JOURNAL OF BUSINESS MANAGEMENT AND ACCOUNTING
https://e-journal.uum.edu.my/index.php/jbma

How to cite this article:
Ogunsola, A. (2023). Cost of governance and economic development: An empirical analysis of presidency, national assembly and judiciary expenditure in Nigeria. *Journal of Business Management and Accounting*, *13*(1) January, 31-55. https://doi.org/10.32890/ jbma2023.13.1.2

COST OF GOVERNANCE AND ECONOMIC DEVELOPMENT: AN EMPIRICAL ANALYSIS OF PRESIDENCY, NATIONAL ASSEMBLY AND JUDICIARY EXPENDITURE IN NIGERIA

Adebowale Ogunsola
Department of Accounting, Afe Babalola University,
Ado-Ekiti, Nigeria

Corresponding author: ogunsola.adebowale@gmail.com

Received: 22/11/2021 Revised: 22/4//2022 Accepted: 8/5/2022 Published: 30/1/2023

ABSTRACT

It is expected that increase in cost of governance by government should bring about a commensurate increase in the level of economic development of a country, but this seems not to be the case in Nigeria. It is on this premise that the study investigated how cost of governance is related to economic development in Nigeria. The focus of the study is on how presidency expenditure, national assembly expenditure and federal judiciary expenditure are related to economic development (unemployment rate, gross domestic product per capita and inflation rate). The study used time series methodology and it covered a period of five years (2016-2020). The data for the study were obtained from Central bank of Nigeria Website and analyzed using inferential statistics. Findings from regression analysis showed

that presidency expenditure and national assembly expenditure have negligible and insignificant relationship with unemployment rate. It was also found that judiciary expenditure is insignificantly and negatively related to unemployment rate. Moreover, results revealed that presidency expenditure and national assembly expenditure are negatively related to gross domestic product per capital, whereas there is a positive relationship between judiciary expenditure and gross domestics product per capital, although these relationships are significant. Besides, results showed that presidency expenditure is positively and significantly related to inflation rate. It was also found that there is insignificant positive relationship between national assembly expenditure and inflation rate. However, the study found that the relationship between judiciary expenditure and inflation rate is positive and significant. The study concludes that increase in presidency expenditure and national assembly expenditure tends to worsen economic development, while increase in judiciary expenditure may improve economic development in Nigeria. Therefore, it is recommended that government should reduce budget allocations to presidency and national assembly, while there should be increase in budget allocation to the judiciary to improve economic development.

Keywords: Cost of governance, economic development.

INTRODUCTION

In order to allow the economy of a country to grow and develop, the cost of governance is expected to be at the minimal level. That is, those who man the affairs of the country must be efficient in the discharge of their responsibilities, also, their policies and strategies must be efficacious. Formulation of good policies by government and proper implementation by its mercenaries result in optimal output, which means improvement in the quality of life of people of the country. It is as well pertinent to note that only increase in government spending channeled towards real and productive sectors of the economy can bring about economic development. If government expends more money and the money is directed to the real sectors of the economy, it will generate more investment, more employment, price stabilization, reduction in income distribution inequality, and improved balance of payment. In Nigeria, the opposite is the case, as most of the time government channels increase in its expenditure to unproductive

areas of the economy, which usually increase cost of governance. This irrational behavior leads to increase in the rate of inflation, increase in unemployment rate, increase in the gap between the rich and the poor, and poor balance of payment.

According to Adeolu and Evans (2007), one of the main causes of high governance costs in Nigeria is that the executive office is oversized. The cost of governance can be reduced by ensuring an ideal cabinet size, where merit and core competencies are the main reasons for nomination for public office. For example, having a minister, a state minister with several special advisers and a permanent secretary, in addition to many other portfolios in a single ministry, is a terrible waste of scarce resources. A legislative instrument that minimizes the number of ministries and offices (since many of them have interdependent functions) will reduce costs. In fact, we do not need a circle of full-time special advisers. Instead, competent people working part-time could give well-meaning advice to the government. In addition, a part-time legislature will help reduce costs. A case in which lawmakers do business and only participate in sessions when meetings are held will do much to reduce the threat of corruption and administrative overhead.

According to Okoye (2005), fiscal decentralization and federalism are also another possible way to reduce governance costs. Everything indicates that when the political zones are adopted as federated units (with state and municipal governments), the costs will be reduced. The almost homogeneity, cultural and historical affinity within the zones will guarantee stability and good governance. The dominant influence of the central government will also be considerably reduced. The resulting internal political and economic autonomy will reduce the agitation and aggression that resulted in colossal waste.

Francis et al. (2015) stated that a critical examination of issues that focus on development challenges in Nigeria reveals varied incidences of increased absolute poverty, unemployment, poor sanitation, deteriorating infrastructure, massive inequalities and distribution of huge income inequality. For example, since the return to civilian rule in 1999, the country has not fared better in the ranking of the UNDP Human Development Index (HDI), as more than 70% of Nigerians live below the poverty line, infant mortality and maternal. It remains one of the highest in the world, more than 10.5 million children are

out of school, unemployment exceeds 20% and life expectancy is less than 52 years.

Adeolu and Evans (2007) argued that political institutions have considerable discretionary powers in allocating or redistributing resources in relation to market institutions, and that excessively large efforts are devoted to obtaining political power. The dissipation of financial, physical and intellectual energies in capturing state governance leaves little room for creating the right conditions for the cultivation of a developmental state. Many of the high governance costs are largely due to the lack of institutional structures to divert attention from predation to production. When the primary function of a state is essentially redistributive or predatory, productive activities become less important as an engine of economic activities.

Statement of the problem

The democratic system of government being run in Nigeria has become so costly that it impacts negatively on the economic development of the nation. Upon large amount of money that government spends in every fiscal year for the maintenance and sustenance of the three arms of government, there is no substantial evidence of any increase in the quality of life of Nigerian citizens. This situation may be confirmed with the persistent increase in the rate of unemployment, increase in inflation rate, unequal distribution of income among citizens, low gross domestic product (GDP) per capita and unfavorable balance of payment in Nigeria.

Specifically, the cost of running executive arm of government is unnecessarily too high. The number of ministers is too much with its high cost implication. Notwithstanding the heavy spending on the maintenance of all the ministries, departments, and agencies (MDAs), Nigeria economy is still staggering and unable to stand its ground. This may be due to the inefficiency of most of the MDAs, duplication of duties, responsibilities and functions among the MDAs and unjustifiable salaries and allowances of the chief executive officers of these MDAs, including those of president, vice president as well as special advisers to the government. According to Ayodele (2022), N150 billion was budgeted for presidency expenditure in 2022, with N135 million for feeding and N2 billion for trips outside the country. 2022 budget specifically shows that presidency will spend

N91.63bn on personnel, N16.25bn on overheads and N42,71bn on developmental projects. This budget covers expenditure of president and vice president offices, expenditure of office of the chief of staff to the president, office of the chief security officer to the president, state house headquarters, state house operations, and expenditure of state house medical centre.

Besides, Nigerian national assembly comprises both upper chamber and lower chamber, nevertheless, their productivity is so low and far from the expectation. In most cases, the senate (upper chamber) and the house of representatives (lower chamber) duplicate each other in respect of their duties, responsibilities and functions. This is baseless and unjustifiable because a job that can be successfully and efficiently handled by a single set of people is now given to two sets of people which amounts to waste of resources. This may contribute negatively to the development of Nigeria economy.

Moreover, in spite of a whooping sum of money that government usually spends on Nigeria legal system, in particular, Judiciary, to ensure efficiency and effectiveness in the administration of justice, the spate of corruption among lawyers, judges and justices has made judiciary to be unproductive and this impacts negatively on the development of Nigeria economy. For example, there are many court cases that border on corruption, identified with some political office holders, but because of abuse of court process that is common nowadays, being aided by some corrupt lawyers and justices, majority of those cases are still pending in court awaiting determination. However, majority of these cases are related to abandoned projects, which if completed, would have improved Nigeria economy. Based on the above and to identify the possible areas where cost of governance can be minimized to stimulate economic development, the study therefore examined how economic development is influenced by costs of government in Nigeria.

LITERATURE REVIEW

Cost of Governance

The cost of governance is any expense related to the maintenance of government administrative structures. It also equates the cost of

governance with total administrative expenses, which are part of the total federal government expenditure in Nigeria. He stated that the justification for the use of total administrative expenses as a cost of governance stems from the fact that administrative expenses are incurred in government processes (Ufoeze, Okoro & Ibenta, 2017). Meanwhile, according to Drucker (2007), the cost of governance is the government budget allocated to both capital expenditures and recurring expenses to maintain the administrative structures of government, which appears to be very large in Africa. For growth and development, resources must be channeled to production. The rising cost of governance in Nigeria is more than a means of promoting the common good, as it can be linked to the government's ability to help citizens achieve their individual goals (Okeke & Eme, 2015).

Currently in Nigeria, there is an appeal to the government to minimize the cost of the country's political administration. The amount of money spent each year to manage government administration at all levels is alarming, blatant and unacceptable. This concern was expressed by the World Bank three years ago. The World Bank said Nigeria is nonproductive due to the disproportionate and unsustainable cost of its government. The International Financial Institution further stated that "the Nigerian government consumes about eighty percent (80%) of its revenue in unproductive activities (Korikiye, Sophia & Ogunniyi, 2016). Unfortunately, elected representatives at all levels of government in Nigeria have not implemented policies aimed at the development of society at all levels. Instead, they managed to institute a kleptocratic government at all levels (Adejumo, 2009). Therefore, instead of using state instruments to improve the living conditions of the masses in Nigeria, Nigerian lawmakers and members of the executive and their collaborating colleagues are now exploring the same state instruments to enrich themselves, their friends and family. The Nigerian legislator is so concerned with self-satisfaction that he has almost forgotten his legal obligations to legislate and now participates in the implementation of policies through the monitoring function. In addition to their corrupt practices, they deliberately circumvented the country's constitution to assume the role of implementing projects through constituent projects.

Presidency Expenditure

According to Kabir (2021), in Nigeria, federal government budgeted N40.2billion in 2022 for state house expenditure. This budget allocation

is meant for the expenditure of state house headquarters, office of the president and that of the vice president. The allocation also covers the expenditure of the office of chief of staff to the president, state house medical center, office of the chief security officer, as well as the presidency liaison office in Lagos State. This 2022 budget allocation for presidency is more than 2016 budget figure (N16.56 billion) by 142.7%. However, federal government budgeted N17.3 billion to meet State House expenditure in 2021, which was greater than N14.6 billion allocated for presidency in year 2020. Meanwhile, in 2019, 2018, 2017 and 2016, N13.7 N15.5 billion, N13.6 billion, and N16.6 billion were allocated to presidency respectively. Before 2016, budget allocation to presidency was N6.6 billion in 2015 and N12.2 billion in 2014. This summary analysis is a clear indication that there has been much more increase in the cost of running federal state house since year 2016.

National Assembly Expenditure

According to Guardian Editorial Board (2021), the national assembly members are collecting N17 billion per annum, based on the information obtained from the senate president. Considering the present economic situation in Nigeria, this money is too much because it does not reflect the true economic position of the country. This is a critical issue that is contributing to high cost of governance in Nigeria without matching results, in terms of real growth and development. It will be a welcome development if the members of senate and house of representatives can willingly review their allowances downward or allow Revenue Mobilization, Allocation and Fiscal Commission to have their allowances reviewed downward. If this is properly done, waste of resources in the national assembly will be reduced and savings thereon will be available for productive areas of the economy that can improve the lives of Nigerians. According to the Guardian Editorial Board, this might be the first time in the history of Nigeria democracy when the National Assembly leadership would publicly reveal the allowances of senators and members of house of representatives. Although the leadership of the national assembly has shown a level of boldness by his action, the amount disclosed does not represent the whole remuneration packages of members of national assembly. This is why their allowances are subject of debate, seemingly that they are among the legislators in the world with the highest pay.

Judiciary Expenditure

It is a tested and confirmed truth, the common belief that the judiciary is the last resort of the masses. Whenever the constitutional rights of citizens cannot be guaranteed as a result of the failure of the national assembly and presidency, the judiciary stands as the last hope for the citizens. Although Nigerian legal system has its own weakness that is peculiar to every system being run by human beings, it has been able to withstand the test of time. With this laudable performance, Nigerian judiciary is expected to be adequately funded but this is not the situation. If the issue of funding in the judiciary is not addressed on time it may soon cripple Nigerian legal system. The position of the national assembly and presidency has made it possible for them to easily get more funds, even than what they really need, whereas the judiciary is so unfortunate. The judiciary has now become a subject of ridicule that is being tossed between the national assembly and the presidency, in order to get the economic resources it requires to discharge its statutory and constitutional obligation (Innocent, 2018).

Economic Development

Economic development is important because it has implications for people's lives. Through economic development, people will benefit from better education, better health care and be more productive. Economic development also affects crime rates and political stability, as more developed countries tend to have lower crime rates and greater political stability than less developed countries (Bassam, 2013). Economic development is a political intervention effort designed to guarantee people's economic and social well-being (Akwe, 2014). Therefore, economic development aims to improve people's quality of life through the introduction of new goods and services with modern technology, infrastructure development, risk reduction and dynamics of innovation and development (Arnold, 2011). The central objective of economic development is to create an enabling environment for local communities and regions to develop new ways of producing goods in such quantities that can lead to exports to other countries, as well as to create an environment conducive to business prosperity (Afuberoh et al., 2014).

Cost of Governance and Economic Development

It is pertinent to discuss some of the previous empirical works related to the research and among which is the study conducted by Ufoeze,

Okoro, and Ibenta (2017), who examined how economic growth is influenced by cost of governance in Nigeria. The study used time series data covering 1999 to 2014.The obtained data were analyzed using multiple regression analysis. the empirical findings revealed that both general administration expenditure, costs of maintaining defence and national assembly costs positively and significantly influence gross domestic product, whereas, the impact of internal security expenditure on gross domestic product is negative.
David and Ayemga (2021) empirically analyzed the relationship between cost of governance and socio-economic development in Nigeria. The study used secondary data and the data were analyzed through inferential statistics. Findings showed that cost of governance has no significant relationship with socio-economic development in Nigeria over the period covered in the study.

Olabiyi and Olowookere (2021) investigated how economic development is influenced by governance in Nigeria. The data for the study were obtained from World Development Indicator database and the period of the study covered 1996 to 2019. The data obtained were then analyzed using Auto Regressive Distributed Lag and findings showed that control of corruption, investment and total expenditure negatively affect economic development, while voice and accountability, and income from natural resources improve economic development in Nigeria during the period covered in the study.

Andhyka and Nor (2017) empirically tested how economic growth is influenced by final energy consumption in Indonesia. The study used time series data covering 1971 to 2014 and the data were analyzed through autoregressive distributed lag and granger causality method. Results showed that in the long run there exists a bidirectional relationship between energy consumption and economic growth for industrial. However, the relationship between the two variables in the service sector only exists in the short-run. Also, in the service sector, the relationship between energy consumption and economic is unidirectional in the long run. Meanwhile this relationship exists in both long run and short run in the agricultural sector.

In another study carried out by Ejuvbekpokpo (2012), subsisting relationship between cost of governance and economic development was examined in Nigeria. To achieve the main objective of the study,

the researcher used panel data covering 1970 to 2010. Meanwhile, regression analysis was the main analytical tool employed in establishing the relationship between the variables of the study. It was empirically observed that economic development is adversely affected by cost of governance in Nigeria for the period covered.

However, Edet and Samuel (2018) in their study, investigated how economic performance is affected by institutions infrastructure. The study used secondary data covering 1986 to 2016 and the data were obtained from relevant local and international financial institutions. In analyzing the data obtained for the study, multiple regression analysis was used and results revealed that economic growth is insignificantly affected by norms and social structure, whereas, the effect of economic and regulatory institutions on economic growth is significant and positive. Meanwhile, legal structure, governance and political structure negatively influence economic development.

Moreover, Nworji, Okwu, Obiwuru and Nworji (2012) examined how government spending impacts on Nigeria economic performance in terms of growth. For the purpose of the study, the researchers obtained panel data covering 1970 to 2009. In order to test for the relationship between the variables of the study, multiple regression analysis was employed and findings revealed that both recurrent expenditure and capital expenditure on economic services negatively and insignificantly influence economic growth for the period covered in the study. Besides, the effect of capital expenditure on economic growth is positive but negligible, for transfers. Whereas, for community services and social services, capital expenditure and recurrent expenditure positively and significantly influence economic growth.

For Loto (2011), relationship between public spending and economic growth was investigated. The period of the study covered 1980 to 2008. The study employed Error correction test to analyze the obtained data and findings revealed that public spending on agriculture negatively and significantly impacts on economic growth in the short run, whereas government spending on education is negatively and negligibly related to economic growth. Meanwhile, the relationship between public spending on health and economic growth is positive and significant. Besides, it was observed that public spending on

communication network, transportation network, and national defence positively, but negligibly associated with economic growth.

In European Union, Bayar (2016) carried out an empirical investigation of how economic growth is influenced by governance in public sector. The study used secondary data which covered 2002 to 2013. While panel analysis was employed to test the hypotheses of the study. Findings showed that rule of law, political stability and corruption have a significant and positive relationship with economic growth, meanwhile, the effect of regulatory quality on economic growth is negligible.

Kaufmann and Kraay (2012) examined the relationship that subsists between economic growth governance quality in 173 countries. The study adopted panel data which covered a period from 2000 to 2001. With the use of correlation coefficient in analyzing the data obtained for the study, findings revealed that governance quality influences GDP per capita, positively and substantially. Following this, the hypotheses below were formulated and tested in pursuing the attainment of the main objective of the study.

H_{01}: The influence of presidency expenditure on economic development in Nigeria is not significant.
H_{02}: The relationship between national assembly expenditure and economic development in Nigeria is not significant.
H_{03}: Judiciary expenditure do not significantly impact economic development in Nigeria.

Gap Identified in the Study

In most of the past research studies reviewed for the purpose of this research work, capital expenditure and recurrent expenditure were mainly used as proxies for cost of governance such as: Nworji, Okwu, Obiwuru and Nworji (2012); Ejuvbekpokpo (2012); Ufoeze, Okoro, and Ibenta (2017); David and Tor (2019); Olabiyi and Olowookere (2021), but the current study proxy cost of governance with presidency expenditure, national assembly expenditure and judiciary expenditure. The researcher decided to classify costs of governance according to the three operational arms of government that characterize Nigeria democratic setting in order to identify the particular arms of government that choke national treasury and provide possible suggestions on how

to reduce government spending on the areas identified. It was also observed in the previous studies reviewed that most authors used only gross domestic product (GDP) per capita to measure economic growth and development, whereas, this study used four indicators of economic development, including gross domestic product (GDP) per capita, price instability, unemployment and balance of payment position. All these constitute gap in the previous studies which the present study attempted to fill.

RESEARCH METHODOLOGY

Research Design

The study adopted ex-post-facto research design because the required data are already in existence. In this type of research design, the researcher has no influence on the variables of the study, that is, the variables of the study cannot be manipulated and this makes the data of the study to be more reliable and valid.

Sources of Data

The study used time series data collected from relevant sources, such as Central Bank of Nigeria (CBN), Federal Ministry of Finance, and Federal Bureau of Statistics. However, the period of the study covered 2016 to 2020, given consideration to availability of data. Selection of this period is also based on the fact that it is specifically related to the current administration, which means that the results of the study can be used to assess the performance of the current administration.

Measurement of Variables

For the purpose of the study, cost of governance is the independent variable and it was proxy by presidency expenditure, national assembly expenditure and federal judiciary expenditure. In order to measure these proxies, the study used total budget allocation to presidency, national assembly and federal judiciary. Meanwhile, economic development is the dependent variable and it was proxy by changes in gross domestic product per capita, changes in unemployment rate, and changes in inflation rate.

Model Specification

The study adapted model used by Ufoeze, Okoro, and Ibenta (2017) to analyze the relationship between cost of governance and economic development in Nigeria. The following models are developed from the original model and specified as follows:

$UEMPL\text{-}R = \beta_0 + \beta_1 PRES\text{-}EXPT + \beta_2 NASS\text{-}EXPT + \beta_3 JUDI\text{-}EXPT + u$ ----------Model 1

$GDP\text{-}PERC\text{-}R = \beta_0 + \beta_1 PRES\text{-}EXPT + \beta_2 NASS\text{-}EXPT + \beta_3 JUDI\text{-}EXPT + u$ ----------Model 2

$INFL\text{-}R = \beta_0 + \beta_1 PRES\text{-}EXPT + \beta_2 NASS\text{-}EXPT + \beta_3 JUDI\text{-}EXPT + u$ ----------Model 3

Where:

GDP-PERC-G-R = gross domestic product per capita growth rate; UEMPL-R= changes in unemployment rate; INFL-R= changes in inflation rate; PRES-EXPT= presidency expenditure; NASS-EXPT = national assembly expenditure; JUDI-EXPT= judiciary expenditure; $\beta_0$is the intercept; β1, β2, and β3 are the coefficients of each independent variable of the regression, meanwhile μ stands for error term.

RESULTS AND DISCUSSION

The study employed descriptive statistics, correlation coefficient and multiple regression analysis to establish how dependent variable is influenced by the independent variables. The results of the analyses that were conducted on the data obtained and used for the study are presented and discussed hereunder.

The table below shows the descriptive statistics of the data. As it can be observed in Table 1, the minimum value for presidency expenditure for the five years covered in the study is around ₦31.36 billion while the maximum value is about ₦58.76 billion. The mean value is around ₦45.52 billion with a standard deviation of ₦9.88 billion approximately. Meanwhile, national assembly expenditure has a minimum and maximum value of ₦115 billion and ₦139.5 billion respectively. The mean value is ₦126.5 billion with a standard deviation of about ₦8.8 billion. Also, the minimum and the maximum values for judiciary expenditure are ₦70 billion and ₦110 billion

respectively. The mean value is ₦100 billion associated with a standard deviation of ₦17.32 billion approximately. Of which, unemployment growth rate has a minimum of 0.06% and maximum of 2.75%. It has a mean of 0.94% with standard deviation of 1.14% approximately. For gross domestic product (GDP) per capital growth rate, the minimum and the maximum value are -19.03% and 9.97% respectively. It has a mean value of -4.30% associated with a standard deviation of 11.23% approximately. However, changes in inflation rate have a minimum of -26.71% and maximum 74.21%. The mean is 12.62% with a standard deviation of 37.90. In summary, it is evident that national assembly has the highest mean value, followed by judiciary, and executive with the least mean value. Then, among the dependent variables, changes in inflation rate have the highest mean value followed by changes in unemployment rate, while changes in GDP per capita show the least mean value.

Table 1

Descriptive Statistics

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic
PRES-EXPT	5	31.56	58.76	45.53	9.88
NASS-EXPT	5	115.00	139.50	126.50	8.78
JUDI-EXPT	5	70.00	110.00	100.00	17.32
UNEMPLT-R	5	.06	2.75	.94	1.14
GDP-PERC-G-R	5	-19.03	9.97	-4.30	11.23
INFL-R	5	-26.71	74.21	12.62	37.90
Valid N (listwise)	5				

The assumption of normality is very important in regression analysis and it must not violated. Before the data obtained for the study were analyzed, normality tests of skewness and kurtosis were conducted and the results of the two tests are displayed in Table 2 below. Bryne (2010) suggested that for any data to be described as being normally distributed, the data must have a skewness statistics ranging from -2 to +2 or a kurtosis statistics ranging from -7 to +7. It can be observed from Table 2 below that all the skewness and kurtosis values are within the recommended ranges as given by Bryne (2010). Based on this, it can be reasonably concluded that the data obtained and used for the study are normally distributed.

Table 2

Normality Tests

VARIABLES	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
PRES- EXPT	-.157	.913	1.062	2.000
NASS-EXPT	.415	.913	1.712	2.000
JUDI-EXPT	-1.925	.913	3.667	2.000
GDP-PERC-G-R	1.303	.913	.996	2.000
UNEMPL-R	-.011	.913	-.748	2.000
INFL-R	1.271	.913	2.233	2.000

Moreover, correlation statistics were determined to reflect on whether any correlation subsists among the variables of the study. Results shown in Table 3 below indicate that presidency expenditure is negatively and fairly correlated with national assembly expenditure while its relationship with judiciary expenditure is negligible. It is also shown that the correlation between presidency expenditure and changes in unemployment rate is negligible, while its correlation with changes in gross domestic product-per capita is negative and small. Meanwhile, its correlation with changes in inflation rate is positive and fair. Besides, the correlation matrix below shows that national assembly expenditure is positively and strongly correlated with judiciary expenditure and changes in gross domestic product per capita. Meanwhile, its correlation with changes in unemployment rate and changes in inflation rate is negative and strong. Moreover, the correlation of judiciary expenditure with changes in unemployment rate and changes in inflation is positive and strong. Whereas, it has a positive and strong correlation with changes in gross domestic product per capita. Of which, the three dependent variables including changes in unemployment rate, changes in gross domestic product-per capita, and changes in inflation rate are shown to be negatively and strongly correlated.

Table 3

Correlation Matrix

		PRES-EXPT	NASS-EXPT	JUDI-EXPT	UNEMPLT-RATE	GDP-PERC-G-RATE	INFL-RATE
PRES-EXPT	Pearson Correlation	1					
NASS-EXPT	Pearson Correlation	-.445	1				
JUDI-EXPT	Pearson Correlation	.082	.781	1			
UNEMPLT-R	Pearson Correlation	.012	-.809	-.970	1		
GDP-PERCG-R	Pearson Correlation	-.104	.630	.824	-.915	1	
INFL-R	Pearson Correlation	.329	-.883	-.910	.914	-.837	1

Journal of Business Management and Accounting, Vol. 13, Number 1 (January) 2023, pp: 31–55

However, to obtain assurance about non-existence of multicollinearity among the independent variables, the study determined variance inflation factor (VIF) and tolerance (T) values for all the independent variables that were included in the study. Based on the recommendation of Hair, Anderson, Tatham, and Black (1995), VIF of not more than 10 and T value of not less than 0.1 are considered to be sufficient to confirm that the likelihood of any multicollinearity is insignificant. As it can be observed in Table 4 below, the VIF for the three independent variables is less than 10 in each case, while the tolerance value of each of the independent variables is more than 0.1. Therefore, it can be reasonably concluded that multicollinearity is neither an issue nor a threat to the study, as all the VIF and T values are within the recommended threshold.

Table 4

Results of Multicollinearity Tests

Independent variables	Collinearity Statistics	
	Tolerance	VIF
Presidency Expenditure	.328	3.049
Legislative Expenditure	.129	7.776
Judiciary Expenditure	.159	6.276

In order to achieve the main objective of the study, regression analysis was conducted to establish whether the independent variables (presidency expenditure, national assembly expenditure and judiciary expenditure) have any significant relationship with the dependent variables (unemployment rate, gross domestic product per-capita and inflation rate), and the results generated from the analysis are displayed in Table 5 below.

In order to confirm whether there is autocorrelation in the residuals of the regression models adapted for the study, Durbin Watson test was performed and results in Table 5 below show that the residuals of the regression analysis have a Durbin Watson statistics of 2.460. According to the rule of thumb, a test statistics of 1.5 to 2.5 is suggested, in order to provide evidence of little or no existence of autocorrelation. Besides, Field (2009) recommended that a Durbin Watson statistics of not less than 1 and not greater than 3 is an evidence of non-existence of autocorrelation or little existence of autocorrelation in the residuals

of the regression analysis. Following the two recommendations above, it can be reasonably and sufficiently concluded that there is little or no autocorrelation in the time series used for the study.

In Model 1, it is observed that coefficient of determination (R^2) is 0.950 or 95%. This implies that 95% of variation in the unemployment rate can be explained by presidency expenditure, national assembly expenditure and judiciary expenditure. Also, the F-statistics for model 1 is 6.323. Therefore, it can be reasonably concluded that model 1 is a good model. Besides, it can be noted in model 1 that presidency expenditure and national assembly expenditure have beta of 0.076 and -0.032 respectively. This indicates that they both have negligible relationship with changes in unemployment rate and the relationship is insignificant in both cases as their p-value is greater that 0.05. However, the beta of judiciary expenditure is - 0.951. The result implies that a unit increase in judiciary expenditure is likely to bring about 95.1% decrease in the changes in unemployment rate. Although, the expected rate of change is much, it is insignificant as its p-value is more than 0.05. Based on Model 1, the three null hypotheses formulated should be accepted because results from regression analysis showed that the relationship between presidency expenditure, national assembly expenditure, judiciary expenditure and unemployment rate is insignificant as hypothesized.

Moreover, in Model 2, it is indicated that coefficient of determination (R^2) is 0.789. This means that 78.9% of variation in changes in gross domestic product per capita can be explained by presidency expenditure, national assembly expenditure and judiciary expenditure. Findings also reveal that model 2 has F-statistics of 1.246. All this evidence indicates that the model best fits the data used for the study. Besides, in model 2, it is observed that the beta of presidency expenditure, national assembly expenditure and judiciary expenditure are -0.576, -0.788 and 1.487 respectively. These findings show that a unit increase in presidency expenditure, national assembly expenditure and judiciary expenditure will likely lead to 57.6% decrease, 78.8% decrease and 148.7% increase in the gross domestic product per capita growth rate, respectively. Although the size of the relationship is much, it is insignificant because the related p-value is greater than 0.05 in all cases. Based on Model 2, the three null hypotheses formulated should be accepted because results from regression analysis showed that the relationship between presidency expenditure, national assembly expenditure, judiciary expenditure and gross domestic product is insignificant as hypothesized.

Table 5

Results of Regression Analysis

	Model 1			**Model 2**			**Model 3**		
	Beta	T	Sig.	Beta	T	Sig.	Beta	T	Sig.
(Constant)	730.600	.839	.556	56.667	.320	.803	28.538	1.090	.473
PRES-EXPT	.076	.194	.878	-.576	-.718	.604	.540	15.350	.041
NASS-EXPT	-.032	-.052	.967	-.788	-.615	.649	.262	4.668	.134
JUDI-EXPT	-.951	-1.697	.339	1.487	1.292	.419	-1.159	-22.958	.028
R	.975[a]			.888[a]			1.000		
R Square	.950			.789			1.000		
Adjusted R Square	.800			.156			.998		
Std. Error of the Estimate	.50802			10.31505			1.52706		
Durbin-Watson	2.460			2.460			2.460		
F-Statistics	6.323			1.246			821.160		

a. Predictors: (Constant), EXEC-EXPT, LEGIS-EXPT, JUDI –EXPT

b. Dependent Variables: UNEMPL-R, GDP-PERC-G-R, INFL-R,

Furthermore, the table above shows that R^2 for Model 3is 1.000. This provides a statistical evidence that almost 100% variation in the changes in inflation rate can be linked to factors within the model. Also, the F-statistics for model 3 is 821.160. This shows that model 3 perfectly fits the data used for the study. Besides, statistical findings on model 3 have it that presidency expenditure and national assembly expenditure have beta of 0.540 and 0.262 respectively. These results indicate that a unit increase in presidency and national assembly expenditure will perhaps produce 54.0% and 26.2% increase in changes in inflation rate respectively. It is also noted that the relationship between presidency expenditure and changes in inflation is significant because its p-value is 0.041 which is less than 0.05, whereas, the relationship between national assembly expenditure and changes in inflation rate is insignificant as its p-value is more than 0.05. However, judiciary expenditure has a beta of -1.159 and this implies that a unit increase in judiciary expenditure will possibly lead to 115.9% decrease in changes in inflation rate. It is also indicated that the relationship between judiciary expenditure and changes in inflation rate is significant because its p-value is 0.028 which is less than 0.05. However, based on Model 3, hypothesis one which states that there is no significant relationship between presidency expenditure and economic development should be rejected because results from regression analysis showed that the relationship between presidency expenditure and inflation rate is significant. In the same way, statistical findings revealed that significant relationship exists between judiciary expenditure and inflation rate, therefore, hypothesis three which states that there is no significant relationship between the two variables should be rejected. Of which, findings showed that the relationship between national assembly expenditure and inflation rate is insignificant, therefore, hypothesis two which states that there is no significant relationship between the two variables should be accepted.

CONCLUSION AND RECOMMENDATIONS

The study investigated how cost of governance is related to economic development in Nigeria. The focus of the study is on how presidency expenditure, national assembly expenditure and federal judiciary expenditure are related to economic development (changes in unemployment rate, changes in gross domestic product per capita). The body of the work discussed the concepts of cost of governance, economic development and past empirical researches that are related

to the current study. Besides, the research work is empirical using time series methodology. Generally, the study concludes that increase in presidency expenditure and national assembly expenditure is likely to worsen economic development, while increase in judiciary expenditure will possibly improve economic development in Nigeria.

Specifically, based on the results obtained from regression analysis, it can be concluded that both presidency expenditure and national assembly expenditure have negligible and insignificant relationship with unemployment rate. This means that there is no clear statistical evidence of any relationship among the variables. The implication of these findings is that any increase in the presidency expenditure and national assembly expenditure is not likely to reduce unemployment rate. It can also be reasonably concluded that judiciary expenditure is negatively related to unemployment rate. Although the relationship is not significant, the coefficient of their relationship is much (-.951). The result implies that increase in judiciary expenditure will likely reduce unemployment rate. One of the reasons that can be adduced for this is that when there is increase in budget allocation for judiciary it will possibly make it to be more efficient and effective. Besides, there will be an increase in the level of transparency, fairness and accountability in the legal system. The possible effect of all this is that there will be a positive change in people's behavior, character and lifestyle. By implication, this can improve economic activities and thereby reduce unemployment rate in the country.

Moreover, it can be concluded that presidency expenditure and national assembly expenditure are negatively related to changes in gross domestic product per capital, whereas there is a positive relationship between judiciary expenditure and changes in gross domestics product per capita. Although none of these relationships is significant based on the calculated p-values, the size of the beta values for the relationships makes it worthy of being recognized. These findings can be explained that increase in budget allocation for presidency and national assembly will possibly reduce the rate of growth in gross domestic product per capita. This means that allocating more money for presidency and national assembly does not make them to be more productive, but rather a waste of national resources. However, the positive relationship between judiciary expenditure and the rate of growth in gross domestic product per capita can be interpreted that more budget allocation for judiciary tends to improve the legal system. A good legal system will improve economic activities and consequently, gross domestic product per capita.

Finally, with the statistical results obtained on Model 3, the study concludes that presidency expenditure is positively and significantly related to inflation rate. It can be explained that when there is a significant increase in budget allocation for presidency and the money is not committed into productive activities, it may create undue wealth for some people within the country who may end up lavishing the money, and thereby causing prices of commodities to go up in the market. This is more likely because when people are getting money freely from the system it may increase their spending unnecessarily, and thereby causes increase in the rate of inflation. Besides, it is concluded that there is a positive relationship between national assembly expenditure and inflation rate, although the relationship is not significant. The same reason adduced for the positive relationship between presidency expenditure and inflation rate can also be used to explain the possible factor responsible for the observed positive relationship between national assembly expenditure and inflation rate. However, the study concludes that the relationship between judiciary expenditure and inflation rate is positive and significant. This means that increase in budget allocation for judiciary is more likely to reduce the rate of inflation.

Based on the conclusions submitted above, it is recommended that government should cut down budget allocations to presidency and national assembly to reduce cost of governance. When this is done, any savings that accrue from the budget cuts can be channeled to productive sectors of the economy, and thereby improving Nigeria economy, in terms of growth and development. Also, it is recommended that government should increase its budget allocation to judiciary to improve its efficiency and effectiveness.

ACKNOWLEDGMENT

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

REFERENCES

Adejumo, A. A. (2009). High Cost of Governance, Bad Governance: The Relationships. Akure, Kenet Publisher.

Adeolu, M. A., & Evans, S. C. O. (2007). Analysis of the cost of governance and options for its reduction in Nigeria**.** *Nigerian Journal of Economic and Social Studies, 49*(1), 137-159

Afuberoh, K., & Okoye, E. (2014). The impact of taxation on revenue generation in Nigeria. *International Journal of Public Administration and Management Research*, *2*(2), 22- 47.

Akwe, J. (2014). Impact of non-oil tax revenue on economic growth: The Nigerian perspective.*International Journal of Finance and Accounting, 3*(5), 300-309.

Alomaisi, N., Schomacker, R., & Shmaileh, A. (2016). The impact of governance on economic growth in yemen: An empirical study. *International Journal of Management and Applied Sciences*, *2*(2), 116-170.

Arnold, M. (2011). Tax policy for economic recovery and growth. *The Economic Journal. 12*(1), 59-80.

Ayodele, O. (2022, October 11). Budget for Presidency in Nigeria. The Cable. Retrieved from: https://www.thecable.ng/n2bn-for-intl-trips-n135m-for-meals-inside-2022-budget-for-presidency

Bassam, A. A. (2013). The relationship between governance and economic growth during times of crisis. *European Journal of Sustainable Development, 2*(4), 1-18

Bayar, Y. (2016). Public governance and economic growth in the transitional economies of the European Union. *Transylvanian Review of Administrative Sciences*, *48*, 5-18.

Byrne, B. M. (2010). Structural equation modeling with AMOS: Basic concepts, applications and programming. 2nd Ed. New York: Routledge Taylor & Francis Group, 396.

David, T. B., & Ayemga, T. (2021). Impact of cost of governance on the socio-economic development in Nigeria. *AIPGG Journal of Humanities and Peace Studies, 2*(1), 30-52.

Drucker, P. (2007). Governance. *Harvard Business Review*, *45*(2), 82-98.

Edet, O. A., & Samuel, E. A. (2018). Economic growth and development in Nigeria: Which institutions infrastructure matter? *Journal of Business & Economic Policy, 5*(1), 65-75.

Ejuvbekpokpo, S. (2012). Cost of governance on economic development in Nigeria. *Global Journal of Management and Business Research, 12*(13),18-24.

Eke, E. O. (2011). Nigeria, the Solutions: Corruption, Cost of Governance and Culture of Impunity. http;//nigeria's word. com

Field, A. (2009). Discovering statistics using SPSS, third edn, Sage Publications.

Fates, R. H., et al (2002). Organizing Violence. *Journal of Conflict Resolution.*

Francis, O. I., Daniel, E. G., Charles, T. I., & Matthew, E. E (2015). Cost of governance in Nigeria: In whose interest? *International Journal of Social, Education, Economics and Management Engineering*, *9*(1), 252-259.

Guardian Editorial Board (2021, 28 December). Unrealistic running costs for lawmakers. The Guardian Nigeria. Retrieved from: https://guardian.ng/opinion/unrealistic-running-costs-for-lawmakers/

Hair, J. F. Jr., Anderson, R. E., Tatham, R. L., & Black, W. C. (1995). Multivariate Data Analysis (3rd ed). New York: Macmillan.

Innocent, A. (2018, December 20). Judiciary and challenge of funding. Law & Human Rights. Retrieved from: https://www.vanguardngr.com/2018/12/judiciary-and-challenge-of funding/

Kabir, Y. (2021, October 18). Budgetary proposal for the state house since 2015. Premium Times Retrieved from: https://www.premiumtimesng.com/business/business-data/490394-despite-low-revenue-buhari-proposes-highest-amount-for-presidential-villa-since assuming-office.html

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). The worldwide governance indicators: A summary of methodology, data and analytical issues. *World Bank Policy Research Working Paper*, no. 5430.

Korikiye, M. W., Sophia, M. J., & Ogunniyi, O. O. (2016). Causes and effects of high cost of democratic governance in Nigeria's Fourth Republic. *Historical Research Letter, 34*, 21-33.

Loto, M. A. (2011). Impact of government sectoral expenditure on economic growth. *Journal of Economics and International Finance, 3*(11), 646-652.

Nugraha, A. T., & Osman, N. H. (2017). The energy-economic growth nexus in Indonesia. *Journal of Business Management and Accounting, 7*(2), 61-75.

Nworji, I. D., Okwu, A.T, Obiwuru, T. C., & Nworji, L.O., (2012). Effects of public expenditure on economic growth in Nigeria: A Disaggregated Time Series Analysis, *International Journal of Management Sciences and Business Research, 1*(7), 1-15.

Okeke, M. I. & Eme, O. I. (2015). Cost of governance and its implications on Nigeria's economy. *Kuwait Chapter of Arabian Journal of Business and Management Review, 4*(5), 44-61.

Okoye, C. (2005). Why Nigeria Should Adopt Zones as Federating Units (3), May 19. <Http: allafrica.com/Nigeria>.

Olabiyi K. A. & Olowookere, J. K. (2021). Determinants of economic development in Nigeria: How Much Does Governance Matter? *Management Analysis Journal, 10*(3), 295-304.

Ufoeze, L. O., Okoro, Cyprian, O., & Ibenta, S. N. O. (2017). Effect of cost of governance on economic growth of Nigeria. *International Journal of Trend in Scientific Research and Development*, *2*(1), 1523-1533.