Management Analysis Journal

Management Analysis Journal

http://maj.unnes.ac.id

Determinants of Economic Development in Nigeria: How Much Does Governance Matter?

Kehinde Ajike Olabiyi ✉, **Johnson Kolawole Olowookere**

Osun State University, Osogbo, Nigeria

Article Information

Article History:
Received May 2021
Approved September 2021
Published September 2021

Keywords:
ARDL, Economic Development, Determinants, Governance, Nigeria

Abstract

This study was carried out to determine the effects of governance on economic development in Nigeria. Annual time series data on Nigeria from 1996 to 2019 on GDP per capita, Control of corruption, Rule of Law, Voice and Accountability, Natural Resources, Investment, and Total Government Expenditure which were sourced from World Development Indicator database were used for the analysis. Auto Regressive Distributed Lag (ARDL) technique was employed in the study. The result indicated that the variables exhibited long run relationship and that all the explanatory variables are significant determinants of economic development (except Natural Resources). The results suggested that a unit increase in the level of, control of corruption, investment, and total government expenditure dampens economic development by 26.3%, 8.08%, and 2.2% respectively in the long run, while a unit increase in voice and accountability, and income from natural resources enhance economic development in Nigeria by 57.5% and 3.7% respectively. The study therefore recommended the enhancement of good governance whereby citizens' voice and choice prevail in government. Bureaucracy in government's organization should also encourage accountability and transparency. Furthermore, an ideal policy environment that promotes domestic investment, and reduce cost of governance should be promulgated.

INTRODUCTION

Nigeria could be referred to as a divinely favoured country which is endowed with numerous and abundant natural, mineral and human resources that are enough to afford the citizens the pleasure of good life. Coupled with this, series of economic reform programmes which have direct and indirect impacts on stimulating economic development have also been implemented in the country, but the country has been consistently plagued with myriad of problems which have made the attainment of self-sufficiency and development an illusion. Part of the problems which are identified to be militating against the development in the country are: lack of equity, high rate of corruption and indiscriminate use of public funds, high level of insecurity, and religious crises, to mention a few. Most, if not all of these problems are attributable to bad governance as noted by the World Bank which reported that the underdevelopment crisis in Africa and Nigeria in particular is due to that of 'crisis of governance' (World Bank,1989). The quality of the system of governance is bad, accountability and transparency in government is uncommon, bureaucracy is sluggish, there is high level of corruption and inefficiency of public institutions, and the like (World Bank,1989).

It is reported that economic performance indicators in the country lags greatly behind most of the rest of the developing countries of the world. Nigeria is known as Africa's largest economy with a mixed type of state-owned and private businesses. The nation is classified as emerging economy, and it is among the lower

✉ Correspondence Address:
Institutional address:
E-mail: kehinde.olabiyi@uniosun.edu.ng

e-ISSN 2502-1451

middle-incomes. It was reported that the nation's GDP per capita in USSD collapsed from 2,744 in 2015 to 1,957 in 2017 but improved later to 2,353 in 2019. The economic growth rate which was 2.8% in 2015 collapsed to -1.6 in 2016, and managed to crawl to 0.8% in the following year. According to the World Bank collection of development indicators which was compiled from officially recognized sources, Human development Index in Nigeria was reported at 0.465 in 2005, 0.467 in 2011, but increased thereafter to 0.539 at the rate of 15.9%. According to the same source, Life expectancy increased by 8.8 years between 1990 and 2019, while mean year of schooling increased by 1.4 years (CIA World Fact).

Afolugbo et al. (2004) that leaders in a mineral-rich polity such as Nigeria are known for demonstrating the opportunistic behaviour which is capable of producing a government structure that can negatively harm the social and economic progress of the nation. Adeosun (2012) noted that the role of good governance in achieving sustainable development cannot be overemphasized as it enhances great levels of accountability, transparency, efficiency, equitability and rule of law. Annan (1998) opined that "Good governance is perhaps the single most important factor in eradicating poverty and promoting development". In the view of Diamond (2004) also, development failure is a result of absence of good governance rather than lack of resources.

Governance can be defined as the manner in which a state or organization is administered economically, socially, and politically, for the purpose of managing its resources to attain some level of desired material prosperity and wellbeing for the citizens (Yaqub and Abubakar, 2005; Ejuvbekpokpo, 2012).

Nigeria has witnessed a lot of transition in government since independence in 1960. The country initially operated a parliamentary form of government after independence when the federation comprised of three major regions. Afterward, there was over three decades of military rule that span from 1966 to1999 which excludes 1979 to 1983 and 82 days in 1993 when there was Interim National Government. Between 1960 and 1999, there were eight military regimes in Nigeria during which democratic principles and processes were seriously undermined. The Military rule has implications for reforms for society at large because of its authoritarian and undemocratic tendencies. Some people feel that, given the nature and diverse cultures of Nigeria, it is only a leadership with the element of coercion such as the military that can bring about economic growth and development. The Military came with the promise of being the messiah to come and deliver Nigerian from all the evils which were features of democratic reign and save the nation from the inability of civilians to propel the wheel of economic growth and development. Nigerians were however disappointed to discover that the military system has as many dirty linens as democracy or civilian rule if not more. In the words of Anyiwe and Oziegbe (2006), "there were allegations of looted treasuries; of corruption, nepotism; of proscriptions of media houses, of trade unions and of formation of civil society organisations". Also, there were numerous illegal detentions, mysterious killings, assassinations and disappearances of notable persons during the military rules.

However, since May 29, 1999 Nigeria has transited to democratic civil regime. The country embraced democracy and this ended the 16 years of consecutive military rule. Democracy and development are considered as twin words to the extent that some people strongly believe that democracy is the only panacea to free the nation from the bondage and slavery of underdevelopment. With the civilian government ruling from 1999 to the contemporary period, the expectations of Nigerians have been on reaping the 'dividends' of democracy which is expected to include growth in the country's economy and better living conditions. However, woes that betide the economy is that of failure of policies everywhere, and increased poor living condition for the people.

As a result of the political and economic instability which have caused many social conflicts in the country, many Nigerians have lost confidence and hope in government. According to Kasper and Streit, (1998) effective enforcement of rules and sanctions against violation is needed, and it is only with sanctions would institutions make the actions of individuals' more predictable. The present study is being guided with the objective of determining how much governance matters in accelerating the economic development in Nigeria. The role of governance as a critical factor in determining the divergence in economic performance of many developing countries across the world has received enormous attention in the literature (Mushtag, 2007). It remains unsettled among the economists as regards what constitutes governance capability which will sufficiently guarantee accelerated development, and also the relative importance of governance in the consideration of other factors of development. In order to distinguish between different economic approaches to governance, two schools of thought are

recognized in literature viz a viz 'market-enhancing' and 'growth-enhancing' governance. In the discourse, the views of liberal economists and heterodox institutional economists are recognized, and are divided. The liberal economists maintain the consensus that good governance is what matter in economic development, and that good governance involves market-enhancing governance whereby there is maintenance of efficient markets and where State activities are restricted to that of the provision of necessary public goods. It is assumed that private investors are capable of driving economic development if States can ensure efficient markets particularly in the areas of property rights, and rule of law enforcement, and also in reduction of corruption, and arrogation. This is what is considered as needful in the State capacities, thereby minimizing rent seeking activities by people in government. The failure of many developing countries according to this school of thought is attributed to too much of involvements of the States which result into rent-seeking activities that crowd out the productive market activities.

However, heterodox institutional economists assert that governance capacities which are required for successful development go substantially beyond the assertion of the good governance analysis. They suggested that rapid growth which is a necessary condition for economic development could only be associated with governance capacities which promote high investment and rapid acquisition of technology. This is referred to as growth-enhancing governance

The literature is replete with unsettled debate on the possible impacts of different regimes of government on economic growth and development. In the earlier years after independence, Horowitz (1966) claimed that the military regime is capable of preparing the ground for economic breakthrough, while the civilian regime is less able. Corroborating this, Chete and Robert (1996) demonstrated empirically, using evidence on Taiwan, Korea, China, Hong Kong and Singapore to support the fact that authoritarianism or dictatorship regime can spur economic growth to some great extents. This claim was also upheld by Odetola (1982), using data on Nigeria, he established that GNP level upsurge to 12.1 and 9.1 from a low ebb of 4.2 when there was transition from civilian to military regime.

Obasanjo (1989) however disagreed with this claim but commented that authoritarian regimes can breed resentment and violence because of restraint and repression, and this is capable of inhibiting economic growth, and subsequently economic development.

The third group of authors are of the view that changes in the government regimes does not matter in economic growth processes. This was corroborated by Ekpo and Udoka (1996), using data on Nigeria to examine the relationship between governance and economic development between 1960 and1990. They showed that the basic indicators of development in Nigeria did not indicate any remarkable difference between the period of 1960 and 1990.

Anyiwe and Oziegbe (2006) did a comparative study to determine which of the civilian and military regimes in Nigeria exerted a greater influence on the economic growth. They sourced data on some globalisation variables and economic growth variables covering the period of 1960 to 2002 from statistical bulletin of Central Bank of Nigeria (CBN) and of Federal Office of Statistics. Categorizing the data into the two sub-periods of democracy and military reigns, they adopted the ordinary least squares method to obtain the linear trend equations. Their result showed that seven out of the eleven globalization variables used indicate better performance during democracy compared to military rule, while both regimes performed abysmally in the remaining four variables. They therefore recommended the practice of democracy for greater economic growth in Nigeria, and that that should be done under good governance settings.

Adenuga and Evbuomwan (2012) examined whether governance has any significant impact on domestic investment and economic growth in Nigeria under a democratic regime. Exploring quarterly series spanning 1999:q1 to 2010:q4, and employing an error correction model (ECM) and Johansen and Juselius multivariate cointegration techniques, they established that there was the existence of long-run steady-state equilibrium among economic growth, investment and governance, and that there was indication of a feedback of about 58.8 per cent of the previous quarter's disequilibrium. They also showed that the trend in gross fixed capital formation as a ratio of GDP and economic growth in the country indicated positive developments since the advent of democracy in 1999. They showed that domestic output grew from 0.9 per cent at the inception of the first democratic government in 1999 to 9.6 per cent at the end of the regime in 2003.

Keefer and Shirley (2000) used a panel of 84 countries covering the period 1982 to 1994 in order to determine the effect of quality of institutions on growth in government consumption, public investment and public debt. They conclu-

ded that good policies may perform inefficiently in the short-run since the quality of institutions can be altered only through marginal and gradual changes.

Adeosun (2012) concluded that bad governance in Nigeria should be blamed on the myriad of problems that are confronting the country which with the endowment of abundant natural, mineral and human resources is still grappling with problem of development fifty-one years after flagging independence. The study contended that the only means of attaining growth and development is through good governance and effective public administrative system.

Campos and Nugent (1999) assessed the roles of institutions of governance characteristics in development performance of East Asia and Latin America regions. Four operational governance characteristics from the International Country Risk Guide (ICRG), Business Environmental Risk Index (BERI), Polity III Project and Freedom House indices, and three indicators of economic development performance (the level of GDP per capita, the infant mortality rate, and the adult literacy rate) were used as their variables. They employed ordinary least squares (OLS) estimation technique, and showed that several of the institutional characteristics were statistically significant and indicated the expected effects on the development performance indicators in the two regions.

Similarly, Rodrik et al. (2004) examined the contribution of institutions, geography, and trade in determining income levels of the world. They employed the 2SLS estimation technique, regressing three different samples of institutional quality and a large number of alternative indicators of geography on per capita GDP for various years. Their evidence showed that geography and trade were insignificant, possibly due to weak instruments used, while institutional quality was significant. They concluded therefore that the quality of institutions overrides geography and integration in explaining cross-country income levels.

Ejuvbekpokpo (2012) investigated the impact of cost of governance on economic development in Nigeria by examining how recurrent and capital administrative expenditures were related to gross domestic product using Ordinary Least Squares (OLS) technique of analysis on time series data that span from 1970 to 2010. The study concluded that high cost of governance hampers economic development in Nigeria, and recommended that public office holders need to be restrained in their spending to ensure that the available public funds are prudently and judiciously used for development projects and in vital sectors of the economy.

Considering the long standing problem of the failure of Nigeria in breaking loose from under- development and poverty, this study is therefore designed to probe further into the extent of governance determination of economic development in Nigeria.

The hypothesis of the study is:

H1: Governance matters in economic development in Nigeria.

METHOD

The main objective of this study is to determine the extent of the effects of governance on the rate of economic development in Nigeria. In order to achieve the objectives of the study, linear statistical time trend analyses are applied to economic development and governance variables. The relationship is thus depicted with the models specified below:

$$LGDPPC = f(GOVT) \quad (1)$$
$$GOVT = f(MKT, GR, C) \quad (2)$$
$$MKT = f(CCOR, RLAW, VACCT, NAT \quad (3)$$
$$GR = f(INV) \quad (4)$$
$$C = f(TGEXP) \quad (5)$$

Incorporating (2), (3), (4), and (5), into (1) Produces:

$$LGDPC = (CCOR, VACCT, NATR, INV, TGEXP) \quad (6)$$

This can explicit be expressed as:

$$LGDPC = \alpha 0 + \alpha 1CCOR + \alpha 2VACCT + \alpha 3NATR + \alpha 4INV + \alpha 5TGEXP + u1 \quad (7)$$

Table 1. Measurement of Variables

Variables	Measurements
LGDPPC	log of GDP per capita
GOVT	Governance
MKT	Market enhancing component
GR	Growth enhancing component
C	Cost of Governance
CCOR	Control of Corruption
RLAW	Rule of Law
VACCT	Voice and Accountability
NATR	Income of Natural Resources
TGEXP	Total Government Expenditure

Where:
GDP per capita is the proxy for economic development and the explained variable. It is logged because the figure is in nominal form. Other variables are the indicators of governance and the explanatory variables.
The corresponding ECM specification of (7) is shown below:

$$\Delta LGDPC_{t-i} = \lambda_o + \sum_{i=1}^{p} \lambda_{1i}\Delta LGDPC_{t-i} + \sum_{i=1}^{p}\lambda_{2i}\Delta CCOR_{t-i} + \sum_{i=1}^{p}\lambda_{3i}\Delta VACCT_{t-i} + \sum_{i=1}^{p} \lambda_{4i}\Delta NATR_{t-i} + \sum_{i=1}^{p} \lambda_{5i}\Delta INV_{t-i} + \sum_{i=1}^{p}\lambda_{6i}\Delta TGEXP_{t-i} + \lambda_{7i}\Delta LGDPC_{t-i} + \lambda_{8i}\Delta CCOR_{t-i} + \lambda_{9i}\Delta VACCT_{t-i} + \lambda_{10i}\Delta NATR_{t-i} + \lambda_{11i}\Delta INV_{t-i} + \lambda_{12i} TGEXP_{t--i} + \lambda_{13i}ECM_{t-i} + \mu_t \quad \text{...(8)}$$

ECM is the error correction term
p is the dependent variable lag, while q is used for the lag of the independent variables.
λ_0 = constant term
λ_{1i} - λ_{6i} are the short- run dynamic coefficients of the models
λ_{7i} - λ_{12i} represent the coefficients of the long run equilibrium relationship.
μ_t = Stochastic Error term
The null hypothesis in the equation is that $\lambda_{7i} = \lambda_{8i} = \lambda_{9i} = \lambda_{10i} = \lambda_{11i} = \lambda_{12i} = 0$

By a priori expectation, Control of Corruption (CCOR), Voice and Accountability (VACCT), Income from Natural Resources (NATR), and Investment (INV) should exact positive effect on economic development, Total Government Expenditure (TGEXP), and the coefficient of ECM should be negative.

Annual time series data on Nigeria covering the period of 1996 to 2019 on GDP per capita (GDPPC), Control of corruption (CCOR), Rule of Law (RLAW), Voice and Accountability (VACCT), Income on Natural Resources (NATR), Investment (INV), and Total Government Expenditure (TGEXP) which were used for the analysis were sourced from World Development Indicator database. The dependent variable is GDP per capita, while the other variables are the explanatory variables which proxy Governance. GDP per capita was logged because it is in nominal value while others were not logged because they were in rates. The variables were parsimously introduced, while the insignificant ones were removed.

As part of the preliminary test, the descriptive statistics and correlation analysis of the variables were carried out and the results are as shown on Tables 2 and 3.

Furthermore, in order to ascertain the use of appropriate method for the study, a confirmation of the order of integration is a pre-requisite for time series analysis in order to determine the stationarity or otherwise of the data. The popular Augmented Dickey-Fuller (ADF) test was employed to conduct stationarity test for all the variables used for the analysis in order to avoid spurious regression (Table 4). This test is expected to help determine whether or not the mean value as well as variance of these variables do not vary over time. Conventionally, it is a fact that when the dependent variable shares the same order of integration with at least one of the explanatory variables in the model as shown on Table 4, cointegration could be established (Gujarati and Porter 2009).

RESULT AND DISCUSSION

As shown on Table 2, the values of the standard deviation of all the variables are not too large, and also the measures of the central tendency of the variables are very close. The probability values of the Jarque-Bera indicates that the log of GDP per capita (LGDPPC), income from Natural Resources (NATR), and Investment (INV) variables are normally distributed, while the variables of Control of Corruption (CCOR), Voice and Accountability (VACCT), and Total Government Expenditure (TGEXP) are non-normal in their distribution.

As regards the skewness which is a measure of asymmetry of the distribution of the series around their means, the values show that log of GDP per capita, voice and accountability, and income from natural resources are negatively skewed, while control of corruption, investment, and total government expenditure are positively skewed. This implies that the negatively skewed series have long left tails, while the positively skewed ones have right long tail.

Table 2. Descriptive Statistics of Variables

	LGDPPC	CCOR	VACCT	NATR	INV	TGEXP
Mean	7.206	-1.059	-0.709	14.417	24.682	16.225
Median	7.543	-1.160	-0.695	14.275	24.120	14.900
Maximum	8.039	1.220	-0.320	23.650	40.610	30.900
Minimum	6.135	-1.430	-1.550	4.810	14.900	10.000
Std. Dev.	0.683	0.501	0.293	4.979	8.503	4.939
Skewness	-0.471	4.132	-1.168	-0.127	0.436	1.274
Kurtosis	1.610	19.461	4.523	2.398	1.915	4.463
Jarque-Bera	2.820	339.271	7.774	0.427	1.938	8.633
Probability	0.244	0.000	0.021	0.808	0.379	0.013
Sum	172.940	-25.410	-17.010	346.000	592.370	389.400
Sum Sq. Dev.	10.728	5.771	1.968	570.143	1663.105	561.005
Observations	24.000	24.000	24.000	24.000	24.000	24.000

Correlation matrix shows the degree of association between pairs of variables. As indicated in table 3 below, the associations are shown to be moderate, except in the case of the one between investment and the dependent variable. Also, the association is shown to be positive between the dependent variable (LGDPPC) and: Control of Corruption (CCOR), and Voice and Accountability (VACCT), while it is negative between the dependent variable (LGDPPC) and: Income from Natural Resources, Investment, and Total Government Expenditure.

Table 4 depicts the result of the unit root test of Augmented Dicky Fuller (ADF). This shows a mixed order of integration of the variables. Variables such as log of GDP Per Capita (LGDPPC), Income from Natural Resources (NATR), and Investment (INV) are stationary at first differencing, while variables of Control of Corruption (CCOR), Voice and Accountability (VACCT), and Investment (INV) are stationary at level. They are all at 5 percent level of significance.

Table 3. Correlation Matrix Result

	LGDPPC	CCOR	VACCT	NATR	INV	TGEXP
LGDPPC	1					
CCOR	0.364	1				
VACCT	0.540	0.041	1			
NATR	-0.330	-0.095	-0.496	1		
INV	-0.942	-0.333	-0.579	0.362	1	
TGEXP	-0.509	-0.243	0.046	0.348	0.401	1

Table 4. Augmented Dickey-Fuller (ADF) Unit Root Test Results

Variables	P-value	ADF test statistics with		Critical-Value at 5%		Order of Integration
		Constant	Constant & Trend	Constant	Constant & Trend	
CCORR	0.0009	-4.818	-5.134	-2.998	-3.622	I(0)
LGDPPC	0.0403	-3.112	-3.139	-3.005	-3.632	I(1)
VACCT	0.0256	-3.333	-2.945	-3.008	-3.633	I(0)
NATR	0.0001	-6.214	-6.226	-3.021	-3.658	I(1)
INV	0.0440	-3.068	-3.713	-3.005	-3.633	I(1)
TGEXP	0.0003	-1.439	-6.443	-3.004	-3674	I(0)

Furthermore, a test of long run relationship among the variables of interest was performed using the Auto Regressive Distributed Lag (ARDL) Bound Test. This technique is appropriate, given the mixed order of integration of the variables and the fact that the dependent variable is of first order integration series, and that none of the series is I(2) as this will defeat the use of the technique.

The result on Table 5 indicates an existence of long run co-integration relationship among the dependent and the independent variables with the F-statistic being 11.343 which is higher than the lower and upper critical bound values at the conventional 5 percent level of significance. This implies that the independent variables are jointly significant in the relationship.

Table 5. ARDL Bounds Test

Null Hypothesis: No long-run relationship exist
F-statistic = 11.343
Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Furthermore, to achieve the set objective of exploring the long run effect of governance on the level of economic development on Nigerian which is the focus of this study, the Autoregressive distributed lag (ARDL) approach is explored.

The result of the short-run dynamic model which was estimated in this study is as shown in Table 6. The value of ECT (1) is -0.517, with P – value of 0.002. This implies that the negative value of the coefficient which is less than one is significant at 5% level and it is in line with a priori expectation. The variables are therefore co-integrated and it indicates that they move towards long run equilibrium. The value indicates that the rate of adjustment to equilibrium in the short run is 51.7% which is very high.

As regards the explanatory variables, they are all (except Control of Corruption in the current year) significant determinants of economic development in the short run of the study period. They are shown to be significant at the conventional 5% level of significance. The coefficient of Control of Corruption is negative (-0.0067) in the current year while it is positive at the lag of a year (0.0894). This suggests that in the short run a unit increase in the level of governance performance channelled through controlling of corruption dampens economic development in the current year by 0.67% but enhances economic development at the rate of 8.94% by a lag of a year.

Whereas one-unit increase in the level of Voice and Accountability enhances economic development by 61.5% in the current year, it dampens economic development by 76.7% in the past year.

A unit increase in Income from natural resources favourably determined the level of economic development in Nigeria by 0.63% in the current year, but dampens it by 3.54% in the past period.

A unit increase in Total Government Expenditure both in the current and past periods enhances the level of economic development by 1.09% and 2.3% respectively.

Table 6. ECM Result of Short-Run Estimation of ARDL

Variable	**Coefficient**	**Standard Error**	**T-Statistic**	**Probability**
C	4.749	0.379	12.534	0.000
D(LGDPPC(-1))	0.923	0.054	16.957	0.000
D(CCOR)	-0.007	0.008	-0.851	0.443
D(CCOR(-1))	0.089	0.008	11.636	0.000
D(VACCT)	0.615	0.057	10.840	0.000
D(VACCT(-1))	-0.767	0.053	-14.509	0.000
D(NATR)	0.006	0.001	5.651	0.005
D(NATR(-1))	-0.010	0.002	-6.198	0.003
D(INV)	-0.034	0.002	-14.503	0.000
D(INV(-1))	0.035	0.002	14.635	0.000
D(TGEXP)	0.011	0.002	5.801	0.004
D(TGEXP(-1))	0.023	0.002	13.264	0.000
CointEq(-1)*	-0.517	0.042	-12.375	0.000
R2 = 0.999 D.W.= 2.95 F-st= 575.03 Prob = 0.000				
AIC = -4.3005, S.C. = -3.4078, HQC = -4.0903				

Table 7. Long-Run Estimation of ARDL Approach

Variable	Coefficient	Standard Error	T-Statistic	Probability
CCOR	-0.263	0.116	-2.266	0.086
VACCT	0.575	0.143	4.005	0.016
NATR	0.037	0.019	1.899	0.130
INV	-0.081	0.006	-13.766	0.000
TGEXP	-0.022	0.008	-2.907	0.044
EC = LGDPPC - (-0.263*CCOR + 0.575*VACCT + 0.0368*NATR -0.081				
*INV -0.022*TGEXP)				

The Error Correction Model Results

The result in Table 7 depicts the long-run dynamics of the effects of governance in Nigeria on economic development in the country.

As shown on the Table, all the explanatory variables with the exception of Income from Natural Resources are significant at the conventional 5 level of significance, but Control of Corruption is at 10% level of significance.

Control of Corruption in the long run exhibits negative relationship with economic development (-0.26), implying that as the level of corruption improves by a unit, economic development level reduces in the long run by 26.3%. The result is in line with Mo (2001) and Lui (1996) who argued that corruption has its good side in that it can serve as a lubricant through which business operations are smoothened and a mechanism through which price allocative efficiency are restored thereby raising the efficiency of an economy. With this view in place, controlling corruption could amount to reducing the efficiency of the economy and consequently its development.

The variable of Voice and Accountability shows a positive relationship (0.575) with economic development, indicating that with a unit increase in improvement of voice and accountability, the pace of economic development was made better by 57.5%. This corroborates the stand of Mauro (1995), Asuquo (2012), and Oluwatoyin and Folasade (2014) who in their different studies established that governance and institutions matter in the economic development of any nation.

The variable of Natural Resources exerts positive influence on the level of economic development in the long run, though not statistically significant as a unit increase in the level of income from natural resources increased economic development by 3.7%.

The variable of investment shows a negative relationship with economic development in the long run during the period of the study. A unit increase in investment level reduced economic development by 8.08%. Akanbi, (2010) established that an improvement in economic performance requires an enhanced domestic investment which can only be achieved in a well-structured and stable socio-economic environment. In the same way, Oyedokun and Ajose (2008) is of the view that the direction of the impact of investment on economic performance is to a great extent determined by the country's characteristics and policy environment.

The variable of Total Government Expenditure also shows a negative relationship with economic development as a unit increase in total government expenditure resulted into about 2.2% reduction in economic development in the long run of the study period. This is consistent with and corroborates the study of Ejuvbekpokpo (2012) who established that cost of governance in the form of government expenditure is capable of dampening the economic development in the country.

Generally, the result shows that the co-efficient of determination (R2) is 0.99 implying that about 99 percent of the variations in economic development is explained by its lags, and the current and lagged values of Control of Corruption, Income from Natural Resources, Voice and Accountability, Investment, and Total Government Expenditure. The F-statistics 575.03 with p-value of 0.0000, gives the indication of a general goodness of fit of the model. Durbin Watson value is 2.95, indicating that there is negative auto correlation.

Summarily, the results of the study show evidence of long run relationship between the dependent variable (Economic Development) and the explanatory variables (Control of Corruption, Voice and Accountability, Investment, and Total Government Expenditure), but not with income from Natural Resources. All the explanatory variables are the indicators of governance which are shown to be significant determinants

of economic development in Nigeria.

As suggested by the results of the study, the economy is capable of adjusting to equilibrium in the long run at the speed of 51.7% from any disequilibrium in the short run. In the long run, indicators of "market enhancing" governance in the form of Control of Corruption would tend to dampen the pace of economic development, while improvement in Voice and Accountability would tend to enhance the economic development.

In the long run also, "Growth enhancing" governance in the form of Investment is shown to have the tendency of harming the economic development in Nigeria during the study period.

Furthermore, as indicated by the study, cost of governance (Total Government Expenditure) is capable of hampering the level of economic development in the long.

CONCLUSION AND RECOMMENDATIONS

The study was carried out with the intention of determining how much governance matter in economic development of Nigeria, exploring Nigerian's data on Economic Development, Control of Corruption, Voice and Accountability, Income from Natural Resources, Investment, and Total Government Expenditure for the period of 1996 to 2019. The choice of the period being informed by year of availability of data. The stationarity or otherwise of the data was tested using Augmented Dickey Fuller (ADF) unit root Test. The data were found to be stationary, and of mixed order of integration, and so this informed the technique of analysis which was employed in the analysis. Auto Regressive Distributed Lag (ARDL) was found to be the appropriate technique in establishing the long run causality between the dependent and the independent variables.

The result of the analysis indicated that the variables exhibited long run relationship and that all the explanatory variables which are indicators of governance are significant determinants of economic development (except Income from Natural Resources) in Nigeria during the period of the study.

The results suggested that a unit increase in the level of control of corruption, investment, and total government expenditure in the long run dampens economic development by 26.3%, 8.08%, and 2.2% respectively, while a unit increase in voice and accountability, and income from natural resources enhance the rate of economic development in Nigeria during the period of the study by 57.5% and 3.7% respectively.

The study concluded that good governance matter in the determination of the economic development of Nigeria.

It is therefore recommended that good governance, particularly in the area of voice and accountability whereby citizens of a country are not coerced in the determination of their government, in expression, in association, and where there is independence of the media is promoted. Bureaucracy in government organization should also be such that discourages corruption. Furthermore, a good and an ideal policy environment that promote domestic investment, and reduce cost of governance are recommended to achieving an enhanced economic development.

The different forms of government regime could matter in the relative efficacy of governance. Further research can hence be considered to examine this in Nigeria vis a vis the Democratic and Civilian regimes.

REFERENCES

Adenuga & Evbuomwan, (2012). Dynamics of Governance, Investment and Economic Growth in Nigeria". *Macroeconomic Modeling, Central Bank of Nigeria.*

Adeosun, A. B., (2012). Nigeria@50: The role of Good Governance and Effective Public Administration Towards Achieving Economic Growth and Stability in Fledgling Democracy. *International Journal of Politics and Good Governance 3(*3.3), ISSN: 0976 – 1195.

Akanbi, O. A., (2010). Role of Governance in Explaining Domestic Investment in Nigeria. *Economic Research Southern Africa, Working Paper Number 168, University of Pretoria, South Africa.*

Annan, K., (1998). Annual Report to the General Assembly on the Work of the Organization. See http://www.unsystem.org/ngls/documents/pdf/go.between/gb71.pdf. Retrieved on 8th January, 2011.

Anyiwe, M. A., & Oziegbe, A., (2006). Democracy and Economic Growth: Statistical Evidence from Nigeria 1960-2002". *Journal of Applied Sciences.*

Afolugbe, O., *et. al.* ,(2004). Institutions as the Fundamental Cause of Rising Cost of Governance" *American Economic Review 5,* 1369-1401.

Campos, N. F., & Nugent, J., B., (1999). Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America. *World Development.*

Chete, L,.N., & Robert, F,. (1996). Governance and The Economy: Review of Concepts and Perspectives on Nigeria's Economy, Beyond Adjustment". Proceedings of the Annual Conference on Beyond Adjustment: Management of the Nigeria Economy. *The*

Nigerian Economic Society, Nigeria.

Diamond, L., (2004). Building a System of Comprehensive Accountability to Control Corruption. In Agbaje, A., Diamond, L., & Onwudiwe, E., [eds], Nigeria's struggle for Democracy and Good Governance (pp.221-240). Ibadan: *University Press.*

Ejuvbekpokpo, S., (2012). Cost of Governance on Economic Development in Nigeria. *Global Journal of Management and Business Research 12*(13), 56-62.

Ekpo, A. H. & Udoka, N., I., (1996). Governance and Economic Development in Nigeria: Implications Beyond Structural Adjustment. Proceedings of the Annual Conference on Beyond Adjustment: Management of the Nigeria Economy, March 6-8, 1996 . *The Nigerian Economic Society, Nigeria.*

Asuquo, E. E., (2015). The Role of Institutions and Governance on Economic Performance in Selected Sub-Saharan African Countries. Unpublished M.Sc. Thesis.

Gujarati, D. N., & Porter, D. C. (2009). Basic econometrics (5th ed.). New York: McGraw-Hill/ Irwin.

Horowitz, I. L., (1966). Three Worlds of Development". *Oxford University Press, New York.*

Kasper, W. & Streit, M., (1998). Institutional Economics: Social Order and Public Policy. *Cheltenham: Edward Elgar*.

Keefer, P. & Shirley, M., M., (2000). Formal Versus Informal Institutions in Economic Development. In C. Ménard, Institutions, Contracts and Organisations: PerspectivesFrom New Institutional Economics*, Cambridge: Edward Elgar,* 88 - 107.

Lui, F. T., (1996). Three aspects of Corruption. *Contemporary policy*.14(3), 26-29.

Mauro, P., (1995). Corruption and Growth. *The Quarterly Journal of Economics, 110*(3), 681–712.

Mo, P. H., (2001). Corruption and Economic Growth. *Journal of Comparative Economics 29*, 66-79.

Obasanjo, O., (1989). The Democratic Revolution. *Proceedings of National Endowment for Democracy Conference, May 1989, Washington D.C.*

Odetola, O., (1982). Military Regimes and Development: A Comparative Analysis in African Societies. *George Allen and Unwin, London*.

Oluwatoyin, M. A., & Folasade, A. B., (2014). Trade Openness, Institutions and Economic Growth in Sub-Saharan Africa. *Developing Country Studies,* 4(8), 1830.

Oyedokun G. E., & Ajose, K., (2018). Domestic Investment and Economic Growth in Nigeria. An Empirical Investigation. *International Journal of Business and Social Sciences, 9*(2),130-138.

Rodrik, D., Subramanian, A., & Trebbi, F., (2004). Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development. *Journal of Economic Growth*, *9*(2), 131 - 165.

The World Fact book. CIA.gov. Central Intelligence Agency. Retrieved 8 Feb, 2019.

World Bank (1989). Sub-Saharan Africa: From Crisis to Sustainable Growth. *Washington*

Yaqub, O. & Abubakar, S.O. (2005). Conceptualising Good Governance,Corruption and Democracy In L. Olurode & S.O. Akinboye [eds], Democracy, Good Governance and Corruption in Nigeria. Friedrich Ebert Shiftung (FES).