Volume 5, Issue 1, 2020

Enugu State University of Science & Technology

Journal of Social Sciences & Humanities

ENUGU STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY

TECHNOLOGY FOR SERVICE

Journal of Social Sciences

published by

Faculty of Social Sciences
Enugu State University of Science & Technology
www.esutjss.com

Journal of Social Sciences

Volume 5, Issue 1, 2020

Quality of Governance and Economic wellbeing: The Nigerian Experience

Richard, O. Ojike[1]
Nkechinyere, R. Uwajumogu[1]
Marius Ikpe[1]
Sunday, V. Agu[2]
Joseph, I. Amuka[3]
[1]Department of Economics and Development Studies,
Alex Ekwueme Federal University,Ndufu-Alike Ikwo, Ebonyi State, Nigeria.
[2]Department of Economics, Enugu State University of Science and Technology, Enugu.
[3]Department of Economics, University of Nigeria, Nsukka.

Abstract

Governance can be good or bad. Good governance promotes economic well being, while bad governance undermines it through harsh policies and poor implementation of the good policies. With the experience of the developed countries of the world, democracy is associated with good governance. However, with more than 20 years of democratic experience in Nigeria, the poor state of the economic indicators of wellbeing continued to go down. Based on the foregoing, this study examined the impact of governance on economic wellbeing in Nigeria for the period 1996q1-2018q4 using autoregressive distributed lag model (ARDL) bounds test approach. Per capita GDP growth was used as a proxy for economic wellbeing while regulatory quality index was used as proxy for quality of governance. The cointegration test result showed that there is a long run relationship between quality of governance and economic wellbeing. The study findings show that quality of governance has a negative significant impact on economic wellbeing in both short- and long-run. Based on the findings and the definition of regulatory quality by the worldwide governance indicators as perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development; the study recommends for an improved oversight function by the legislative arm of the government to ensure that public policies and regulations are properly implemented to promote private sector development and the economic wellbeing of the Nigerian populace.

Keywords: *Governance, ARDL, Economic wellbeing, Regulatory quality index, Nigeria.*

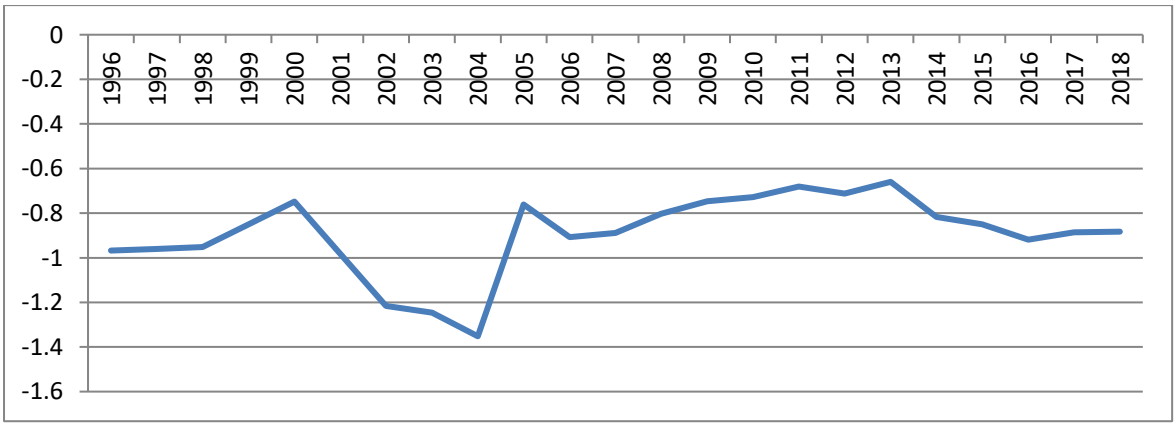
Corresponding Author: Richard O. Ojike
Department of Economics and Development Studies, Alex Ekwueme Federal University Ndufu-Alike Ikwo, PMB 1010, Abakaliki, Ebonyi state, Nigeria
Email: ricvivojaiyke@yahoo.com
Phone No: +2348030888231

1. Introduction

Governance is a broad concept which describes ways which the public sector excises its powers in its bid to manage economic and social components (World Bank, 1994).

Exercise of such powers by the state determines level and direction of economic performance as measured by various indices of performance. In recent times, scholars are beginning to realize the useful role of governance institution in the process of growth, development and wellbeing (Mauro 1995; Knack and Keefer 1995; Alesina 1998; Przeworski et al 2001; Feng 2003). Governance can be good or bad. Good governance promotes economic well being, while bad governance undermines it through harsh policies and poor implementation of the good policies. With the experience of the developed countries of the world, democracy is associated with good governance. However, with more than 20 years of democratic experience in Nigeria, the poor state of the economic indicators of wellbeing continued to go down. For instance, the total employment to population ratio for fifteen years and above dropped from 57.8% in 1999 to 48.6% in 2019(World development indicators, 2020), the GDP growth rate dropped from 15.3% in 2002 to 2.2% in 2019(World development indicators, 2020), the inflation rate increased from 6.6% in 1999 to 16.5% in 2017(CBN Statistical Bulletin, 2018) etc. Worldwide governance indicators utilized six indicators- control of corruption, government effectiveness, political stability and absence of violence/terrorism, regulatory quality, rule of law, voice and accountability- to measure government performance. All the six indicators ranked Nigeria negative from 1996 to 2018 in a scale of -2.5(weak performance) to 2.5(strong performance), showing that governance in Nigeria is bad in all measures. The figure 1 below shows the Nigeria governance performance ranking using the regulatory quality index.

Figure 1 Nigeria governance performance ranking index with regulatory quality measure



Source: Authors' plot using Worldwide governance indicator (2020) data

In scale of -2.5(weak performance) to 2.5(strong performance), Nigeria's governance regulatory quality index shows weak performance for the study period. It is worthy to note that Nigeria had her highest index in 2013 and the lowest in 2004. The implication is that government policy formulation and implementation that promotes private sector development were worst during the Obasanjo led government in 2004 while the best was during Jonathan's regime in 2013.

Evidences from the reviewed empirical literature shows that none of the Nigeria studies used specifically regulatory quality index to measure quality of governance. None of the studies also utilized the ARDL bound test approach to examine the short- and long-run effect of quality of governance on economic wellbeing. In other to fill the identified gaps, the objectives of this study are; (1). To examine the impact of quality of governance on economic wellbeing using regulation quality index to measure the governance performance. (2). To use the ARDL bound test approach in examining both short- and long-run effect of quality of governance on economic wellbeing.

2. Literature Review

There has been no consensus regarding whether or not governance promotes or hinders growth and wellbeing. In the argument, the first school of thought (The conflict school) argue that by creating consumption pressures, instigation of distributional conflicts, and equally by discouragement of capital accumulation, democracy hinders the process of growth among developing countries. However, empirical work by Przeworskiet et al. (2000) failed to provide support for this as their findings provided evidence of non-existing tradeoffs between democracy and development. The second school (Compatibility theorists) posits that governance exerts positive influence on growth. They argue that, presence of fundamental human rights, as well as political rights creates the right social environment conducive for economic development. This has been empirically supported by a number of studies (Knack and Keefer 1995; Mauro 1995; Alesina 1998). The third school (The Skeptical School) argues that there is absence of systematic relation between governance and economic development. This non – systematic relation according to Olson (1996) and Knack (2003) has been offered as reasons behind observed anomalies inherent in both old and new growth theories, which were unable to explain factors that explain development in most countries.

Empirical evidence from both regional (cross – country) studies and country specific investigations support positive effect of governance on economic growth as an aspect of wellbeing. For instance, in a study of effect of governance on economic performance among sub Saharan Africa, Habtumu (2008) for the period 1996 – 2005, using both difference and system dynamic Generalized Methods of Moments (GMM), provided evidence that governance positively affects economic growth and general wellbeing. This evidence was equally supported by a good number of other studies with similar geographical scope (Fayisa and Nsiah, 2010; Kaufman and Kraay 2002; Cooray, 2009; Emara and Chin 2016; Bayar 2016; Tarek and Ahmed 2013, Lahouij, 2017). On the other hand, in a study of the Rwandan economy, while adopting an estimation strategy that allows separation of correlation into two components, Habyarimana, and Dushimayezu (2018) provided evidence in support of positive effect of governance on growth. Similar outcome in the context of country – specific study was also arrived at by Alomaisi et al. (2016) for Yemen, Ramadhan, (2019) for Indonesia and a number of Nigerian specific studies (Uda and Ayara 2014; Ovat and Bassey 2014; Adenuga and Avbuomwan 2012). On the contrary, Sikod and Teke, (2012) found a negative effect of governance on growth in their study for Cameroon, while Yerrabati and Hawkes (2015) provided a mixed evidence on the effect of governance on growth.

Nigeria specific studies differ in methodology and measurement of governance. Adenuga and Avbuomwan (2012) added up the six indicators to measure governance in an error correction model. Uda and Ayara (2014) included five out of the six indices in a single Ordinary Least Squares (OLS) model. Ovat and Bassey (2014) used descriptive statistics to analyze the six indicators relationship with economic growth. Dates of the Nigeria specific studies also show that recent studies are lacking in literature.

The available empirical literature shows that none of the Nigeria studies used specifically the regulation quality index to measure the short- and long-run impact of governance on economic wellbeing in an ARDL bounds test approach. This study is set to fill the above identified gaps.

3. Methodology

3.1 Theoretical Framework

The theoretical framework adopted in this study is the Solow growth model, which can be stated thus:

$Y(t) = f(K(t), A(t) L(t)$ …….. (1)

Where Y is output, K is capital, L is labour, A is knowledge and t is time. A and L enter multiplicatively and is referred to as effective labour (Romer, 1996). Governance as an institution that manages the economy enters the model through her policy formulation and implementation to increase economic growth and general wellbeing of the citizens. Public policy if properly implemented will improve the output through its effect on capital and the effective labour inputs.

3.2 Model specification

Solow growth model will be modified to incorporate the governance variable and other economic variables. Model of the study is specified in functional form thus:

PCGDPG = f(GFCF, LFPR, GOVRN, FRED, EXCHR, INFLR, BRKPCGDPG) …… (2)

The econometric form of the model is stated as follows:

$PCGDPG_t = \beta_0 + \beta_1 GFCF_t + \beta_2 LFPR_t + \beta_3 GOVRN_t + \beta_4 FRED_t + \beta_5 EXCHR_t + \beta_6 INFLR_t + \beta_7 BRKPCGDPG_t + \epsilon_t$ …… (3)

Where PCGDPG is per capita GDP growth (proxy for economic wellbeing), GFCF is gross fixed capital formation (proxy for capital inputs), LFPR is labour participation rate (proxy for effective labour), GOVRN is quality of governance (measured with regulatory quality index), FRED is federal government recurrent expenditure on education (proxy for government investment in education), EXCHR is naira official exchange rate with US dollar, INFLR is inflation rate, BRKPCGDPG is per capita GDP growth structural break dummy, ϵ is the error term, and t is time. β_0 is the intercept and β_1 - β_7 are the slope coefficients of the variables. The a priori expectations are; $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$ or <0, $\beta_4 > 0$, $\beta_5 < 0$, $\beta_6 < 0$, $\beta_7 > 0$.

Based on the results of the unit root test in table 1 below, the study adopted Pesaran, Shin and Smith (2001) Autoregressive Distributed Lag Model (ARDL) bounds test approach for cointegration test. The bound test approach is applicable when the regressors are integrated of order zero (I(0)) or one (I(1)) or are mutually cointegrated (Pesaran and

Shin (1999). It is also efficient when the sample size is small. The basic ARDL (p, q) model of the study can be stated thus:

$$PCGDPG_t = \beta_0 + \beta_1 PCGDPG_{t-1} + ... + \beta_p PCGDPG_{t-p} + \alpha_0 GFCF + \alpha_1 GFCF_{t-1} + ... + \alpha_q GFCF_{t-q} + \delta_0 LFPR + \delta_1 LFPR_{t-1} + ... + \delta_q LFPR_{t-q} + \lambda_0 GOVRN + \lambda_1 GOVRN_{t-1} + ... + \lambda_q GOVRN_{t-q} + \eta_0 FRED + \eta_1 FRED_{t-1} + ... + \eta_q FRED_{t-q} + \varphi_0 EXCHR + \varphi_1 EXCHR_{t-1} + ... + \varphi_q EXCHR_{t-q} + \upsilon_0 INFLR + \upsilon_1 INFLR_{t-1} + ... + \upsilon_q INFLR_{t-q} + \psi_0 BRKPCGDPG_t + \epsilon_t \quad ..... \quad (4)$$

Where the variables remain as defined in equation (3). p, and q are the lag orders that will be determined through Akaike information criterion (AIC)..

Following Pesaran et al (2001), the bound test equation is stated thus:

$$\Delta PCGDPG = \beta_0 + \sum_{i=1}^{p} \beta_i \Delta PCGDPG_{t-i} + \sum_{j=0}^{q} \alpha_j \Delta GFCF_{t-j} + \sum_{k=0}^{q} \delta_k \Delta LFPR_{t-k} + \sum_{l=0}^{q} \lambda_l \Delta GOVRN_{t-l} + \sum_{m=0}^{q} \eta_m \Delta FRED_{t-m} + \sum_{n=0}^{q} \varphi_n \Delta EXCHR_{t-n} + \sum_{o=0}^{q} \upsilon_o \Delta INFLR_{t-o} + \psi_0 BRKPCGDPG_t + \Omega_0 PCGDPG_{t-1} + \Omega_1 GFCF_{t-1} + \Omega_2 LFPR_{t-1} + \Omega_3 GOVRN_{t-1} + \Omega_4 FRED_{t-1} + \Omega_5 EXCHR_{t-1} + \Omega_6 INFLR_{t-1} + e_t \; .. \; (5)$$

Where; Δ represents difference.

The bounds test for cointegration is based on an asymptotic non-standard F-test on the lagged level variables in equation 2. In this regards, two bounds critical values are generated. The upper bounds critical value serves as a bench mark for I(1) variables while the lower bounds critical value is the bench mark for I(0) variables. Null hypothesis of no cointegration; H_0: $\Omega_0 = \Omega_1 = \Omega_2 = \Omega_3 = \Omega_4 = \Omega_5 = \Omega_6 = 0$ is tested against the alternative hypothesis of presence of conintegration: H_1: $\Omega_0 \neq \Omega_1 \neq \Omega_2 \neq \Omega_3 \neq \Omega_4 \neq \Omega_5 \neq \Omega_6 \neq 0$. Null hypothesis of no cointegration is rejected if the computed F-statistics exceeds the upper bounds critical value. If the calculated F-statistics is lower than the lower bounds critical value, the null hypothesis cannot be rejected. The test is inconclusive when the calculated F-statistics is between lower and upper bounds critical values.

3.2 Data

The study utilized an annual data that spanned from 1996 to 2018. Eviews 9.0 was used to interpolate the annual data to quarterly series (1996q1-2018q4). GDP per capita growth, inflation rate, and exchange rate were sourced from World Development Indicators (2020). Federal government recurrent expenditure on education and gross fixed capital formation were sourced from CBN Statistical Bulletin (2018). Regulation quality index that measured the quality of governance was sourced from Worldwide Governance Indicators (2020). Regulation quality index is measured in a scale of -2.5 to 2.5 (-2.5 = weak performance, 2.5 = strong performance). The data publication started in 1996 but gapped 1997, 1999 and 2001. Average of 1996 and 1998 was used to fill 1997; average of 1998 and 2000 was used to fill 1999, while average of 2000 and 2002 was used to fill 2001.

4. Results Presentation and Discussion

4.1 Unit root test

Following Perron (2006) assertion that conventional unit root test approaches like Augmented Dickey–Fuller (ADF; Dickey and Fuller 1979, 1981), Philip Perron (PP; Phillips and Perron 1988), Kwiatkowski–Phillips–Schmidt–Shin (KPSS; Kwiatkowski et al. 1992) and Ng and Perron (2001) give biased results due to their low explanatory powers to identify unknown structural breaks in time series, the study adopted Zivot and Andrews (1992) unit root test approach that incorporates unknown single structural break in its unit root test.

Table 1; Zivot-Andrews Unit Root Test

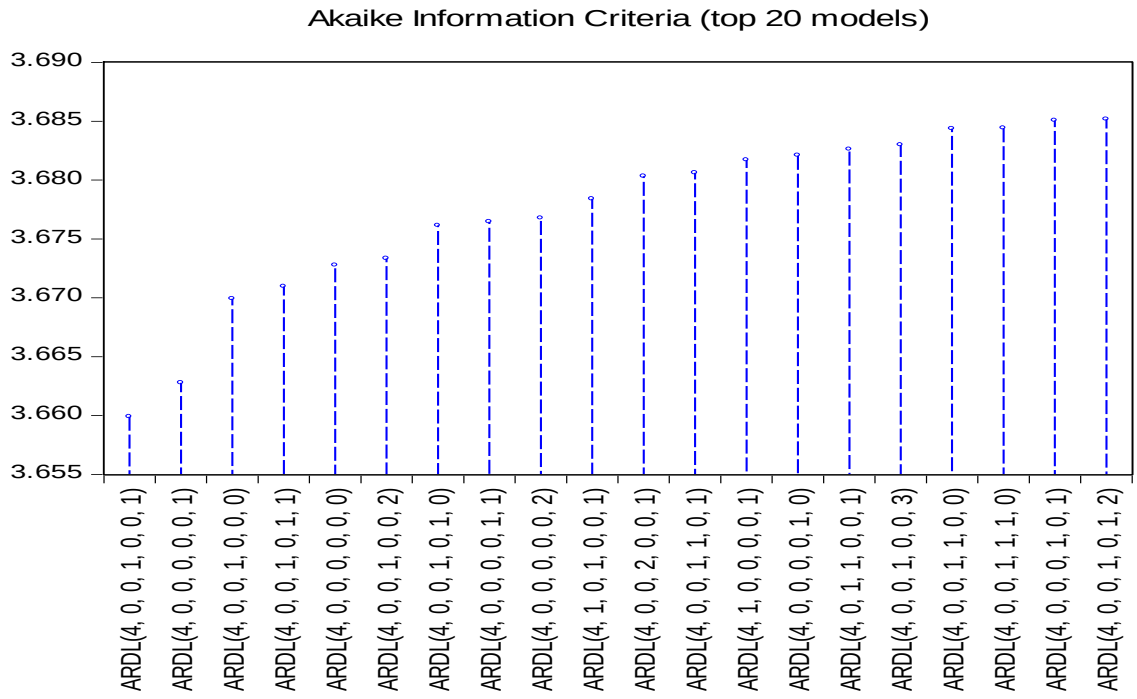
Variable	Level form		First difference		Order of integration
	Brake date	t-statistic	Brake date	t-statistic	
PCGDPG	2000q1	-4.3478	2000q1	-15.8632***	I(1)
GFCF	2015q2	-1.9776	2007q1	-7.7208***	I(1)
LFPR	2012q1	-7.1975***	2012q4	-11.0071***	I(0)
GOVRN	2005q1	-4.5849	2005q1	-9.90845***	I(1)
FRED	2011q1	-6.2882***	2011q3	-10.1884***	I(0)
EXCHR	2015q1	-3.2191	2015q1	-10.7398***	I(1)
INFLR	2006q1	-4.5400	2005q4	-7.2705***	I(1)

Source: Authors' computation using sourced data
Note: **indicates significance at 5%, ***indicates significance at 1%

Summary of the unit root test result in table 1 shows that per capita GDP growth, gross fixed capital formation, quality of governance, exchange rate and inflation rate are stationary at first difference while labour force participation rate and federal government recurrent expenditure on education are stationary at level form. Since none of the variables is integrated of order two, Pesaran et al (2001) ARDL bound test technique is appropriate for the cointegration test.

4.2: ARDL Model Selection result

Figure 2: Akaike information Criteria model selection



Source: Authors' plot from the ARDL model

Figure 2 above shows that using Akaike information criteria (AIC), ARDL (4, 0, 0, 1, 0, 0, 1) has the lowest value and was used for the study. The R-squared (0.8563) and the Adjusted R-squared (0.8311) of the ARDL (4, 0, 0, 1, 0, 0, 1) regression result in the appendix showed that the model has a good fit. F-statistic of 33.9226 with a p-value of 0.0000 showed that the model is statistically significant at 1% level.

4.3: Cointegration test

Table 2: Bounds test result

Null Hypothesis: No long run relationships exist

Calculated F-statistic = 3.95		
Level of significance	Critical bound value	
	Lower bound I(0)	Upper bound I(1)
10%	2.12	3.23
5%	2.45	3.61
2.5%	2.75	3.99
1%	3.15	4.43

Source: Authors' computation from the ARDL model

The cointegration test result in table 2 above shows that the F-statistic is higher than the upper critical bound of 5% level of significance, indicating the presence of long run relationship between the dependent variable and the independent variables in the model.

4.4 Diagnostic tests for the model

4.4.1 Serial autocorrelation test

Table 3: Correlogram-Q-Statistic

Q-statistic probabilities adjusted for 4 dynamic regressors

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob*
. |*. |	. |*. |	1	0.098	0.098	0.8773	0.349
. |. |	. |. |	2	0.012	0.002	0.8902	0.641
.*|. |	.*|. |	3	-0.074	-0.077	1.4071	0.704
**|. |	**|. |	4	-0.230	-0.218	6.3858	0.172
. |. |	. |. |	5	0.001	0.045	6.3859	0.270
. |. |	. |. |	6	-0.035	-0.040	6.5041	0.369
.*|. |	.*|. |	7	-0.071	-0.101	6.9939	0.430
.*|. |	**|. |	8	-0.185	-0.234	10.389	0.239
. |. |	. |. |	9	-0.053	-0.016	10.669	0.299
. |. |	. |. |	10	-0.016	-0.041	10.696	0.382
. |. |	. |. |	11	0.020	-0.050	10.738	0.465
.*|. |	**|. |	12	-0.092	-0.230	11.619	0.477
. |. |	. |. |	13	0.016	0.009	11.645	0.557
. |. |	. |. |	14	0.027	-0.018	11.720	0.629
. |. |	. |. |	15	0.038	-0.038	11.873	0.689
. |. |	.*|. |	16	0.063	-0.103	12.304	0.723

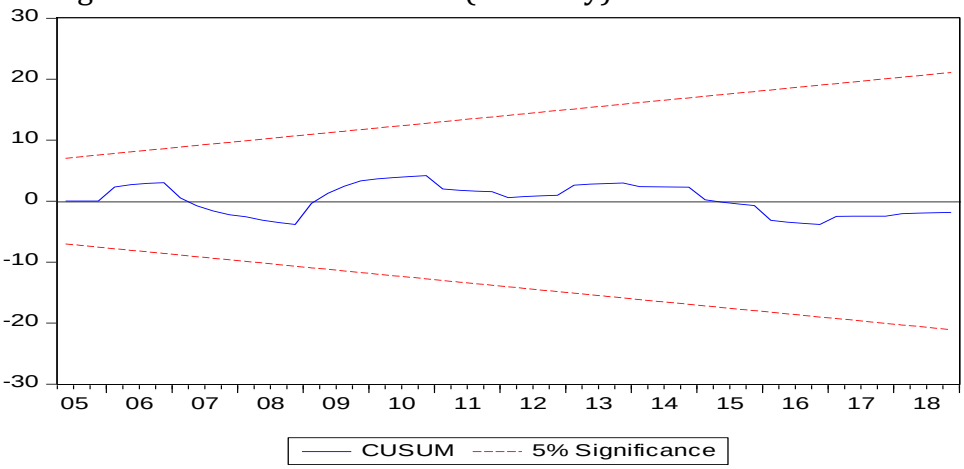
*Probabilities may not be valid for this equation specification.

Source: Authors' computation from the ARDL model .

Result of the correlogram-Q-statistics in table 2 shows that none of the lags is statistically significant at 5% level, indicating the absence of serial autocorrelation in the model.

4.4.2: Stability test

Figure 3: Recursive Estimates (OLS Only) – CUSUM Test



Source: Authors' computation from the ARDL model

CUSUM test result in figure 3 above shows that the coefficients of the model are stable, since the plot of the CUSUM statistics remained within 5% level of significance.

4.4.3 Normality, Heteroskedasticity, and Specification tests

Table 4: Table 4: Jarque-Bera Normality test, Breusch-Pagan-Godfrey Heteroskedasticity test, and Ramsey RESET Specification test

Test	Statistic		Prob.
Jarque-Bera Normality	Jarque-Bera	0.9592	0.6190
Breusch-Pagan-Godfrey Heteroskedasticity	Obs*R-squared	19.7964	0.1004
Ramsey RESET Specification	F-statistic	1.0431	0.3105

Source: Authors' computation from the ARDL model

The non-significant of the normality test, heteroskedasticity, and the specification test shows that the model is normally distributed, homoskedastic, and well specified.

4.5 Short run and Long run results

Table 6: Results of the short run and long run models

Short run model result			Long run model result		
Dependent variable: D(PCGDPG)			Dependent variable: PCGDPG		
Variable	Coeffecient	t-Statistic	Variable	Coeffecient	t-Statistic
D(GFCF)	0.00008	0.7705	GFCF	0.00015	0.791676
D(LFPR)	0.3099	2.1250**	LFPR	0.5967	2.3011**
D(GOVRN)	-6.2636	-3.1257***	GOVRN	-6.6520	-2.9760***
D(FRED)	0.0032	0.9355	FRED	0.0062	0.9593
D(EXCHR)	-0.0194	-2.2669**	EXCHR	-0.0373	-2.6421**
D(INFLR)	-0.0559	-0.8336	INFLR	0.0459	0.4380
D(BRKPCGDPG)	3.7492	4.4630***	BRKPCGDP	7.2182	5.9508***
CointEq(-1)	-0.5194	-5.6343***	C	-41.7300	-2.5203**

Source: Authors' computation from the ARDL model
Note: **indicates significance at 5%, ***indicates significance at 1%

The short- and long-run results show that quality of governance (GOVRN) has a negative significant impact on economic wellbeing. Since the regulatory quality index used to measure quality of governance is scaled from -2.5(weak) to 2.5(strong) and Nigeria had negative indices throughout the study period, the quality of governance in Nigeria by the measure is bad. From the above assertion therefore, the negative coefficient of the quality of governance conforms to a priori expectation. The finding is not consistent with the works of Uda and Ayara (2014), Ovat and Bassey (2014), and Adenuya and Avbuomwan (2012). It is consistent with the work of Sikod and Teke (2012) for Cameroon. An increase in the quality of governance (bad governance i.e., reduction in regulatory quality) by one unit on average, leads to 6.26 units and 6.65 units reduction in economic wellbeing of Nigerians in short- and long- run respectively. On the other way round, a unit reduction in bad governance (improvement in regulatory quality) will increase the economic wellbeing by the same units in both short- and long-run. This implies that the more government fails to formulate sound policies and implement the good policies very well; the poverty level of Nigerians will increase by 6.26 units and 6.65 units in both short-run and long-run. The finding attributes the Brookings Institute report (2018) that Nigeria is the poverty capital of the world to high level of bad governance. The report asserts that 87 million Nigerians earn less than 1.9 US dollars (₦684.00) in a day and six persons go into extreme poverty in every minute. Following the Worldwide Governance Indicators definition of regulation quality index as perceptions of the ability of the government to

formulate and implement sound policies and regulations that permit and promote private sector development; the implication of the finding is that the various regimes of government in Nigeria within the study period failed to implement to the latter policies that will promote private sector development; which resulted to the downward trend in most of the indicators of economic wellbeing.

Gross fixed capital formation (GFCF) conforms to a priori expectation in both short-run and long-run but has non-significant impact on economic wellbeing. This can be attributed to the anti-business policies that make the investment environment unfavourable to investors. To buttress the above point, Nigeria's ranking of 131 in 2019 World Bank ease of doing business index out of 190 countries was regarded as a huge improvement from 2018 ranking of 146 (Salaudeen, 2019).This shows how poor the ranking has been over the years if a position of 131 out of 190 economies is a huge achievement. The labour force participation rate (LFPR) conforms to a priori expectation in both short run and long run. It exhibited a positive significant impact on economic wellbeing. A unit increase in labour force participation rate improves the economic wellbeing by 0.31 unit and 0.60 unit in the short- and long-run respectively. The finding shows that the economy's workforce engages actively in the labour market, indicating that the size of labour supply available to engage in the production of goods and services are adequate.

Federal government recurrent expenditure on education (FRED) has a non- significant impact on economic wellbeing in the short- and long-run. This can be attributed to the poor funding of the education sector in Nigeria. Budgetary allocation to the education sector over the years has remained below 26% of the total annual budget recommended by the UNESCO. The short run and long run results show that exchange rate (EXCHR) has statistically negative significant impact on economic wellbeing in both short run and long run. A unit increase in exchange rate will reduce the economic wellbeing by 0.0194 unit and 0.0373 unit in short run and long run respectively. This shows that the continuous devaluation and depreciation of naira is reducing economic wellbeing instead of promoting export and the associated capital inflow. The inflation rate (INFLR) conforms to a priori expectation in the short run but does conform to a priori expectation in the long-run. It exhibited an insignificant impact on economic wellbeing in both short- and

long-run. This shows that the level of inflation is not discouraging economic activities that enhance the standard of living of Nigerians.

The positive significant outcome of the per capita GDP growth structural break variable (BRKPCGDPG) in both short-and long-run results show that the average economic wellbeing of Nigerians increased as a result of the new public policy that resulted to the structural break. This implies that public policy that resulted to the structural break has a significant effect on the mean economic wellbeing of Nigerians. CointEq(-1) that captures the speed of adjustment to any disequilibrium in the model is negative and statistically significant with an adjustment speed of 51.94%. This shows that 51.94% of the difference between long run and short run economic wellbeing is corrected within a quarter.

5. Conclusion

Following the findings, the study concludes that bad governance in Nigeria due to poor policies formulation and implementation that discourages private sector development affects economic wellbeing of the citizenry negatively. The study attributed the Brooking Institute (2018) report that six Nigerians go into extreme poverty in every minute due to bad governance. The study also concludes that labour force participation rate affects the economic wellbeing positively, while exchange rate affects the economic wellbeing negatively in both short- and long-run. Based on the findings, the study recommends for an improved oversight function by the legislative arm of the government to ensure that public policies and regulations are properly implemented to promote private sector development and the economic wellbeing of the Nigerian populace.

References

Adenuga, A.O, and Evbuomwan, O. (2012) "Dynamics of Governance investment and economic growth in Nigeria" Retrieved on 22 July 2018 from https://www.ajol..info/index. php/boje/article/download/85410/75335.

Alesina, A. (1998). "The Political Economy of High and Low Growth" *Annual World Bank Conference on Development Economics 1997*. Washington DC: World Bank.

Alomaisi, N., Schomacker, R. and Shmaileh, A. (2016). "The Impact of Governance on Economic Growth in Yemen: An Empirical Study". *International Journal of Management and Applied Sciences*, Vol. 2(2), pp: 116-170.

Bayar, Y. (2016). "Public Governance and Economic Growth in the Transitional Economies of the European Union". *Transylvanian Review of Administrative Sciences*, no. 48, pp. 5-18.

CBN (2018) Statistical Bulletin Vol.29, December.

Cooray, A.V. (2009). "Government Expenditure, Governance and Economic Growth" *Comparative Economic Studies*, Vol. 51(3), pp. 401-418.

Dickey, D. A., and W. A. Fuller.(1979), "Distribution of the Estimators for Autoregressive Time Series with Unit Root", *Journal of the American Statistical Association*, Vol. 74, pp. 427–481.

Dickey, D. A., and W. A. Fuller.(1981), "Likelihood Ratio Statistics for Autoregressive Time Series with a Unit Root", *Econometrica,* Vol. 49, pp.1057–1072. doi:10.2307/1912517.

Emara, N. and Chiu, I. (2016). The Impact of Governance on Economic Growth: The Case of Middle eastern and Northern African Countries. *Topics in Middle Eastern and African Economics*, Vol. 18, no.1, pp. 126-144.

Fayissa, B. and Nsiah, C. (2010) "The impact of Governance on Economic growth: Further evidence for Africa" Department of Economics and Finance, MiddleTennessee State University, Murfreesboro,Working Paper Series, December, 2010

Feng, Y. (2003). *Democracy, Governance and Economic Performance: Theory and Evidence*. Cambridge: MA, MIT Press.

Habtamu, F.N. (2008). Roles of Governance in Explaining Economic Growth in Sub-Sahara Africa.*Africa Policy Journal*, John F. Kennedy school of government, Harvard University.

Habyarimana, J.B. and Dushimayezu, B. (2018). Good Governance, Economic Growth and Development: Insightful from a 22-year Econometric Analysis in Rwanda. *East Africa Research Papers in Economics and Finance*, no. 2018, p. 19.

Kaufmann D, Kraay A, Zoido-Lobaton P (2002) Governance Matters II: Updated Indicators for 2000-01.World Bank Policy Research Working Paper No. 2772 Washington DC. World Bank.

Kharas, H., Hamel, K., and Hofer M., (2018) "The start of a new poverty narrative" Brooking Institute Report, Tuesday, June 19, 2018, Washington

Knack, S. & Keefer, P. (1995). Institutions and Economic Performance: Cross Country Tests Using Alternative Institutional Measures. *Economics and Politics*, Vol. 7, pp. 207-227.

Kwiatkowski, D., P. C. Phillips, P. Schmidt, and Y. Shin.(1992), "Testing the Null Hypothesis of Stationarity against the Alternative of a Unit Root: How Sure are We that Economic Time Series Have a Unit Root?", *Journal of Econometrics,* Vol.54(1), pp: 159–178. doi:10.1016/0304-4076(92)90104-Y.

Lahouij, H. (2017) "Governance and Economic growth in Developing Economies: A comparative Study" Masters Theses. Eastern Illinois University, The Keep 2724. https://thekeep.eiu.edu/theses/2724

Mauro, P. (1995). "Corruption and Growth" *Quarterly Journal of Economics*, Vol.110(3), pp:681-712.

Ng, S. and Perron, P. (2001), "Lag length selection and the construction of unit root tests with good size and power" *Econometrica,* Vol.69(6), pp: 1519-1554.

Ovat, O. O., and Bassey, E. E (2014) "Corruption, Governance and Public spending in Nigeria: implication for Economic Growth", *British Journal of Economics, Management and Trade* 4(11):1619-1699.

Pesaran, M.H, and Shin, Y, (1999), An Autoregressive Distributed Lag Modeling Approach to Cointegration Analysis, Chapter 11 in Econometrics and Economic Theory in the 20th Century: The Ragnar Frisch Centennial Symposium, Strom S(ed). Cambridge University Press; Cambridge

Pesaran, M.H, Shin, Y, Smith, R.J., (2001), "Bounds Testing Approaches to the Analysis of level Relationships" *Journal of Applied Econometrics*, Vol.16, 289-326

Perron, P. (2006). "Dealing with structural breaks" *Palgrave Handbook of econometrics, Vol. 1: Econometric Theory*, K. Patterson and T.C. Mills (eds.), Palgrave Macmillan, 278-352.

Phillips, P. C. B., and P. Perron(1988), "Testing for a Unit Root in Time Series Regression" *Biometrica,* Vol. 75, pp. 335–446. doi:10.1093/biomet/75.2.335.

Przeworski, A.; Alvarez, M.; Cheibub, J.A. and Limongi, F. (2000).*Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990*. Cambridge: Cambridge University Press.

Ramadhan, M. (2019) "Assessing of the impact of good governance and institutions on economic growth in Indonesia" *International Journal of Scientific and Technology Research,* Vol.8(11), pp: 2594-2595.

Romer, D. (1996) *Advanced Macroeconomics* (United States; McGram-Hill Companies, Inc.)

Salaudeen A. (2019) "Nigeria improves in World Bank ease of doing business ranking, but is it easier to do business there?" CNN, Maketplace Africa. https://edition.cnn.com/2019/10/24/africa/nigeria-improves-in-world-bank-anking/index.htm

Sikod, F. and Teke, J.N. (2012) "Governance and Economic growth in Cameroon" AERC Research Paper 250, Nairobi, December, 2012

Tarek, B.A. and Ahmed, Z. (2013) "Governance and Economic Performance in Developing Countries:An Empirical Study". *Journal of Economics Studies and Research*, Vol. 2013 pp: 1-13. http://ibimapublishing.com/articles/JESR/2013/390231/

Udah, E. B. and Ayara, N. (2014) "Institutions, Governance Structure and Economic Performance Nexus in Nigeria", *Journal of Economics and Sustainable Development,* Vol.5 (3) ISSN 2222-2855.

World Bank.(1994).Governance: *The World Bank Experience. The World Bank.*Washigton,D.C. United States of America: The World Bank.

World Development Indicators (2020) Data Bank-*World Bank group, Washington D.C. https://databank.worldbank.org/source/world-development-indicators*

Worldwide Governance Indicators (2020) Data Bank- *World Bank Group Washington D.C.* https://databank.worldbank.org/source/worldwide-governance-indicators

Yerrabati, S. & Hawkes, D. (2015). "Economics Governance and Economic Growth in South and East and Pacific Region: Evidence from Systematic Literature Review and Meta-analysis". *Advances in Economics and Business*, Vol. 3(1) pp: 1-21

Appendix: ARDL model result

Dependent Variable: PCGDPG
Method: ARDL
Date: 07/09/20 Time: 11:05
Sample (adjusted): 1997Q1 2018Q4
Included observations: 88 after adjustments
Maximum dependent lags: 4 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (4 lags, automatic): GFCF LFPR GOVRN FRED EXCHR INFLR
Fixed regressors: BRKPCGDPG C
Number of models evalulated: 62500
Selected Model: ARDL(4, 0, 0, 1, 0, 0, 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
PCGDPG(-1)	0.681226	0.107230	6.352939	0.0000
PCGDPG(-2)	1.10E-14	0.129967	8.47E-14	1.0000
PCGDPG(-3)	-1.28E-14	0.129967	-9.86E-14	1.0000
PCGDPG(-4)	-0.200636	0.100578	-1.994828	0.0497
GFCF	7.77E-05	0.000101	0.770484	0.4435
LFPR	0.309943	0.145854	2.125026	0.0369
GOVRN	-6.263550	2.003911	-3.125663	0.0025
GOVRN(-1)	2.808451	2.026677	1.385742	0.1700
FRED	0.003222	0.003444	0.935541	0.3526
EXCHR	-0.019385	0.008551	-2.266881	0.0263
INFLR	-0.055850	0.066998	-0.833602	0.4072
INFLR(-1)	0.079676	0.050761	1.569606	0.1208
BRKPCGDPG	3.749216	0.840059	4.463037	0.0000
C	-21.67501	9.478833	-2.286675	0.0251

R-squared	0.856309	Mean dependent var	2.626429
Adjusted R-squared	0.831066	S.D. dependent var	3.413289
S.E. of regression	1.402916	Akaike info criterion	3.659892
Sum squared resid	145.6447	Schwarz criterion	4.054014
Log likelihood	-147.0353	Hannan-Quinn criter.	3.818674
F-statistic	33.92262	Durbin-Watson stat	1.771210
Prob(F-statistic)	0.000000		

*Note: p-values and any subsequent tests do not account for model selection.