IMPACT OF COST OF GOVERNANCE ON ECONOMIC DEVELOPMENT IN NIGERIA(2001-2017)

by

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ABSTRACT

This paper examined cost of governance on economic development in Nigeria (2001-2017). The main objective was to investigate the effect of cost of governance on human development index. Data sources via secondary mean was analyzed through multiple regression (ordinary least square method). Cost of governance was disaggregated to capture government recurrent, capital expenditure and federal government share of allocation to the three tiers of government. The study revealed only government recurrent expenditure to positive and significantly impact on human development index. The study concluded that cost of governance significantly impact on economic development in Nigeria negatively. It was therefore recommended that corrupt individuals amongst the populace should be regarded as common enemies and not voted into power in subsequent elections.

Keyword: cost of governance, human development index, economic development

1.1 Introduction

The focal point of any development driven economy is to ensure that policies are made to channel budgeted resources to the grass root, where every citizen have a fair share of budgeted and allocated resources. The rising economic policies going on in Nigeria shows the development need of the Nigerian state to improve the living standard of the people. However, the effort and economic strategies put up by the government has been frustrated through high cost of governance. This could be as a result of lack of prudence on the part of government to effectively utilize the available scarce resources to accomplish the desired goals of development in the society. Today in Nigeria, the survival of an average Nigerian is at the mercy of God.
because of hardship and lack of necessary amenities. The high cost of governance in Nigeria is particularly worrisome considering the fact that government expenditure in the past has not translated into any meaningful development in terms of the improvement in the lives of the people, as Nigeria still ranks among the poorest nations of the world (Daniel, 2015). The implication of the above is that despite the existence of abundant human and material resources, majority of Nigerians still groan under the yoke of poverty. It has been observed that the prosperity of any nation hinges on efficient government. This is because it is the government that helps to sustain the social contract that binds every member of the state or country together (Agu, 2013).

1.2 Statement of the problem

In a bid to overcome the challenges of high cost of governance, successive governments in Nigeria, since the return to democratic rule in 1999, have talked about the need to reduce the country’s high cost of governance as a strategy to make more funds available for development. The irony, however, is that rather than reduce it, every new government seems to increase it further than it inherited from its predecessor to the detriment of development and the people (Enwegbara, 2013). Research has shown that it takes 70 percent of the nation’s revenue to maintain less than 20 percent of the Nigerian population that are public servants (Sanusi, 2012).

Arising from the above; the questions that come to mind are: has the high cost of governance in Nigeria translated into development and improved standard of living for the people? In whose interest is the high cost of governance in Nigeria? How can the cost of governance be reduced to encourage development in Nigeria?
Previous studies on cost of governance in Nigeria focused primarily on supplementary appropriation or extra-budgetary expenditure as a way of understanding the strategies used by governments both at the federal, state and local levels to increase high cost of governance in their favour (Agu, 2013), (Ofuani, 2013). However, the objective of this study, therefore, is to examine how high cost of governance has created discomfort on the populace using such variables as the Human Development Index (HDI) Report, rate of unemployment, level of corruption and the persistent problem of violence and crime in the country, including how these have affected the development and quality of life of the people.

1.3 **Purpose of the study**

The main purpose of this study is to investigate the impact of cost of governance and economic development in Nigeria. The study aim at achieving the under listed specific objectives.

1. Examine the effect of government recurrent expenditure on human development index in Nigeria

2. Evaluate the effect of government capital expenditure on human development index in Nigeria

3. What effect has federal government share of allocation on human development index in Nigeria

4. Ascertained the effect state government share of allocation on human development index in Nigeria
5. examine the effect has local government share of allocation on human development index in Nigeria.

1.4 Research Questions

This study is guided by the following research questions;

1. to what extent has government recurrent expenditure affected human development index in Nigeria?

2. what effect has government capital expenditure on human development index in Nigeria?

3. what effect has federal government share of allocation on human development index in Nigeria?

4. to what extent has state government share of allocation on human development index in Nigeria?

5. what effect has local government share of allocation on human development index in Nigeria?

1.5 Research Hypotheses

H0: government recurrent expenditure has no effect on human development index in Nigeria

H0: government capital expenditure has no effect on human development index in Nigeria
H0: federal government share of allocation has no significant effect on human development index in Nigeria

H0: state government share of allocation has no significant effect on human development index in Nigeria?

H0: local government share of allocation has no significant effect on human development index in Nigeria?

1.6 Scope of the study

The content scope of this paper is to investigate the impact of cost of governance and economic development in Nigeria, 1990-2018. Economic development was proxy with human development index while cost of governance was disaggregated to capture government recurrent expenditure, government capital expenditure, government capital expenditure, state government share of allocation and local government share of allocation as predictors.

2.0 Conceptual review

2.1 Human development index

The human development index (HDI) is a composite index measuring average achievement in three basic dimensions of human development such as a long and healthy life, access to knowledge and a decent standard of living. The 2014 Human Development Report – Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience put Nigeria as one of the
countries with low human development at 152nd position out of 187 countries considered; which is a step better than the previous year. The above situation is confirmed by the UNDP Multidimensional Poverty Index, which indicates that Nigeria is one of the countries among 91 others in which almost 1.5 billion people are living in poverty with overlapping deprivations in health, education and living standards.

For instance, the 2013 HDI report indicates that life expectancy in Nigeria is 52 years, while other health indicators revealed that only 1.9 per cent of the nation’s budget was expended on health. Also, 68.0 per cent of Nigerians were stated to be living below below $1.25 daily while adult illiteracy rate for adult (both sexes) was 61.3 per cent. When this is considered against the reported growth rate of GDP of 6.99 per cent in the fourth quarter of 2012, it is a poor result.

2.1.2 Cost of governance

By way of theoretical background to this study, we present an overview of the concept of cost of governance and the challenges facing the country. Cost of governance is proxied by public expenditure which refers to the expenses government incurs in the discharge of its legal and imperative duties. Public expenditure is categorized into recurrent expenditure and capital expenditure. Recurrent expenditure is usually expended on items that recur while Capital expenditure refers to expenditure on capital projects. In line with this, cost of governance is seen as “any expenditure (government budget) in maintaining government administrative structures” (Fluvian, 2006, and Drucker, 2007).
It is established in public finance literature, that cost of governance is associated with current expenditure, which is “the expenditure ascribed to the maintenance of government itself and not for the benefit of the society and the economy as a whole” (Chigozie , 2013). However, it is argued that “increase in government expenditure on socio-economic and physical infrastructure encourages economic growth” (Nurudeen and Usman, 2010) and (Adeolu and Evans, 2007). It has also been noted that “where a rising proportion of government budget, at whatever level, is used to support the administrative structure of government, poverty is bound to be pervasive as economic growth slows down or even stagnates” (Nurudeen and Usman, 2010). Under such conditions, citizens would be inclined to regard government as a burden.

Evidences abound that the recurrent expenditure has been rising in Nigeria especially since 2008 while capital expenditure has been sacrificed. This could be attributed to the major reason why the economy, political institutions, education, health, security and governance structure have all ‘broken down’. Hence the need to investigate the interplay between governance and development in Nigeria, using certain indices such as the human development index, rate of unemployment, level of corruption and the ever persistent violence and crime in some parts of the country. These variables could be understood in the context of the various forms of government failure. There are two types of government failure - government’s involvement in activities in which she is not best suited and failure to perform its primary functions or to do so in a sub-optimal way. The failures have adverse consequences on growth and development. For instance, government intervention in economic activities creates monopoly rents which motivate government officials to take bribes (Emerson ,2005).

2.1.3 Governance and Development Attainment in Nigeria
The debate about the fragile future of Nigeria is closely related to the failure of governance. Nigeria’s human and infrastructural development trajectory is on the downward trend, despite the upswing in oil revenue over the last three decades. Evidently, the activities of political and economic managers, who depend largely on oil rent, have subjected the Nigerian State to oil resource curse (Nyewusira and Nweke, 2014). Governance, in its widest sense, refers to the various ways through which social life is coordinated. It is a process of social engagement between the rulers and the ruled in the society. In other words, governance system is determined by the relationship between the ruling class and the ruled class (Nyewusira, 2007).

Governance is also the process of exercising power and decision-making for a group of people, and includes the processes by which such decisions are implemented or not implemented (Okerengwo, 2011). One recurrent issue on the constitutional framework of Nigeria since 1922 when the first constitution was made by the colonialists, up to 2010 when sections of the extant 1999 constitution were amended, is that, all the constitutions, without any exception, are impositions on the people by the dominant force that organizes or constitutes the Nigerian state at any point in time. Thus, all the constitutions enacted in Nigeria reflect not the interest of the people but of the dominant constitutive elements of the Nigerian State (Aturu, 2010). The elitist, non-inclusive and undemocratic approach to constitution making has largely influenced public policy making as it reflects the will of the dominant class in society.

Nigeria has been rated one of the worst governed countries in Africa based on the Ibrahim Index of African Governance (IIAG, 2014). In the report, obtained by Premium Times, Nigeria is rated 45.8 per cent as against the African average of 51.5 per cent and ranked 37th out of 52 in the overall governance scale. The country scored lower than the regional average for West Africa which stands at 52.2 percent and ranked 12th out of 15 in the region. While Nigeria got the
damning rating by the IIAG, Mauritius is adjudged the best governed country in Africa, with 81.7 per cent, followed by Cape Verde, with 76.6 percent.

Other countries that made it to the top of the list included Botswana which is rated the third best governed country in the continent with 76.2 percent and South Africa which comes fourth with 73.3 percent. Ghana is rated 7th; Rwanda 11th; Benin Republic 18th; Egypt 26th; Mali 28th; Niger 29th; Liberia 31st; Cameroun 34th and Togo 36th; all ahead of far more endowed Nigeria. With a population of 173.6 million and population growth rate pegged at 2.8 percent, Nigeria’s Gross Domestic Product, GDP, is put at USD3013.3, while inflation and unemployment rates stand at 8.5 percent and 13.7 percent, respectively. Nigeria also received appalling ratings in such categories as safety and the rule of law where it is rated 44th with 38.1 per cent, 32nd in the rule of law with 41.0 percent and 30th in accountability with 36.6 percent. The country got its lowest rating in personal safety where it is ranked 49th with 16.5 per cent and second lowest in national security where it is ranked 48th with 58.2 per cent. Under participation and human rights, the country is rated 26th with 46.9 per cent, 31st on sustainable economic opportunity with 43.3 per cent and 34th in human development with 53.0 per cent. Nigeria’s 37th position among 52 African countries surveyed on public governance practices show that the government needs to stop living in denial, adopt global best practices and drop the corruption and ineptitude that have impoverished the majority of the population.

2.1.4 Corruption in Nigeria

The Corruption Perception Index 2013, published by Transparency International indicates that Nigeria occupies the 144th position in the world. This plunged downward further from the 137th out of 177 countries surveyed in 2012. Public policy in Nigeria is oriented towards the ‘affluent few’ and only pays lip service to the ‘afflicted majority.’ The rapid transfer of public wealth to
the ruling elite 25 percent of the recurrent expenditure of the Federal Government to just 469 members of the National Assembly attest to this fact (Ibeanu, 2008).

Governance, in Nigeria, as rightly observed, is about ‘creating affluence for a few, not about eliminating affliction for the many.’ Rather than governance being anchored on common good, it has turned the common wealth of all into an arena of personal accumulation (Ibeanu, 2008). That is why it has been argued that the bane of Nigeria’s development is that critical institutions of government are superintended by a ruling class that lacks governance fitness and contract management culture (Nyewusira, 2007). One of the areas where corruption has become endemic is the privatization programme of the government. It is one area where the Nigerian State ‘cannibalized public corporations and parceled them to or among leading members of the ruling class’ (Aturu, 2010).

2.1.5 Violence and Crime Rate in Nigeria

Violent crimes such as murder, armed robbery, kidnapping and terrorism are the most inhumane crimes that continue to plague Nigeria. Lately, kidnappings for ransom and terrorism have taken the centre stage leading to bloodshed and economic set-backs (Ajaegbu, 2012). The UN-Habitat study on crimes and violence stressed that socio-economic inequality and the lack of opportunities for social advancement and employment are some of the root causes of crime and violence (UN-Habitat, 2008). Indeed, the Boko Haram insurgency poses a great threat to human development in Nigeria. Boko Haram insurgency is not only leading to heavy loss of human lives and property. In the Catholic dioceses of Maidiguri, the Boko Haram sect killed 146 persons and displaced 33,169 between 2013 and 2014 alone (Soyinka, 2014).
There is also the problem of millions of persons who have been rendered homeless and are now refugees in their homeland. Livelihoods of over six million persons have been affected and economic life in North Eastern Nigeria has been crippled. Investments in the Nigeria are already threatened even though government promises that it has what it takes to curtail the threat.

2.2 Theoretical Review

The cost of governance can be examined within the Public or the Group Interest Theory. However, considering what government is expected to do (up-holding the welfare of the society in all ramifications), the Public Interest Theory is relevant for the purpose of this study.

2.1.1 Public Interest Theory

In the public-interest view, government is seen to be made up of individuals whose desire it is to serve the public by doing what is "right." In this context, the government becomes an instrument that will or should improve the welfare of society. The society does not expect any unintended and unexpected consequences of government actions to arise in the course of the discharge of responsibilities. Hence, individuals in government being rational, should be able to provide answers to a number of questions such as: what is the right cost of governance, does current output correlate with level of spending, could more be achieved with current spending and could the same output be achieved with less spending? It is in this connection that, under Section 16 (1) of the 1999 Nigerian Constitution, the states are required to (a) utilize the resources of the country to advance the prosperity of the country (b) secure the economy such that the welfare, freedom and happiness of every citizen will be maximized while ensuring social justice and equal opportunities for all citizens (c) provide shelter, food and other amenities for all citizens.
From these provisions, it is clear that governance entails ensuring just and egalitarian society, which the public interest theory should exemplify.

2.3 Empirical Review

The following related works were revealed;

Oyinlola and Akinnibosun (2013) examined the relationship between public expenditure and economic growth in Nigeria during the period 1970-2009. The study used components of public expenditure such as recurrent expenditure, capital expenditure, administrative expenses, community and social service and transfer. The result also showed the presence of a cointegrating relationship between the variables in the system thus, suggesting that a long term relationship exists between them. The study also affirms that the effect of the variables entered were not significant. Among other studies with similar findings are Nworji, Okwu, Obiwuru, and Nworji, (2012); Oyinlola and Akinnibosun (2013); Tajudeen and Fasanya (2013) Aregbeyan and Akpan (2013) and Akpokerere and Ighoroje (2013)

Gukat (2015), analysed the relationship between government expenditure on human capital and economic growth in Nigeria. Using the error correction mechanism the study found that public expenditure on human capital has a positive and significant impact on economic growth in Nigeria.

Ohwofasa, Obeh, and Atumah (2012) and Chude and Chude (2013) have investigated the relationship between government expenditure in the education sector and economic growth in Nigeria with similar findings.
Emori and Nneji (2015) investigated on cost of governance and economic growth using ADF unitroot test and OLS regression test. They found that public expenditure had a significant effect on the Nigerian economy. Ebong, Ogwumike, Udongwo and Ayodele (2016) assessed the impact of government capital expenditures on economic growth in Nigeria. A multiple regression model based on a modified endogenous growth framework was utilized to capture the interrelationships. Drawing on error correction and cointegration specifications, an OLS technique was used to analyse the annual time series. They found that the disaggregated expenditures do not crowd-out private investment.

Udoffia and Godson (2016) investigated the impact of federal government expenditure on the Nigerian economy using the OLS estimation technique and found that federal government capital and recurrent expenditure have a positive effect on real GDP. In summary, the empirical studies reviewed on the actual relationship between government expenditure and economic growth is mixed and inconclusive. Their results and evidence differ by analytical method employed, and categorization of public expenditures. The sampled period for this study (1981-2015) differed significantly from all other studies. This was in order to provide a robust empirical explanation for the impact of government expenditure on economic growth in Nigeria. Therefore, this study is an improvement on the previous studies on economic growth and government expenditure relationship in Nigeria. It considers government spending only in two categories – capital and recurrent expenditure as important variables that affects economic growth. Secondly, it extends the study period to 2015 and finally employed the Error Correction Mechanism (ECM) in the study. Specifically, it is concerned with determining the relative contributions to economic growth in Nigeria of government capital and recurrent expenditures on administration, social and community services and economic services. The importance of disaggregating government
expenditure for proper appreciation of the role of the state in the Nigerian economy is being underscored in this study.

3.0 Methodology

3.1 Research Design

To achieve the objective of this study, Ex-post facto design was used to empirically investigate the effect of cost of governance and economic development. This research design was adopted because it is appropriate for use in investigating the possible cause and effect relationships between the dependent variable and explanatory variables.

Data used for this study were secondary data. The secondary data were obtained from the statistical bulletin of the Central Bank of Nigeria and reports and World Bank report for the period 1990-2018.

Data from these secondary sources are adjudged appropriate for this study due to the following reasons:

i) They are already validated by professional and other regulatory bodies before they were published by the Central Bank of Nigeria (CBN).

ii) The data have been consistently used in prior studies.

3.2 Model Specification

This study examined cost of governance and economic development in Nigeria. To achieve this, two variables were identified in the study; these are independent and dependent variables. The Independent variables were proxy by government recurrent expenditure, government capital expenditure, federal government federal, state and local government share of allocated revenue while Human development index was used as a proxy for economic growth.
The following models was adopted.

\[ Y = F(x) \]

\[ X = X_1, X_2, X_3, X_4 \]

**Functional form for model one**

\[ \text{HDI} = f(GCE, GRE, FGSA, SGSA, LGSA) \]

**Econometric logged form**

\[ \log(\text{HDI})_t = \lambda_1 + \lambda_2 \log(\text{GCE}) + \lambda_3 \log(\text{GRE}) + \lambda_2 \log(\text{FGSA}) + \lambda_4 \log(\text{SGSA}) + \lambda_4 \log(\text{LGSA}) + \mu_t \]

Where

- HDI = Human Development Index
- GCE = Unemployment Rate
- GRE = Company Income Tax
- FGSA = Petroleum Profit Tax
- LGSA = Custom and Excise Duties
- SGSA = Value Added Tax

### 3.3 Method of Data Analysis

This research employed quantitative method of data analysis. Two kinds of data generally are used by researchers: Primary and Secondary. However, this study solely utilized secondary data in its development. The secondary data used in this study were sourced from the online publications of Central Bank of Nigeria (CBN) Nigeria statistical bulletin for relevant years (1990 to 2018).
This study utilized the Ordinary Least Square (OLS) regression in its analysis with the aid of E-view statistical package 10 version. T-statistics is however be utilized in testing the hypotheses of the study at 5% level of significance.

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

4.1 Data Presentation

Data collected for this study include data on Human development index (HDI), government recurrent expenditure, government capital expenditure, federal government share of allocated revenue, state government share of allocated revenue and local government share of allocated revenue. The data are presented on table 4.1 below:

Table 4.1: Data on HDI, GCE, GRE, FGSA, SGSA and LGSA for the period covering 2001 - 2017.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>HDI</th>
<th>GCE</th>
<th>GRE</th>
<th>FGSA</th>
<th>SGSA</th>
<th>LGSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>47.4</td>
<td>438.70</td>
<td>579.30</td>
<td>723.92</td>
<td>404.61</td>
<td>324.23</td>
</tr>
<tr>
<td>2002</td>
<td>47.7</td>
<td>321.38</td>
<td>696.80</td>
<td>842.51</td>
<td>442.06</td>
<td>360.23</td>
</tr>
<tr>
<td>2003</td>
<td>48.1</td>
<td>241.69</td>
<td>984.30</td>
<td>948.41</td>
<td>489.16</td>
<td>396.80</td>
</tr>
<tr>
<td>2004</td>
<td>48.5</td>
<td>351.30</td>
<td>1,032.7</td>
<td>1,180.81</td>
<td>666.04</td>
<td>507.87</td>
</tr>
<tr>
<td>2005</td>
<td>49</td>
<td>519.50</td>
<td>1,223.7</td>
<td>1,456.96</td>
<td>815.18</td>
<td>622.10</td>
</tr>
<tr>
<td>2006</td>
<td>49.6</td>
<td>552.39</td>
<td>1,290.2</td>
<td>1,739.93</td>
<td>976.26</td>
<td>744.81</td>
</tr>
<tr>
<td>2007</td>
<td>50.1</td>
<td>759.32</td>
<td>1,589.2</td>
<td>1,869.19</td>
<td>1,070.86</td>
<td>815.32</td>
</tr>
</tbody>
</table>
The above data are in different bases; therefore, to bring the data in the same base, we calculate the logarithm for the data on each of the variables.

**Table 4.2:** Logarithm of HDI, GCE, GRE, FGSA, SGSA and LGSA for the period covering 2001 - 2017.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>LogHDI</th>
<th>logGCE</th>
<th>logGRE</th>
<th>logFGSA</th>
<th>logSGSA</th>
<th>logLGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1.675778 342</td>
<td>2.642164</td>
<td>2.762904</td>
<td>2.859610</td>
<td>2.607038</td>
<td>2.510856</td>
</tr>
<tr>
<td>2002</td>
<td>1.678518 379</td>
<td>2.507016</td>
<td>2.843108</td>
<td>2.925574</td>
<td>2.64548</td>
<td>2.556585</td>
</tr>
<tr>
<td>2003</td>
<td>1.682145 076</td>
<td>2.383256</td>
<td>2.993127</td>
<td>2.976998</td>
<td>2.689454</td>
<td>2.598571</td>
</tr>
<tr>
<td>2004</td>
<td>1.685741 739</td>
<td>2.545618</td>
<td>3.013974</td>
<td>3.072179</td>
<td>2.823554</td>
<td>2.705754</td>
</tr>
<tr>
<td>2005</td>
<td>1.690196 08</td>
<td>2.715586</td>
<td>3.087675</td>
<td>3.163447</td>
<td>2.911256</td>
<td>2.793857</td>
</tr>
<tr>
<td>2006</td>
<td>1.695481 676</td>
<td>2.742243</td>
<td>3.110658</td>
<td>3.240532</td>
<td>2.989565</td>
<td>2.872065</td>
</tr>
<tr>
<td>2007</td>
<td>1.699837</td>
<td>2.880430</td>
<td>3.201132</td>
<td>3.271630</td>
<td>3.029729</td>
<td>2.911329</td>
</tr>
</tbody>
</table>
4.2 Data Analysis

Data analysis in this study was carried out using Ordinary Least Square (OLS) multiple regression as was expressed in the model stated in the methodology of this work. The result of the analysis is stated on table 4.3

Table 4.3 Regression Analysis Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.505588</td>
<td>0.041094</td>
<td>36.63741</td>
<td>0.0000</td>
</tr>
<tr>
<td>LOGFGSA</td>
<td>-0.027328</td>
<td>0.072808</td>
<td>-0.375337</td>
<td>0.7140</td>
</tr>
<tr>
<td>LOGGCE</td>
<td>0.001726</td>
<td>0.010914</td>
<td>0.158166</td>
<td>0.8770</td>
</tr>
<tr>
<td>LOGGRE</td>
<td>0.081812</td>
<td>0.011902</td>
<td>7.148352</td>
<td>0.0000</td>
</tr>
<tr>
<td>LOGLGSA</td>
<td>-0.118304</td>
<td>0.087705</td>
<td>-1.348881</td>
<td>0.2023</td>
</tr>
</tbody>
</table>

Source: Ms Excel computation from table 4.1 above
The result on the above table reveals that the coefficient of LOGFGSA is negative with the value of -0.027328; that of LOGGCE is positive with the value of 0.001726; the coefficient of LOGGRE is positive at 0.081812; that of LOGLGSA is negative with coefficient of -0.118304 while the coefficient of -0.118304 is positive with the value of -0.119145. The negative values of LOGFGSA and LOGLGSA indicate that each of the two variables has negative effect on economic development as proxy by human development index. This implies that resources spent on the federal and local government level has not impacted on economic development, which can be as a result of high cost dispensing the available resources. On the other hand, the positive values of LOGGCE, logGRE and LogSGSA indicates a positive contribution to the economic development of Nigeria measured with HDI. The value of the intercept (C) is 1.505588, indicating that the collective effect of the independent variables on HDI is positive. However, to ascertain the significance of these results, the t-statistics results of each of the
independent variables are considered; these are discussed under the test of hypotheses.

4.3 Test of Hypotheses

The five hypotheses formulated in this study are restated under this section and the test results are discussed as follows:

**H0:** government recurrent expenditure has no effect on human development index in Nigeria?

**H0:** federal government share of allocation has no significant effect on human development index in Nigeria?

**H0:** state government share of allocation has no significant effect on human development index in Nigeria

**H0:** local government share of allocation has no significant effect on human development index in Nigeria?

In testing this first hypothesis of the study, the regression result on table 4.3 is utilized. From the result, the p-value (t-stat probability) of the first independent variable (GRE) is approximately 0.0000; which is less than the significant level of 0.05 (5%) i.e. P < 0.05. This result indicates that a significant effect exists. Therefore, we reject the null hypothesis which states that
government recurrent expenditure has no effect on human development index in Nigeria and consequently accept the associating alternative hypothesis that government recurrent expenditure has impacted on human development index in Nigeria.

**Test of Hypothesis 2**

**H0₂**: government capital expenditure has no effect on human development index in Nigeria

From the result of regression analysis on table 4.3, the p-value (t-stat probability) of the second independent variable (GCE) is approximately 0.8770; which is greater than the significant level of 0.05 (5%) i.e. P > 0.05. This result indicates that an insignificant effect of the independent variable on the dependent variable exists. Therefore, we accept the null hypothesis which asserts that government capital expenditure has no effect on human development index in Nigeria; we thus reject the alternative hypothesis which holds that government capital expenditure has effect on human development index in Nigeria.

**Test of Hypothesis 3**

**H0₃**: state government share of allocation has no significant effect on human development index in Nigeria.
In testing the third hypothesis of the study, we adopt the test of significance result from the regression analysis on table 4.3. From the result, the p-value (t-stat probability) of the third independent variable (SGSA) is approximately 0.2411; which is greater than the significant level of 0.05 (5%) i.e. P > 0.05. This result indicates that an insignificant effect of the independent variable on the dependent variable exists. Therefore, we accept the null hypothesis which asserts that state government share of allocation has no significant effect on human development index in Nigeria; we thus reject the alternative hypothesis which holds that state government share of allocation has significant effect on human development index in Nigeria

**Test of Hypothesis 4**

**H0₄**: federal government share of allocation has no significant effect on human development index in Nigeria

In testing the fourth hypothesis of the study, we refer to table 4.3. From the analysis result on the table, the p-value (t-stat probability) of the forth independent variable (FGSA) is approximately 0.7140; which is greater than the significant level of 0.05 (5%) i.e. P > 0.05. This result indicates that no significant
relationship exists between the independent variable and the dependent variable. Therefore, we accept the null hypothesis which states that federal government share of allocation has no significant effect on human development index in Nigeria and then reject the alternative hypothesis that federal government share of allocation has significant effect on human development index in Nigeria.

**Test of Hypothesis 5**

\[ H_{04}: \text{Local government share of allocation has no significant effect on human development index in Nigeria} \]

In testing the fifth hypothesis of the study, we refer to table 4.3. From the analysis result on the table, the p-value (t-stat probability) of the fifth independent variable (LGSA) is approximately 0.2023; which is greater than the significant level of 0.05 (5%) i.e. \( P > 0.05 \). This result indicates that no significant relationship exists between the independent variable and the dependent variable. Therefore, we accept the null hypothesis which states that local government share of allocation has no significant effect on human development index in Nigeria and then reject the alternative
hypothesis that local government share of allocation has significant effect on human development index in Nigeria.

4.4 Discussion of Findings

The findings from the analysis and test statistics are discussed in line with the empirical review carried out in the second chapter of this study. Discussion of the findings is as follows:

1. In respect of the first objective and the first hypothesis of this study, we find that government recurrent expenditure has positive and significant impact on human development index. This result agrees with Emori and Nneji (2015) who investigated on cost of governance and economic growth their study holds public expenditure influences economic growth. It also aligns with Gukat (2015), who analysed the relationship between government expenditure on human capital and economic growth in Nigeria.

2. With respect to federal and local government share of allocation, the estimated slopes revealed an inverse and
insignificant relationship with economic development. This implies that the share of federal and local government allocation has no effect on the development the nation.

3. The study also revealed the estimated slope of GCE and SGSA has positive and insignificant effect on economic development. This finding is consonance with most of the previous studies reviewed in this work. For instance, it agrees with Oyinlola and Akinnibosun (2013) who examined the relationship between public expenditure and economic growth in Nigeria during the period 1970-2009. The findings of such other scholars like Nworji, Okwu, Obiwuru, and Nworji, (2012) ;Oyinlola and Akinnibosun (2013); Tajudeen and Fasanya (2013) Aregbeyan and Akpan (2013) and Akpokerere and Ighoroje (2013) agree with the finding of this study.

5.1 Conclusion

This study has provided evidence that economic development in Nigeria is severely affected by cost of governance. This assertion was evident in the empirical test of our study where only government recurrent expenditure was found to be statistical significant with human development index. This is explained by the failure of the public interest theory to explain the legitimacy of governance. Rather, it would appear that the Special Interest Theory, which says that government purposefully bestows wealth on those in government at the expense of the average citizen, is relevant in Nigeria.

5.2 Recommendations

The proffers the following recommendations
1. There is need for effective monitoring of government spending to various tiers of the economy and also cut down the cost of appropriating this revenue.

2. The formulation of policies and laws that could help improve the economic and social wellbeing of citizens should be a joint responsibility of both government and the governed.

3. The citizens should take active part right from the local level in the issues that affect them.

4. The corrupt individuals amongst the populace should be regarded as common enemies and not voted into power in subsequent elections.

5. Assets of corrupt government officials should be confiscated and converted to public use.

References


**Daniel Eseme Gberevbie** (2015) *Cost of Governance in Nigeria: In Whose Interest?*. Covenant University Ota Ogun State, Nigeria


94


OECD (1995) Participatory Development and Good Governance, Development Cooperation Guideline Series, OECD.


### APPENDIX

Dependent Variable: LOGHDI  
Method: Least Squares  
Date: 11/3/18    Time: 01:30  
Sample: 2001 2017  
Included observations: 17

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S.D. dependent var | 0.020879 |
Akaike info criterion | -8.027032 |
Hannan-Quinn criter. | -7.730241 |
Log likelihood | 78.24329 |
Hannan-Quinn crit. | -7.334128 |
Durbin-Watson stat | 0.945605 |

Prob(F-statistic) | 0.000000 |

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Akaike info criterion | -0.027302 |
Schwarz criterion | -7.334128 |
Hannan-Quinn criter. | -7.730241 |

Log likelihood | 78.24329 |
Hannan-Quinn crit. | -7.334128 |
Durbin-Watson stat | 0.945605 |

Prob(F-statistic) | 0.000000 |

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S.D. of regression | 0.001726 |
Akaike info criterion | -0.027302 |
Schwarz criterion | -7.334128 |
Hannan-Quinn criter. | -7.730241 |

Log likelihood | 78.24329 |
Hannan-Quinn crit. | -7.334128 |
Durbin-Watson stat | 0.945605 |

Prob(F-statistic) | 0.000000 |
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### Breusch-Godfrey Serial Correlation LM Test:

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| Adjusted R-squared | 0.009235 | S.D. dependent var | 0.003224 |
| S.E. of regression | 0.003209 | Akaike info criterion | -8.344716 |</p>
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Sum squared resid 1.24E-09 Schwarz criterion -19.59348
Log likelihood 185.0124 Hannan-Quinn criter. -19.84935
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Pairwise Granger Causality Tests
Date: 11/3/18   Time: 01:40
Sample: 2001 2017
Lags: 2

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