordingly, the problem narrows down to the processes and over all governance structure to help increased government expenditure yield desired effect on economic growth outcomes. This makes the introduction and estimation of the governance quality variables a good gap to be filled.

Methodology

3.1 Nature and Sources of Data

The study used secondary data sourced from World Governance Indicators (WGI) spanning for the period of 1999 to 2023 to carry out the analysis. Governance quality was proxied on political stability, regulatory quality, control of corruption, government effectiveness, rule of law, voice and accountability, while GDPGr was sourced from World Development Indicators (WDI) for the period under consideration. According to World Governance Indicators, the PS, CC, RQ, GE, VA and RL of a country is weak if the index is close to -2.5 and strong if the index is close to 2.5.

Table 1: Variables Description

Variables	Description	Sources	Unit of measurement
GDPGr	Annual GDP growth rate, it refers to steady increase in national product over a period of time. Is the total of the gross value contributed by all producers who are residents of the country, plus any product taxes and minus any subsidies that aren't factored into the product value. It is computed without accounting for the depletion and deterioration of natural resources or the depreciation of artificial assets.	WDI 2023	It is measured using composite index ranging from -2.5 to +2.5
PS	*Political stability:* It measures the likelihood of political instability and violence. This includes terrorism, political violence and government stability.	WGI 2023	It is measured using composite index ranging from -2.5 to +2.5
VA	*Voice and accountability:* This measure the extent to which citizens can participate in selecting their government, freedom of expression, and free media. This include aspects like electoral process, freedom of speech and media, citizen participation in politics.	WGI 2023	It is measured using composite index ranging from -2.5 to +2.5
GE	*Government effectiveness:* This refers to the quality of public services, civil service, and policy formulation. This aspect include quality of bureaucracy, effectiveness of policy implementation and public service delivery.	WGI 2023	It is measured using composite index ranging from -2.5 to +2.5
RQ	*Regulatory quality:* It measures the ability to formulate and implement sound policies such as business friendly regulations, market friendly policies, and regulatory framework.	WGI 2023	It is measured using composite index ranging from -2.5 to +2.5
RL	*Rule of law:* It measures confidence in and adherence to societal rules such as property rights, contract enforcement, and judicial independence.	WGI 2023	It is measured using composite index ranging from -2.5 to +2.5
CC	*Control of Corruption:* This measures the extent to which public power is exercised for private gain. It includes aspect like bribery, nepotism, and corruption in government	WGI 2023	It is measured using composite index ranging from -2.5 to +2.5

Note: Scores range from -2.5 is considered weak governance while +2.5 is considered strong governance.

3.3 Model Specification

Following the theoretical framework of the study and adapting the empirical work Abubakar (2023) using the variables; Gross Domestic Product Growth rate as proxy for economic growth, while political stability, regulatory quality, rule of law, control of corruption, government effectiveness, voice and accountability were used as proxy for governance quality. The functional form of the model is stated as thus;

$GDPGr = f(PSt, RQt, GEt, CCt, RLt, \text{VAt})$ ..... (1)

The econometric form of the model is given as;

$$GDPGr_t = \alpha_0 + \alpha_1 Ps_t + \alpha_2 RQ_t + \alpha_3 GE_t + +\alpha_4 CC_t + \alpha_5 RL_t + \alpha_6 VA_t \alpha_7 GDPGr_t + \epsilon_t \quad (2)$$

The ARDL form of the model is given as;

$$[3] GDPGr_t = \alpha_0 + \sum_i^p = i\ \alpha_1\ PS_{t-i} + \sum_i^q = i\ \alpha_2\ RQ_{t-i} + \sum_i^q = i\ \alpha_3\ GE_{t-i} + \sum_i^q = i\ \alpha_4\ CC_{t-i} + \sum_i^q = i\ \alpha_5\ RL_{t-i} + \sum_i^q = i\ \alpha_6\ VA_{t-i} + \sum_i^q = i\ \alpha_7\ GDPGr_{t-i} + e_t \quad (3)$$

The long-run co-integration was estimated using Equation [3];

$$GDPGr_t = \alpha_0 + \sum_i^p = i\ \alpha_1\ PS_{t-i} + \sum_i^q = i\ \alpha_2\ RQ_{t-i} + \sum_i^q = i\ \alpha_3\ GE_{t-i} + \sum_i^q = i\ \alpha_4\ CC_{t-i} + \sum_i^q = i\ \alpha_5\ RL_{t-i} + \sum_i^q = i\ \alpha_6\ VA_{t-i} + \sum_i^q = i\ \alpha_7\ GDPGr_{t-i} + \sum_i^p = i\ \alpha_1\ PS_{t-i} + \sum_i^q = i\ \alpha_2\ RQ_{t-i} + \sum_i^q = i\ \alpha_3\ GE_{t-i} + \sum_i^q = i\ \alpha_4\ CC_{t-i} + \sum_i^q = i\ \alpha_5\ RL_{t-i} + \sum_i^q = i\ \alpha_6\ VA_{t-i} + \sum_i^q = i\ \alpha_7 + e_t \quad (4)$$

Where, α_0 is the intercept; and α_1 α_2 α_3 α_4 α_5 $\alpha_6$are the coefficients of the variables, ϵ_t represents the error term and $\sum_i^p = i$, $\sum_i^q = i$ are the lags of the dependent and independent variables. Where $GDPGr_t$ is the gross domestic product growth rate which is a proxy for economic growth, PS_t is the political stability, RQ_t is the regulatory quality, GE_t is the government effectiveness, LR_t is the rule of law, CC_t control of corruption, VA_t is voice and accountability.

The selection of maximum lag was based on the automatic lag length selection. The study derived the short-run dynamic parameter from Error Correction Model (ECM) estimation, associated with the long-run estimate.

A-priori Expectation: $\rho_1 < 0$, $\rho_2 < 0$, $\rho_3 < 0$, $\rho_4 < 0$, $\rho_5 < 0$ & $\rho_6 < 0$

3.4 Estimation Procedure

Test for Stationarity: The Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) stationarity test were conducted to check the presence of non-stationarity in

the data. The PP test represent an advancement on the Augmented Dickey-Fuller test; $H_0 = \alpha = 0$, but it proposes a nonparametric approach. Therefore, following Phillips Perron approach; it is also suitable to a wider category of time series, which includes the ARMA model, and also the moving average models. It is represented as thus;

$$\Delta Y_t = \alpha Y_{t-1} + u_t \quad (5)$$

where, Y_t is a time series and u_t is a sequence of innovations. Whilst the ADF test was conducted to address the problem of a higher degree of autocorrelation by adding lagged difference terms of the dependent variable, ΔY_{t-1} as regressors in the test equation, the PP test modifies the test statistic of the α parameter; therefore, serial correlation does not affect the asymptotic distribution of the test statistic.

The ARDL Co-integration Approach – The procedure for using the ARDL method is stated as thus; stationarity test is usually carried out first to find out whether variables are stationary at level or first difference, that is I (0) and I(1); thereafter the co-integration bound test follow suit to ascertain the existence of long run and short run relationship between the dependent and independent variables (Pesaran, Shin and Smith, 2001). The long-run relationship is estimated using an appropriate lag selection criterion based on either the Akaike Information Criterion (AIC), the Schwarz Information Criterion (SBC), or the log-likelihood ratio test. They are considered as the appropriate lag selection criterion which are able to determine the true dynamics of the model. The third step is to estimate the short-run dynamic coefficients. The fourth stage involves testing for the stability of the model, by using the Cumulative sum of recursive residuals (CUSUM). The ARDL model is written as;

$$Y_t = \alpha_0 + \phi_t Y_{t-1} + \beta_t X_{t-1} + \varepsilon_t \quad (6)$$

where, Y_{t-1} and X_{t-1} are variables, ε_t is the vector of the random error term. The model can also be defined as ARDL (p, q) the p and q are lag of the parameter which forms Equation (7);

$$y_t = \alpha_0 + \sum_{i=0}^{p} \phi_i y_{t-1} + \sum_{j=0}^{q} \beta_j x_{t-1} + \varepsilon_t \quad (7)$$

Bound Test: It is used to determine the presence of long-run connection in a model, the *F*-statistics test is conducted for the collective significance of the coefficient of the lagged variables $H_0 : \phi_1 = \phi_2 = \phi_3 = \phi_4 = \phi_5 = 0$ against the alternative of $H_1 : \phi_1 \neq \phi_2 \neq \phi_3 \neq \phi_4 = \phi_5 \neq 0$. The calculated F-statistics is compared to the critical value. The null hypothesis is

rejected if the calculated F-statistics exceeds the upper limit of critical value. The null hypothesis cannot be rejected if the F-statistic goes below the lower limit of critical value, implying that there is no long-run relationship between the variables; however, if the F-statistic falls inside the upper and lower limit, the result is considered inconclusive.

Residual Diagnostic Tests

For reliability of estimates, the study obtained series of residual and stability tests such as Ramsey RESET specification test, Breusch-Godfrey serial correlation LM test, Jarque-Bera Normality test and the cumulative sum of recursive residuals (CUSUM) test. This is to ascertain the appropriateness and stability of the model as well as the robustness of the results. Both the F-statistic and product of observation with the square coefficient of correlation (Obs.R^2) were obtained. The decision rule of not rejecting the null hypothesis for any of these diagnostics tests is that the probability-value (p-value) of each must be greater than 5 percent level of significance.

4.0 Results and Findings

4.1 Presentation of Result

This section presents the results of the study, ranging from descriptive statistics, unit root test results, ARDL-Bounds test results, and Panel ARDL regression results.

Table 2: Descriptive Statistics

	GDPGR	PS	RQ	GE	CC	RL	VA
Mean	5.1534864	-1.8839117	-0.66263	0.193124	-1.11767	-1.02822	-0.65725
Median	5.99	-1.8989466	-0.70904	0.182563	-1.07625	-1.03218	-0.69662
Maximum	15.33	-1.5315489	-0.41226	0.259346	-0.90095	-0.71347	-0.31936
Minimum	-1.62	-2.2111232	-0.78815	0.162478	-1.41765	-1.51251	-0.93044
Std. Dev.	3.635228	0.18326902	0.109119	0.029172	0.116472	0.206539	0.172145
Skewness	0.3564879	0.20282482	0.71238	0.902915	-1.07908	-0.71696	0.557882
Kurtosis	4.1385174	2.09957911	2.350833	2.583477	4.083778	2.906813	2.397186
Jarque-Bera	1.8045563	0.97530941	2.451358	3.434515	5.832215	2.064813	1.608315
Probability	0.4056445	0.61406487	0.293558	0.179558	0.054144	0.356149	0.447465
Sum	123.68367	-45.213881	-15.9031	4.63498	-26.824	-24.6773	-15.774
Sum Sq. Dev.	303.9423	0.77251326	0.273859	0.019574	0.31201	0.981147	0.681576
Obs	28	28	28	28	28	28	28

Source: ***Author's computation using E-views version 13***

The average value of gross domestic product growth rate (GDPGr), political stability (PS), regulatory quality (RQ), government effectiveness (GE), control of corruption (CC), rule of law (RL), voice and accountability are 5.1534864, -1.8839117, -0.66263, -1.11767, -1.02822, and -0.65725 respectively. These results

revealed that only GDPGr and GE had positive values and relationship with growth in Nigeria. This simply implies that government effectiveness has the potential of influencing economic growth while the remaining variables exhibited inverse and insignificant influence on growth in the country. The standard deviation which shows the nature of dispersal in the worth of the variables is very small implying that there has not been much improvement in governance since 1996 to 2023 in Nigeria. The low values also connote that Nigeria's institutions are very weak and they do not stimulate economic growth significantly over the years considered for this study. The mean of the variables falls within the range defined by the minimum and maximum values of the variables. Gross domestic product growth rate, political stability, regulatory quality rate, government effectiveness, voice and accountability have positive skewness indicating they have a long right tale, while control of corruption and rule of law have negative skewness implying, they have a long-left tale. The kurtosis of the variables is 3, except for GDPGr and CC which are above 3 implying that most of the variable's distribution is fat and would turn platykurtic. This finding simply implies that PS, RQ, GE, CC, RL, and VA has no significant effect on growth over the years considered for this study. The Jarque Bera statistics means the series are not normally distributed with probability values greater than 0.05, but the normality assumption is not usually required for multivariate functions.

Table 3: Unit Root Result

	ADF Test			PP Test		
Variables	**Level**	**1st Difference**	**Remark**	**Level**	**1st Difference**	**Remark**
GDPGr	0.137	0.000***	1(1)	0.267	0.000***	1(1)
PS	0.000***	0.000***	1(0)	0.001***	0.000***	1(0)
RQ	0.697	0.007***	1(1)	0.723	0.000***	1(1)
GE	0.104	0.004***	1(1)	0.101	0.001***	1(1)
CC	0.005***	0.000***	1(0)	0.364	0.005***	1(1)
RL	0.003***	0.000***	1(0)	0.376	0.002***	1(1)
VA	0.046***	0.699	1(0)	0.001***	0.000***	1(0)

Note: *** the hypotheses of a unit root is rejected at 1% significant level. H_1: individual unit root process

The Augmented Dickey Fuller (ADF) unit root test and Philips Perron were conducted to check the level of variables stationarity and the result is presented in table 3. The results of ADF revealed that PS, CC, RL, and VA were stationary at level, that is I (0). While the ADF further revealed that GDPGr, RQ, and GE were stationary at level, that is I (1). The Philips Perron result shows that PS, and VA were stationary at level which is I (0). On the other hand, the PP shows that GDPGr, RQ, GE, CC, and RL were stationary at first difference which is I (1). This shows that all the independent variables of the model were either stationary at level or first difference. This was achieved by comparing the ADF and PP statistics to their respective critical values at 1%. From the result, the ADF statistics are greater in absolute values than their respective critical values at different points of stationarity i.e I (0) and I (1). This could also be confirmed by their respective probability values which are also all significant at 1%. The stationarity of the variables at I (0) and I (1) further indicate the presence of long-run relationship. Hence, Autoregressive Distributive Lag Bound Co-Integration Test becomes necessary in this study to examine the existence or otherwise of a long-run relationship between the variables in the models.

ARDL Results

Based on the optimal lag structure automatically given by EViews, the result of the outcome of the ARDL bound test, ARDL short and long run estimates result and post diagnostic tests results are presented as thus;

The ARDL Bound Test

Table 4 is the ARDL bound test result, which reveals that there is existence of long-run relationship between the dependent and independent variables in the model. The test result showed that the F-statistics which is 7.85, is above the upper bound critical values I (1) at all the levels of significance, indicating the existence of long-run relationship in the model. Based on this result, the study conducted the short-run and long-run forms of the ARDL model.

Table 4: ***ARDL Bound Test Result***

F-Bounds Test	**Null Hypothesis: No levels relationship**			
Test Statistic	**Value**	**Significance.**	**I (0)**	**I (1)**
F-statistic	7.85196	10%	2.557	3.406
K	4	5%	2.654	4.252
		1%	3.998	5.708

Source: ***Author's computation using E-views version 13***

Table 5: ARDL Short-Run and Long-Run Coefficients Estimates

Long-run Coefficient Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPGR(-1)	-1.2745521	0.16800053	-7.5865956	3.98E-06
RQ	17.83201322	7.50795574	2.37508236	0.0336154
CC	6.89797134	5.87123842	1.16384732	0.255402
RL(-1)	-15.2545594	7.21153778	-2.1152991	0.0542827
VA(-1)	26.12051745	5.17793813	5.0445789	0.0002246
PS	-7.94630454	5.09600399	-1.5593207	0.1429249
GE	38.19783752	42.4981673	0.89881141	0.3850989
GE(-1)	15.66708216	5.53695307	2.82954939	0.0142028
RL	-2.78975664	5.77554193	-0.4830294	0.6371078
VA	9.912130105	5.09662702	1.94484118	0.0737499

Short-Run Coefficients Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPGR(-1)	-0.274552104	0.168000534	-1.634233518	0.126181203
PS	-7.946304539	5.096003992	-1.559320705	0.14292488
PS(-1)	-16.95876627	3.832804593	-4.424636285	0.00068585
RQ	17.83201322	7.507955743	2.375082357	0.033615363
GE	38.19783752	42.49816727	0.898811407	0.385098869
GE(-1)	194.305221	51.40239631	3.780080987	0.002292486
GE(-2)	-15.66708216	5.536953066	-2.829549388	0.014202846
CC	6.93797133	5.961238414	1.163847316	0.26540216
RL	-2.789756642	5.775541934	-0.483029415	0.637107839
RL(-1)	-12.46480278	6.501313249	-1.917274604	0.077442453
VA	9.912130105	5.096627019	1.94484118	0.073749913
VA(-1)	16.20838735	5.983686026	2.708763006	0.017892432
C	-68.5460973	23.56785902	-2.9084684	0.052361250
ECM	-1.69911783	0.26402656	-6.435655298	0.019021688

Source: ***Author's computation using E-views version 13***

R-squared =0.885727. **F-statistics** = 8.396966. **DW** = 2.684015

Adjusted R-squared = 0.780246 **Prob** (F-statistics) 0.000199.

Table 5 reveals the short run result, if all things were held constant and unchanged, the Gross Domestic Product growth rate (GDPGr) has an insignificant impact on itself at lag one. Political stability has inverse but significant effect on growth in

Nigeria. This clearly shows that political stability negatively influence growth by 79% signifying that political instability has negatively affected the growth of Nigeria economy since 1996 to 2023. However, political stability exhibited an inverse but significant impact on growth at lag 1 depicting that if the country is able to stabilize the political system, it will influence growth by 16% in the long run. Regulatory quality had positive and significant effect on growth in Nigeria, it depicts that RQ has influenced growth by 17% during the period of study. The result further revealed that government effectiveness had positive but insignificant effect on growth, but at lag 1 and 2 it exhibited significant impact on growth. The study revealed that GE has the tendency of influencing growth by 38%, at lag 1 it exhibited positive and significant impact on growth while at lag 2 it exhibited inverse but significant impact on economic growth. This implies that GE has influenced growth by 15% in the two previous years but failed to contribute significantly in 2023.

Consequently, control of corruption had positive but insignificant effect on growth in Nigeria over period of consideration. This clearly shows that the economic growth of Nigeria is being affected by 6% due to the challenge of corruption. Rule of law exhibited an inverse relationship with growth, the result revealed that RL has no significant impact on growth over the years. This implies that the inability of the government to control corruption and have resilient rule of law has contributed to the stifling growth of the country. However, voice and accountability exhibited positive relationship with growth while at lag 1 it exhibited inverse but significant relationship with growth. This implies that VA negates the growth rate of Nigeria by 9% but in the previous years it contributed to the growth of the country by 16%. No doubt, the above results shows that Nigeria system of governance has deteriorated compared to the previous years.

The error correction model (ECM) is expected to meet three conditions, it must be negative, less than one and significant. Therefore the result in the Table 5 revealed that ECM has a negative value of (-0.6991) and it has a probability value (P-value) of 0.0190 which is significant; this denotes that the speed of adjustment from disequilibrium in the preceding period to recent period is correctly signed and statistically significant (Narayan & Smyth 2005). Hence, as a result of differencing the variable due to unit root is corrected at a speed of 69% as shown by the coefficient of ECM (-0) from the result it can be deduced

that the ECM (-1) coefficient is negative and significant at 5% level of significant.

The constant term of the equation stood at -68.54609 which revealed the value of GDPGr when it was not affected by any of the explanatory variables, this further implies that the GDPGr would be at 68.54609 if all the explanatory variables of GDPGr was accounted for by joint variation of a combination of the explanatory variables. Consequently, the R-squared with the value of 0.885727 depicts that 88% of gross domestic growth rate is attributed to governance quality while the remaining 12% is attributed to the stochastic error term. Furthermore, the values of Adjusted R-Squared (0.780246) denotes an overall goodness of fit of the model of 78%, it therefore shows that the model was correctly specified, and it has a good fit. This is sustained by the values of the F-Statistics (8.396966) with a probability value of 0.00199 which is less than 5% level of significant. The F-Statistics measure the joint statistical influence of the explanatory variables in explaining the dependent variables, thus the overall result for short run revealed that the explanatory variables had inverse relationship with GDPGr and the variables exhibited negative effect on economic growth in Nigeria during the period of study.

The long run result of ARDL estimation. The result reveals that regulatory quality has positive and significant relationship with growth in Nigeria, this implies that improved regulatory quality has the tendency of influencing economic growth by 17% in the long run. The result for control of corruption revealed a positive but insignificant relationship with economic growth in Nigeria, this simply implies that the inability of the government to tackle corruption has negated the growth of the economy by 6%. The result also signifies that a unit increase in corruption will lead to 6% decrease in economic growth annually in Nigeria. The result for rule of law exhibited an inverse relationship with growth, and it also exhibited insignificant effect on growth. However, RL exhibited significant effect on growth at lag 1 depicting that a robust legal framework enhances economic growth in a country. The result further revealed that RL negatively influence growth by 15% in Nigeria.

The result for voice and accountability exhibited positive and insignificant relationship with growth, while at lag 1 it exhibited positive and significant relationship with growth. This implies that

VA had significant effect in the previous years but as time progress, VA failed to influence growth. The result clearly shows that VA has the tendency of influencing growth by 9% in Nigeria. The result for political stability exhibited inverse and insignificant relationship with growth in Nigeria. This implies that political stability negatively affects growth rate by 7%, it also implies that if the government fails to stabilize the political system of the country, local and foreign investors will not be attracted to invest in the country and this will have detrimental effect on the GDP growth rate. Furthermore, voice and accountability exhibited positive and insignificant relationship with growth while at lag 1 it exhibited positive and significant effect on growth implying that it influence growth by 26%. This could further imply that enhanced voice and accountability increases citizens participation, freedom of speech, and government accountability which will positively impact economic growth in the long run. Summarily, the study revealed that RQ and VA had positive and significant relationship with GDPGr while at lag 1 only RL, GE, and VA had significant effect on growth rate. Consequently, the result revealed that CC, RL, PS, and GE had insignificant effect on growth implying weak governance in Nigeria.

4.1 Discussion of Findings

As reported in the model specification, the study incorporated the ARDL model as the method of estimation. The study specifically used the ARDL model to estimate both long run and short-run effect of governance quality on economic growth in Nigeria. The result for political stability exhibited inverse and insignificant effect on growth rate in both short and long run implying that unstable political system in Nigeria has negatively affected businesses and investment. This finding is in line with the work of Bekana, Hayil, and Sheen (2020), the study investigated the influence of institutional quality on economic growth and innovation across 37 African nations from 1996 to 2018 and found that political stability had negative and insignificant impact on growth. The result for regulatory quality had positive and significant relationship with growth in both the short and long run signifying that streamlined regulations and effective enforcement of laws can foster a favourable business environment, encourage investment, innovation, and economic growth. This finding is in consonance with the work of Bonn (2024), the study found that regulatory quality has positive and

significant effect on growth. However, this finding is in contrast with the work of Abubakar (2023), the study found that regulatory quality had negative and insignificant effect on growth in Nigeria.

The result for control of corruption revealed a positive but insignificant effect on growth implying that corruption has been detrimental to the growth of Nigeria over the years. However, the variable has the tendency of influencing growth in the long run if corruption is adequately tackled. Consequently, rule of law exhibited positive and insignificant effect on growth in the short run while in the long run it exhibited inverse and insignificant effect on growth. This could imply that if the country strengthens the rule of law, it can enhance economic activities and investment. This is because, a robust legal framework can protect property rights, enforce contracts, and promote stability, thereby boosting investor confidence which eventually will lead to economic growth in the long run. The result for control of corruption and rule of law aligns with the findings of Bonn (2024) and Asongu (2021), the study examined the impact of institutional quality on inclusive growth in 42 selected African countries and found that rule of law, control of corruption had insignificant impact on growth. However, this finding is not in alignment with the work of Abubakar (2023).

Short and long run result for government effectiveness exhibited insignificant effect on growth even though positive relationship exists with GDP growth rate. This finding implies that Nigeria is bedeviled with poor bureaucracy, ineffective economic policy implementation and poor public service delivery. The result for voice and accountability revealed a positive but insignificant effect on growth, VA has the potential of enhancing economic growth in the long run because it exhibited a significant effect at lag 1. However, if voice and accountability is enhanced by the government, citizens participation in governance will be strengthened. Resilient voice and accountability in a nation can enhance freedom of expression which can eventually lead to more transparent and accountable decision-making, reducing corruption which in the long run will promote economic growth. Whilst the result for government effectiveness, voice and accountability is in consonance with the work of Akinlo (2023) and Sadik (2023), these studies considered the impact of institutional governance quality on economic growth in SSA and found that rule of law, government effectiveness, voice and accountability had positive but

insignificant effect on growth in the region. consequently, this finding is in contrast to the work of Jilenga and Helian (2017), the study examined the impact of institutional quality, FDI on economic growth in 36 SSA selected countries, the study found that government effectiveness, regulatory quality, voice and accountability had positive and significant effect on growth in SSA countries.

Residual Diagnostic Test Results

This study obtained series of residual and stability tests such as Ramsey RESET specification test, the Breusch-Godfrey Serial Correlation LM test, and Jarque-Bera Normality test. This is to ascertain the appropriateness and stability of the model as well as the robustness of the results. Both the F-statistic and product of observation with the square coefficient of correlation (Obs.R^2) were obtained. The decision rule not to reject the null hypothesis for any of these diagnostics tests is that the probability-value (p-value) of each has to be greater than 5 percent level of significance. Table 6 below presents the residual test results.

Table 6: Residual Diagnostics Test Results of Ramsey RESET Test, Breusch-Godfrey and Jarque-Bera Normality Test

	Coefficients		**Probability**
Ramsey RESET Test	F Stat.	3.185678	0.2996
	Obs*R^2	5.643483	0.1867
Breusch-Godfrey Serial Correlation LM Test:	F Stat.	2.194527	0.3755
	Obs*R^2	4.779673	0.1836
Jarque-BeraNormality Test Stat.		0.84842	0.75141

Source: Author's Computation using EViews version 13

The test for linearity is meant to ascertain whether the model is linear or that it is correctly specified. This is carried out using the Ramsey RESET test. As shown on Table 8, the outcome from the Ramsey RESET test reports the F-statistic and t-statistic for testing the hypothesis that the coefficients on the powers of fitted values from the regression are jointly zero; that is, the model is correctly specified or linear. This implies that the null cannot be rejected since the p-values of the F-statistic (0.2996 and 0.1867) were found to be greater than

0.05. It shows that the estimated linear ARDL model was correctly specified.

The Breusch-Godfrey serial correlation LM test was applied. The null hypothesis of the test shows that there is no serial correlation in the residuals test to the specified lag order. The Breusch-Godfrey serial correlation LM is based on two statistics labeled "F-statistic" and "Obs*R-squared" statistic. The result revealed that, both statistics for the LM test failed to reject the hypothesis of no serial correlation up to lag order 2 since the probability values of the test statistics (0.2859 and 0.1836) are greater than 0.05 (i.e., 5% level of significance). The results indicate absence of serial correlation of second-degree problem in the estimated ARDL model. Finally, the Jarque-Bera statistic shows that the error term is normally distributed since the result revealed that the JB probability value of (0.9634) is greater than 0.05 percent level of significance.

Stability Test Result

The stability test result for CUSUM and the CUSUMQ tests are presented on Figures 1 and 2; the plot for the test statistic were within the 95% confidence interval indicating the model are stable. This is because the trend line in blue falls between the two red lines.

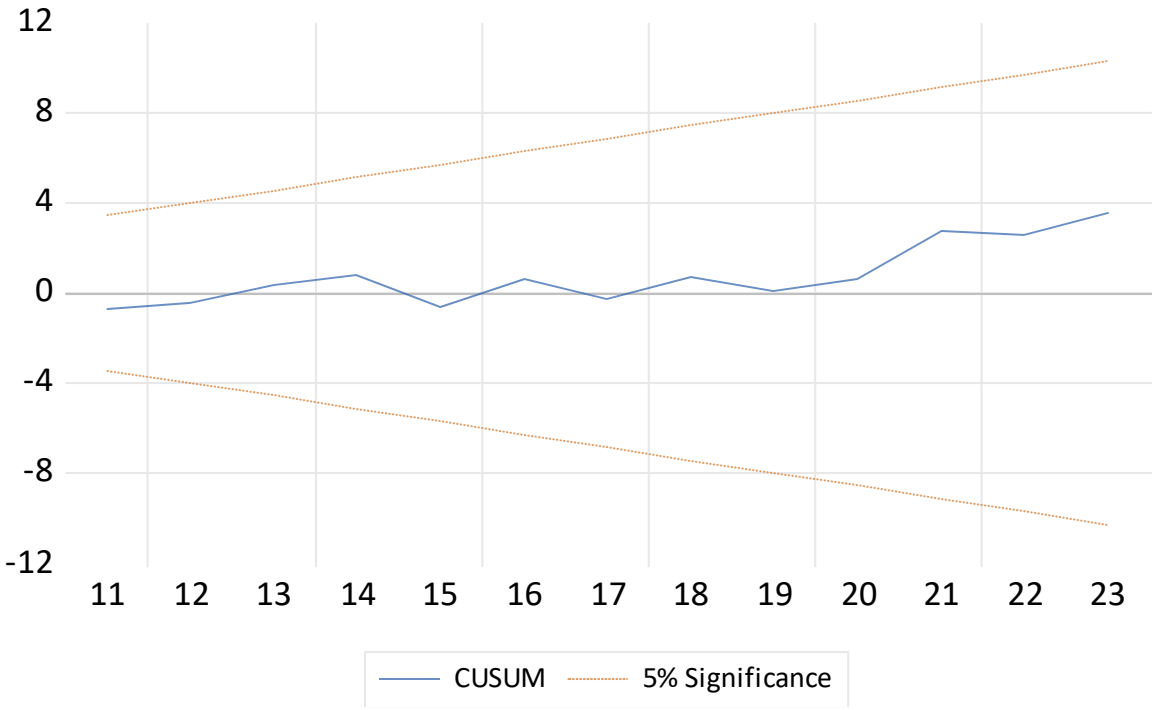

Figure 1: CUSUM Plot

Source: Author's computation using E-View13

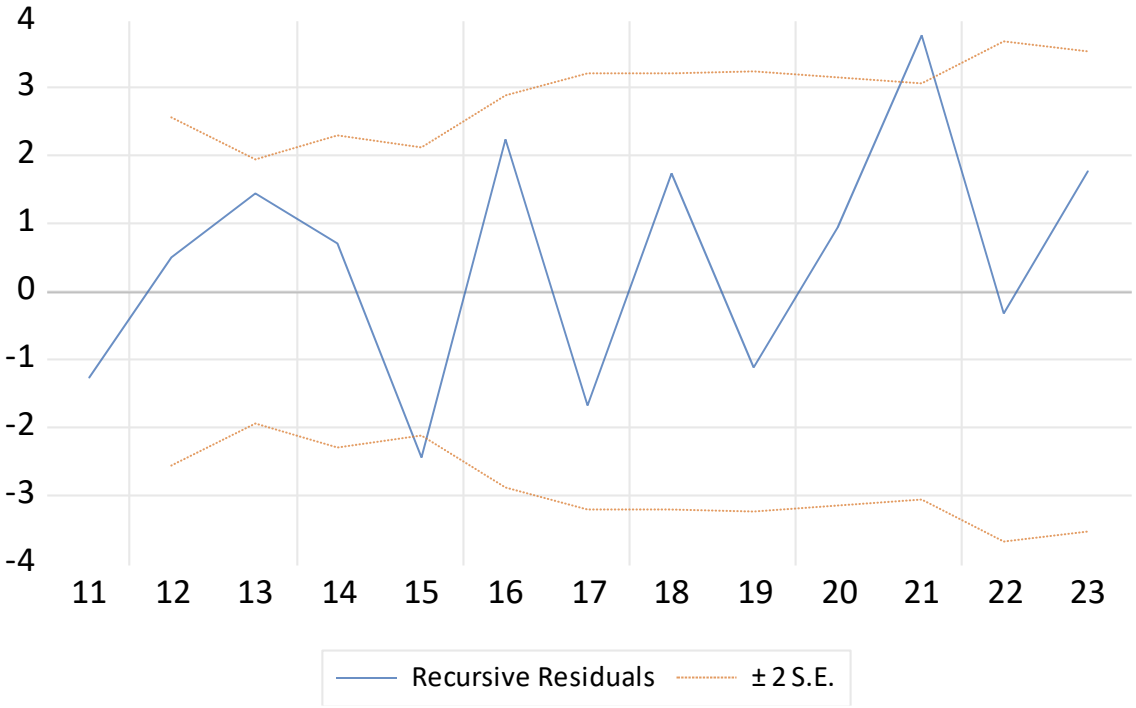

Figure 2: CUSUMQ Plot

Source: Author's computation using E-View13

5. Conclusion and Recommendations

This study examined the effect of governance quality on economic growth in Nigeria covering the period of 1999-2023. Augmented Dickey Fuller and Phillips Perron unit root tests were applied to all selected variables, the study equally employed the ARDL cointegration approach. The outcome of the study revealed that variables were stationary at level I (10) and first difference I (1), the study further revealed that long run relationship exists between governance quality and economic growth. This study proxied governance quality with six measures which include government effectiveness, regulatory quality, voice and accountability, control of corruption, political stability and the rule of law; these measures were used as the explanatory variables while gross domestic product growth rate was used as proxy for economic growth.

Major findings of this study revealed that political stability had inverse but significant effect on growth while regulatory quality had positive and significant effect on economic growth in Nigeria. Control of corruption and rule of law exhibited positive but insignificant effect on growth in the country, while government effectiveness, voice and accountability had positive but insignificant effect on economic growth. Surprisingly, the study

revealed that governance quality in Nigeria is weak because only regulatory quality exhibited positive and significant effect on growth while the remaining measures of governance quality had insignificant impact on growth in Nigeria during the period of study. This implies that Nigeria is faced with political instability, high level of corruption, government ineffectiveness, weak rule of law, voice and accountability. No doubt, this could be the reason why Nigeria is experiencing stifling growth due to weak governance.

The study recommends that rigorous anti-corruption campaign must be taken with all seriousness from the grassroot to the topmost political office holders. For instance, bills like life imprisonment and sentence to death for corrupt public office holders in Nigeria must be passed into law. If effectively implemented, it will serve as deterrent for others.

Rigorous anti-corruption campaign should be taken very serious by EFCC and ICPC; and the agencies should be constituted by reputable staff to bring forth desired result. This bodies should be constituted by people of pedigree.

The electoral process of Nigeria should be reformed in such that the Independent National Electoral Commission (INEC) must be mandated to upload every general election result on a central server where citizens can access and have confidence in the voting system. This will help improve governance, voice and accountability in the country.

Finally, government should have improved rules in restricting political office holders and public servants from travelling to Western countries at all times in the name of seeking for medical treatment or sending their children to school. This will help to reduce unnecessary government expenditure.

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