Governance Sustainability: A Descriptive Analysis of Governance Financing and Government Effectiveness in Nigeria (1996-2024)

Gbenga Festus Babarinde Ph.D.[1], Akinpelu Ayobami Akolade[2], Olatunji, Olanrewaju Patrick Ph.D.[3], Adedeji Simeon Kayode[4] & Tajudeen Idera Abdulmajeed Ph.D.[5]

[1]Department of Banking and Finance, Modibbo Adama University, Yola, Nigeria;
liftedfgb@gmail.com
[2]Department of Ports Management, Nigeria Maritime University, Okerenkoko, Warri, Nigeria;
koladeakinpelu371@gmail.com
[3]Department of Business Administration, University of Offa, Nigeria;
patrickolanrewaju62@gmail.com
[4]Department of Economics, Federal College of Education (Special), Oyo, Nigeria;
adedeji.simeon1749@fcesoyo.edu.ng
[5]Department of Banking and Finance, University of Abuja, Abuja, Nigeria;
abdulmajeed.idera@uniabuja.edu.ng

Abstract

Governance financing can be defined as the amount of revenue expended by government on governance of a particular country; which basically relates to public administrative costs such as general administration, defense, internal security and national assembly. On the other hand, government effectiveness, is a governance indicator that captures the perceptions of the quality of government policy formulation and implementation as well as quality public services, civil service and independence from political pressures. It is expected that when governance is adequately financed, government effectiveness should also improve. This notwithstanding, empirical study on the link between the two, most especially in developing countries, is scarce. Therefore, this study examined the relationship between governance financing, government effectiveness using Nigeria's datasets obtained from the World Bank's Worldwide Governance Indicators and Central Bank of Nigeria's Statistical Bulletin for the period, 1996-2024. Using descriptive statistics, Pearson correlation and Johansen cointegration tests, the study found the existence of a weak but positive significant correlation between governance financing and government effectiveness in Nigeria. However, there was no long-run relationship between governance financing and government effectiveness in Nigeria. The study concludes that the association between governance financing and government effectiveness in Nigeria is short-termism and the rise in government administrative costs and expenditures is not matched with its governance sustainability in terms of government effectiveness. This implies that, while governance financing may contribute positively to government effectiveness in Nigeria, the impact appears limited and insufficient to establish a stable long-term relationship. This therefore points to the need for Nigerian government to review its cost of governance in such a manner that it can be positively matched with its effectiveness indicator in the country.

Key Words: Administrative Costs, Government Effectiveness, Governance Financing, Governance Sustainability, Sustainable Finance.

1. Introduction

Governance financing government spending on governance activities, including, public administration, defence, internal security, and legislation, has been a hot topic in governance and public finance debates. In most developing economies, governance investments by the government are expected to boost institutional capacity, ease implementation of policies, and improve the quality of public service delivery. However, research has shown that in the presence of corruption, weak institutions, and lack of accountability, higher public spending does not necessarily correlate with good governance (Alesina & Passalacqua, 2019; Fukuyama, 2020). This indicates that funding alone is insufficient; efficient public institutions and governance systems are also necessary to ensure the effectiveness of governance financing. Over the years, the level of governance financing in Nigeria has risen significantly as a result of increasing recurrent expenditure, expansion of the public administrative structure, insecurity, and growing fiscal responsibilities. These increases have, however, not eliminated concerns regarding the quality of public services provided by government institutions and the efficiency of policy implementation. According to the World Bank (2024), Nigeria continues to record relatively low government effectiveness scores, reflecting persistent institutional and administrative weaknesses. Similarly, Acemoglu and Robinson (2019) argued that weak institutions and poor governance structures reduce the developmental impact of public spending in developing countries.

Government effectiveness is regarded as a key component of governance performance because it reflects the ability of government institutions to formulate and implement sound policies and provide public services effectively. Andrews et al. (2022) observed that countries with stronger institutions are more likely to achieve sustainable economic and social development because public resources are managed more efficiently. Conversely, poor governance structures weaken the effectiveness of public spending and reduce institutional efficiency. In Nigeria, persistent issues such as weak public sector accountability, policy inconsistencies, corruption, and bureaucratic inefficiency continue to raise concerns about whether governance expenditure has translated into meaningful governance outcomes (Eme & Ugwu, 2023). In recent years, governance sustainability has also become an important issue for governments seeking to ensure that public expenditure contributes to long-term institutional performance and development outcomes. Sustainable governance requires efficient resource allocation, transparency, accountability, and effective public institutions. In Nigeria, however, governance expenditure has often been associated with fiscal inefficiency, duplication of administrative responsibilities, and weak value-for-money outcomes (International Monetary Fund [IMF], 2023; African Development Bank [AfDB], 2022). This raises concerns about whether increasing governance financing is supporting sustainable governance performance or merely increasing the cost of governance without corresponding improvements in institutional effectiveness.

Although governance financing in Nigeria has increased continuously over the years, government effectiveness remains relatively weak. Public spending on administration, defence, internal security, and legislative activities has grown substantially, yet improvements in public service delivery, policy implementation, and institutional efficiency have remained limited. This mismatch between increasing governance expenditure and weak governance outcomes has raised concerns regarding the efficiency and sustainability of governance financing in Nigeria. Nigeria continues to experience problems associated with bureaucratic inefficiency, institutional weaknesses, corruption, poor accountability mechanisms, and weak policy implementation. A significant proportion of government expenditure is devoted to recurrent and administrative costs, with limited evidence that such spending has translated into improved governance performance. Consequently, concerns persist regarding whether rising governance costs are producing meaningful institutional effectiveness or merely expanding government expenditure without corresponding governance benefits. Furthermore, most previous empirical studies have concentrated on general public expenditure or sector-specific spending such as education, health, and infrastructure, while limited attention has been given to governance financing and its relationship with government effectiveness over time.

This has created a gap in empirical literature regarding whether governance financing contributes to sustainable improvements in institutional performance in Nigeria, particularly, government effectiveness. Against this backdrop, there is a need to examine the relationship between governance financing and government effectiveness in Nigeria in order to determine whether increase in governance expenditure have translated into improved governance outcomes and whether such a relationship is sustainable in the long run.

Therefore, considering the foregoing, the study has the main objective of examining the link between governance financing and government effectiveness in Nigeria. Specifically, the study aimed to:

i. examine the relationship between governance financing and government effectiveness in Nigeria;

ii. determine if there is long-run relationship between governance financing and government effectiveness in Nigeria;

iii. describe the trend of governance financing in Nigeria; and

iv. describe the trend of government effectiveness in Nigeria.

Consequently, the study hypothesizes thus:

i: There is no significant relationship between governance financing and government effectiveness in Nigeria.

ii: There is no long-run relationship between governance financing and government effectiveness in Nigeria.

2. Literature Review

2.1 Conceptual Review

2.1.1 Governance Financing

Governance financing can be described as public funding that is used in governance of a country, including administrative spending, security-related spending and legislative activities. It covers all government expenditure on maintaining government institutions and on ensuring the effective working of government administration. Governance financing or cost of governance in Nigeria primarily involves spending on the general administration, defense, internal security and National Assembly (Central Bank of Nigeria, 2023). Most of these spending is considered to be recurrent expenditure as they are necessary for the routine functioning of government functions and keeping public order. Governance financing is seen as an important area of public financial management, because the proper funding of public institutions is essential for good policy making, execution and provision of services. The study by the International Monetary Fund (IMF) (2023) states that efficient governance financing is linked to institutional stability, administrative efficiency, and enhanced performance of public sector. Likewise, the World Bank (2024) reported that investments in governance institutions lead to better governance outcomes, and proper resource allocation to improve state capacity, especially in developing economies. But the connection between governance investment and institutional effectiveness is not necessarily straightforward, as scholars have noted that the effectiveness of institutions is not assured by higher governance spending, particularly in countries where there is corruption, poor accountability systems and inefficiencies in the bureaucracy (Alesina & Passalacqua, 2019; Fukuyama, 2020). Governance costs have been increasing in many developing countries, and, in many instances, an increase in these costs has been linked to fiscal inefficiency and increased recurrent spending with no commensurate gains in governance (African Development Bank, 2022). As in Nigeria, there has been an increasing worry about the speed of governance expenditure and if it has been reflected in the real public service delivery, accountability and institutional effectiveness (Eme & Ugwu, 2023).

2.1.2 Government Effectiveness

Government effectiveness is an important dimension of governance that reflects the ability of government institutions to formulate and implement sound policies, deliver quality public services, and maintain an efficient civil service system. It also captures the extent to which public institutions operate independently from political interference and remain committed to policy credibility and administrative efficiency. According to Fukuyama (2020), government effectiveness is fundamental to state capacity because it determines how efficiently institutions can translate public policies into meaningful developmental outcomes. Similarly, Andrews et al. (2022) argued that countries with effective governance structures are more likely to achieve sustainable economic growth and institutional stability due to improved public sector performance and accountability. Regulatory quality, on the other hand, refers to the ability of government to formulate and implement policies and regulations that support private sector development and economic efficiency. Acemoglu and Robinson (2019) maintained that strong regulatory institutions encourage investment, innovation, and economic productivity by creating a stable policy environment. Conversely, weak government effectiveness often results in policy inconsistency, administrative inefficiency, and poor public service delivery, thereby undermining governance performance and development outcomes (OECD, 2023; World Bank, 2024).

2.1.3 Governance Sustainability

Governance sustainability refers to the ability of governance institutions and systems to maintain transparency, accountability, effectiveness, and policy consistency in a manner that supports long-term socio-economic development. It reflects the extent to which governance structures are capable of sustaining institutional performance, public trust, and efficient service delivery over time. Governance sustainability is commonly linked to the six dimensions of public governance identified in the World Bank Worldwide Governance Indicators (WGI), namely, voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption (World Bank, 2024). These indicators collectively assess the quality of governance institutions and the capacity of governments to formulate and implement sound policies.

Governance factors generally refer to the institutions, systems, and procedures that promote ethical conduct, accountability, transparency, and responsible decision-making in both public and private sector organisations. According to Idowu et al. (2023), governance factors include corporate governance frameworks, board structure and diversity, compliance systems, stakeholder engagement, internal controls, anti-corruption policies, reporting standards, and regulatory compliance mechanisms. Effective governance systems are essential for ensuring institutional stability, reducing corruption, and enhancing public sector efficiency. Similarly, Fukuyama (2020) argued that governance quality depends largely on the capacity of institutions to implement policies effectively and maintain administrative accountability. Acemoglu and Robinson (2019) also maintained that strong and inclusive institutions are fundamental for sustainable development because they encourage accountability, policy credibility, and efficient allocation of public resources. In the same vein, Andrews et al. (2022) noted that sustainable governance requires capable institutions, transparent public administration, and effective management of public resources to achieve long-term development objectives. In developing countries such as Nigeria, governance sustainability has become increasingly important due to concerns over weak institutions, corruption, bureaucratic inefficiency, and poor public accountability systems. The International Monetary Fund (2023) observed that weak governance structures often reduce the effectiveness of public expenditure and undermine sustainable development outcomes. Consequently, strengthening governance sustainability requires improvements in institutional quality, transparency, regulatory effectiveness, and accountability mechanisms in order to ensure that governance financing translates into meaningful governance outcomes.

2.2 Theoretical Review

In this study, three reviewed are sustainability theory, **institutional theory, and public choice theory.**

2.2.1 Sustainability Theory

Sustainability theory originates from the broader concept of sustainable development, which emphasizes the ability of systems to meet present needs without compromising future capacity. The theory was popularised through the Brundtland Commission report, which established sustainability as a balance between economic, social, and institutional continuity. In governance studies, sustainability theory has been extended to public sector management to explain how governments can maintain long-term institutional effectiveness through efficient resource allocation and accountability. In the context of public finance, sustainability theory suggests that government expenditure should not only focus on immediate administrative needs but also ensure long-term improvements in institutional performance and governance outcomes. According to Sachs (2015), sustainable governance requires strong institutions that can efficiently transform public resources into long-term development outcomes. Similarly, Hickel (2019) argues that unsustainable public spending patterns, especially in developing economies, often weaken institutional capacity and reduce governance effectiveness. In relation to governance financing, the theory is relevant because it explains why increasing government expenditure in Nigeria must be evaluated in terms of long-term institutional efficiency rather than short-term fiscal expansion. Where governance financing is dominated by recurrent expenditure without structural improvement, sustainability becomes weak, leading to poor governance outcomes.

2.2.2 Public Choice Theory

Public choice theory was developed by Buchanan and Tullock (1962), and it explains government decision-making using economic principles of self-interest. The theory assumes that politicians, bureaucrats, and public officials act in their own interest rather than purely in the interest of the public. As a result, government expansion may lead to inefficiency, rent-seeking, and misallocation of public resources. In modern public finance literature, public choice theory has been widely applied to explain inefficiencies in government spending and bureaucratic behaviour. Persson and Tabellini (2002) argue that political incentives often lead to excessive public expenditure that does not necessarily improve public service delivery. More recently, Muñoz and

Buelens (2020) found that in developing economies, weak accountability systems increase the likelihood of inefficient public spending and bureaucratic expansion. In the Nigerian context, the theory is useful in explaining why increasing governance financing does not automatically translate into improved government effectiveness. Bureaucratic inefficiency, political patronage, and weak accountability systems may lead to rising administrative costs without corresponding improvements in governance outcomes.

2.2.3 Institutional Theory

Institutional theory was originally developed by North (1990), who argued that institutions defined as formal and informal rules governing behaviour determine economic and governance performance. The theory emphasizes that the quality of institutions shapes how effectively resources are allocated and how policies are implemented. Acemoglu and Robinson (2012) further expanded institutional theory by arguing that inclusive institutions promote economic development, while extractive institutions lead to inefficiency and underdevelopment. In governance literature, North (1990) remains a foundational reference, while more recent studies such as Rodrik (2018) and Andrews et al. (2022) highlight the importance of institutional quality in determining government effectiveness and public sector performance. In relation to governance financing, institutional theory explains that even when government expenditure increases, weak institutions can prevent efficient utilization of public resources. Poor accountability systems, corruption, and weak enforcement mechanisms reduce the effectiveness of governance financing. This is particularly relevant in developing economies like Nigeria, where institutional weaknesses continue to limit the impact of public expenditure on governance outcomes.

This study is underpinned by sustainability theory in that emphasizes and explains why increasing government expenditures/investments should be assessed in terms of long-term institutional efficiency rather than short-term fiscal expansion. Hence, it links government financing to institutional quality in its various dimensions, including government effectiveness. Therefore, sustainability theory provides a theoretical framework for assessing the link between governance financing and government effectiveness.

2.3 Empirical Review

Adeiza and Nurudeen (2025) examined the relationship between budgeting and governance effectiveness in Nigeria over the period 2014–2024. The study was motivated by the persistent gap between rising public expenditure and weak governance outcomes in Nigeria. The authors adopted a longitudinal quantitative research design using secondary data sourced from the Central Bank of Nigeria and World Bank governance indicators. Ordinary Least Squares (OLS) regression was used for analysis. The findings revealed that despite substantial growth in Nigeria's budgetary allocations, governance indicators such as government effectiveness and regulatory quality remained negative and statistically insignificant. The study concluded that increased fiscal allocation does not automatically translate into improved governance outcomes due to inefficiencies in public financial management and institutional weaknesses.

In another study, Adeoye et al. (2024) investigated the effect of cost of governance on public sector performance in Nigeria. The study was driven by concerns over rising recurrent expenditure and poor public service delivery. The study employed a quantitative research approach using secondary data from the Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics. The study adopted robust least square regression techniques. Findings showed that capital expenditure had a positive effect on public sector performance, while recurrent expenditure had a negative and significant effect. The study concluded that high governance costs, especially administrative expenditure, reduce public sector efficiency.

Furthermore, Kabongo and Mbonigaba (2024) studied the role of governance in moderating the effectiveness of public health spending. The research was motivated by the growing concern that increased public expenditure does not always improve service delivery outcomes. The study used secondary data across selected countries and applied Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings showed that governance quality significantly moderates the relationship between public spending and health outcomes, meaning that higher spending is only effective where governance systems are strong. The study concluded that governance quality is a critical determinant of the efficiency of public expenditure.

In the same vein, Adeoye et al. (2024) examined how governance quality affects public sector procurement performance in Nigeria using data from 2000–2017. The research was motivated by concerns over inefficiency and corruption in public infrastructure spending. The study employed Ordinary Least Squares regression and Granger causality tests using data from the Central Bank of Nigeria, National Bureau of Statistics, and Transparency International. The findings revealed that corruption control and governance quality significantly influence public procurement efficiency, while weak governance structures reduce the effectiveness of public spending. The study concluded that governance quality is essential for improving the efficiency of public financial management and recommended stronger accountability systems.

Ibrahim (2024) examined the impact of governance quality on revenue generation in Nigeria using World Governance Indicators and IMF fiscal data. The study was motivated by the need to understand how governance institutions affect fiscal performance. The methodology involved time series analysis using multiple regression techniques. The findings showed that government effectiveness, rule of law, regulatory quality, and control of corruption significantly influence government revenue performance. The study concluded that stronger governance systems improve fiscal outcomes and economic efficiency.

3. Methodology

The study adopted a correlational research design to examine the relationship between governance financing and government effectiveness in Nigeria. The correlational design was considered appropriate because it enables the determination of the direction and strength of association between variables without manipulating them. The study relied on secondary data covering the period 1996–2024, obtained from credible institutional sources. The use of secondary data ensured objectivity, reliability, and consistency in the measurement of governance-related indicators over time. The study focused on two main variables, namely governance financing and government effectiveness. Governance financing refers to government expenditure on governance-related functions such as general administration, defence, internal security, and the National Assembly. Data on governance financing were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin (2023)**.** Government effectiveness measures the quality of public services, civil service performance, policy formulation and implementation, and the degree of independence from political pressures. Data on government effectiveness were sourced from the World Bank Worldwide Governance Indicators (WGI, 2024).

Data analysis was carried out using both descriptive and inferential statistical techniques. Descriptive statistics such as mean, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque-Bera test were used to summarise the characteristics of the variables and provide an overview of their distributional properties. For inferential analysis, the Augmented Dickey-Fuller (ADF) unit root test was employed to determine the stationarity properties of the variables and to avoid spurious regression results. In addition, Pearson correlation analysis was used to examine the strength and direction of the relationship between governance financing and government effectiveness, while the Johansen cointegration **test** was applied to determine whether a long-run relationship exists between the variables. All statistical tests were conducted at a 5% level of significance to ensure the validity and robustness of the findings.

In the study, governance financing is operationally, defined as the amount of revenue expended by government on governance of a particular country; which basically relates to public administrative costs such as general administration, defense, internal security and national assembly. On the othe hands, government effectiveness is operationalized as a governance indicator that captures the perceptions of the quality of government policy formulation and implementation as well as quality public services, civil service and independence from political pressures. It is expected that increasing governance financing would promote government effectiveness.

4. Results and Discussion

4.1 Descriptive Statistics

Table 1 present the descriptive statistics for the study.

Table 1: Descriptive Statistics

	Governance Financing	Government Effectiveness
Mean	1024.312	0.189564
Maximum	2631.032	0.222487
Minimum	47.12200	0.161779
Std. Dev.	820.3312	0.020541
Skewness	0.565455	0.305854
Kurtosis	2.109329	1.598558
Jarque-Bera	2.503972	2.825358
Probability	0.285936	0.243490
Observations	29	29

Source: E-view 12 output, 2026

Table 1 presents the descriptive statistics for governance financing and government effectiveness based on 29 observations. The statistics provide information on the central tendency, dispersion, and distributional characteristics of the variables. The mean value of governance financing is 1024.312, indicating that the average level of governance financing over the study period is approximately 1024.31 billion Naira. Government effectiveness has a mean value of 0.189564, suggesting that the average government effectiveness score during the period is about 0.19.

The maximum and minimum values reveal the range of variation within the variables. Governance financing ranges from 47.122 to 2631.032, indicating substantial fluctuations over the study period. Government effectiveness varies between 0.161779 and 0.222487, showing relatively smaller variations compared to governance financing. The standard deviation measures the extent of variability around the mean. Governance financing has a relatively high standard deviation (820.3312), suggesting considerable dispersion and indicating that financing levels fluctuate significantly across observations. Conversely, government effectiveness has a low standard deviation (0.020541), indicating that its values are more closely clustered around the mean and exhibit lower variability.

The skewness statistics indicate the symmetry of the distributions. Governance financing has a skewness value of 0.565455, while government effectiveness records 0.305854. Since both values are positive and less than 1, the variables are moderately positively skewed, implying that the distributions have longer right tails, with some observations exceeding the average values. Kurtosis values for governance financing (2.109329) and government effectiveness (1.598558) are both below the benchmark value of 3, indicating platykurtic distributions. This suggests that the variables have flatter distributions and lighter tails than a normal distribution.

The Jarque–Bera statistic and corresponding probability values test for normality of the data. Governance financing has a Jarque–Bera probability value of 0.285936, while government effectiveness has 0.243490. Since both probability values exceed the conventional significance level of 0.05, the null hypothesis of normality cannot be rejected. Therefore, both variables are approximately normally distributed. Overall, the results suggest that while governance financing exhibits substantial variation across the study period, Government effectiveness remains relatively stable. In addition, both variables satisfy the normality assumption, making them appropriate for further econometric analysis.

4.2 Trend Analysis

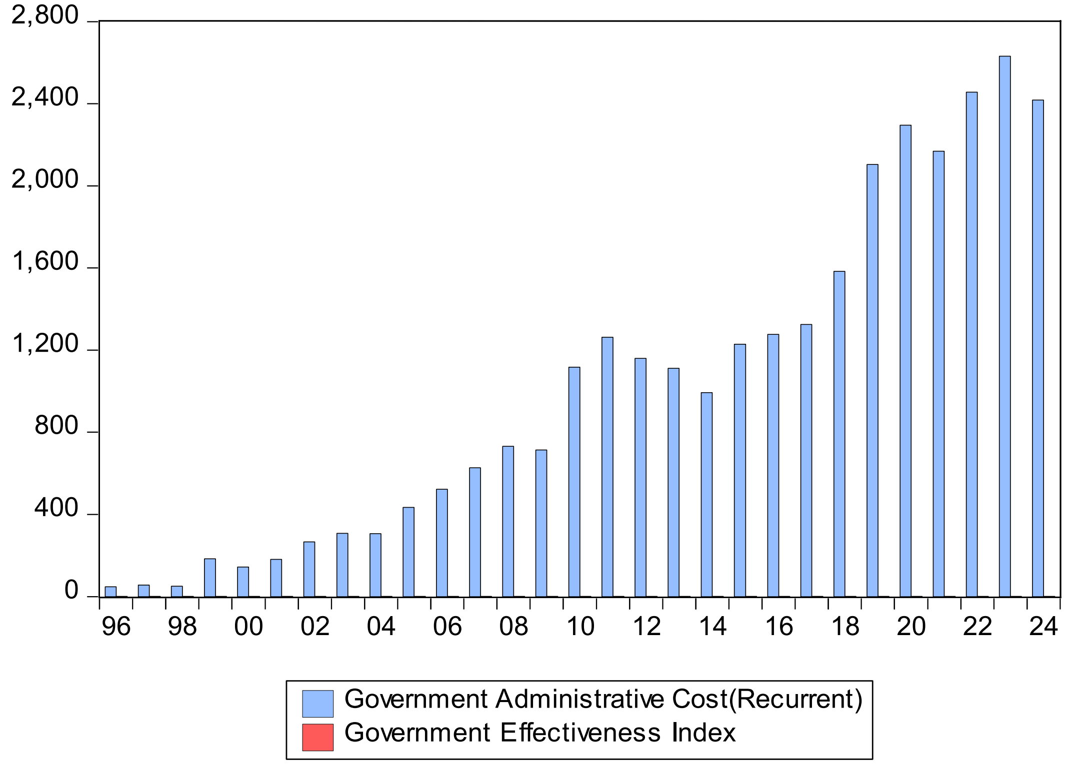

Fig. 1: Trend Analysis of Governance Financing and Government Effectiveness in Nigeria (1996-2024)

Source: Authors' design, 2026

Figure 1 presents the trend of governance financing (measured by government administrative cost/recurrent expenditure) and government effectiveness in Nigeria over the period from 1996 to 2024. The graphical presentation illustrates the movement and pattern of the variables across time. The trend of governance financing shows a generally upward movement throughout the study period, although with some fluctuations. Between 1996 and the early 2000s, government administrative financing remained relatively low with only gradual increases. From approximately 2004 onward, there was a noticeable rise in financing levels, suggesting increased government expenditure on administrative activities and governance-related functions.

A more substantial increase occurred from 2010 onwards, where governance financing rose sharply. Although slight declines and fluctuations are observed around 2012–2015, the overall pattern remained upward. From 2018 to 2024, the increase became more pronounced, with financing reaching its highest levels during the later years of the study period. This pattern may reflect increased public spending, rising administrative costs, expansion of government activities, inflationary pressures, or policy changes affecting government expenditures. On the other hand, the government effectiveness index appears relatively stable with only minor fluctuations over the study period. Unlike governance financing, which experienced significant increases, government effectiveness did not exhibit substantial improvements. The movement of the effectiveness index suggests that increases in governance financing did not translate proportionately into improvements in government effectiveness.

The trend further indicates that while both variables generally move in a positive direction, the magnitude of change differs considerably. Governance financing increased significantly over time, whereas Government effectiveness remained relatively stable. This may imply that increased financial allocation alone may not necessarily lead to corresponding improvements in the efficiency and effectiveness of government operations.

Overall, the figure suggests that Nigeria experienced considerable growth in governance-related financing between 1996 and 2024; however, such increases were not accompanied by equally significant changes in government effectiveness. This observation may indicate the influence of other factors such as institutional quality, policy implementation, transparency, accountability, and administrative capacity in determining government effectiveness.

4.3 Unit Root Test

Table 2 present the Augmented Dickey-Fuller (ADF) test statistics for the study**.**

Table 2: Augmented Dickey-Fuller Test Statistics

	Level		**First Difference**		**I(d)**
	ADF	**Prob.**	**ADF**	**Prob.**	
Governance Financing	0.246122	0.9707	-4.416890	0.0018	**I(1)**
Government Effectiveness	-1.475103	0.5312	-4.778317	0.0007	**I(1)**

Source: E-view 12 output, 2026

Table 2 presents the results of the Augmented Dickey–Fuller (ADF) unit root test conducted to determine the stationarity properties of the variables used in the study. The test examines whether the variables contain unit roots, since non-stationary data may produce spurious regression results. At the level form, Governance Financing recorded an ADF statistic of 0.246122 with a probability value of 0.9707, while Government Effectiveness recorded an ADF statistic of −1.475103 with a probability value of 0.5312. Since the probability values for both variables are greater than the conventional significance level of 0.05, the null hypothesis of the presence of a unit root cannot be rejected. This implies that both governance financing and government effectiveness are non-stationary at level.

However, after taking the first difference, governance financing produced an ADF statistics of −4.416890 with a probability value of 0.0018, while government effectiveness recorded an ADF statistic of −4.778317 with a probability value of 0.0007. Since the probability values are less than 0.05, the null hypothesis of a unit root is rejected, indicating that the variables become stationary after first differencing. Therefore, both governance financing and government effectiveness are integrated of order one, denoted as I(1), meaning that they achieve stationarity after first differencing. The implication of this result is that the variables possess the same order of integration, making them suitable for further long-run relationship analysis such as cointegration testing and other econometric procedures that require variables to have similar integration orders.

4.4 Correlation Analysis

Table 3 present the result of the correlation test in form of correlation matrix**.**

Table 3: Correlation Matrix

Correlation	GOVERNANCE FINANCING	GOVERNMENT EFFECTIVENESS
Governance financing	1.000000	

Government effectiveness	0.325735	1.000000
	0.0846	-----

Source: E-view 12 output, 2026

Table 3 presents the correlation matrix showing the degree and direction of association between governance financing and government effectiveness. Correlation analysis measures the strength and direction of the linear relationship between variables. The results (in Table 3) indicate that governance financing and government effectiveness have a correlation coefficient of 0.325735, suggesting a positive relationship between the two variables. This implies that increases in governance financing are associated with increases in government effectiveness, and vice versa.

The magnitude of the correlation coefficient (0.325735) indicates that the relationship is weak to moderate, as the value is relatively close to zero and far from the maximum value of ±1. Therefore, although the variables move in the same direction, the strength of their association is not particularly strong. The probability value associated with the correlation coefficient is 0.0846.

Since this probability value is greater than the conventional 5% significance level (0.05), the relationship between governance financing and government effectiveness is not statistically significant at the 5% level. This means there is insufficient evidence to conclude that the observed relationship is statistically meaningful. However, because the p-value is below 0.10, the relationship may be considered statistically significant at the 10% significance level.

Overall, the result suggests that governance financing has a positive but relatively weak association with government effectiveness in Nigeria during the study period.

4.5 Cointegration Analysis

Table 4 present the result of Johansen cointegration test between governance financing and government effectiveness in Nigeria in the study period.

Table 4: Johansen Cointegration Test

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.
None	0.148839	4.422662	15.49471	0.8666
At most 1	0.002645	0.071516	3.841466	0.7891
Trace test indicates no cointegration at the 0.05 level				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.
None	0.148839	4.351146	14.26460	0.8206
At most 1	0.002645	0.071516	3.841466	0.7891
Max-eigenvalue test indicates no cointegration at the 0.05 level				

Source: E-view 12 output, 2026

Table 4 presents the results of the Johansen cointegration test used to determine whether a long-run equilibrium relationship exists between governance financing and government effectiveness. The Johansen test employs both the Trace statistic and Maximum Eigenvalue statistic to examine the existence and number of cointegrating equations among the variables. For the Trace test, the result for the hypothesis of no cointegrating equation (none) shows a trace statistic value of 4.422662, which is lower than the critical value of 15.49471, with a probability value of 0.8666. Since the probability value is greater than the 5% significance level, the null hypothesis of no cointegration cannot be rejected.

Similarly, for the hypothesis of at most one cointegrating equation, the trace statistic of 0.071516 is less than the critical value of 3.841466, with a probability value of 0.7891, indicating that the null hypothesis cannot be rejected. The Maximum Eigenvalue test provides similar results. For the hypothesis of no cointegrating equation, the maximum eigenvalue statistic is 4.351146, which is lower than the critical value of 14.26460, with a probability value of 0.8206. Likewise, for the hypothesis of at most one cointegrating equation, the statistic of 0.071516 is lower than the critical value of 3.841466, with a probability value of 0.7891.

Since both the Trace and Maximum Eigenvalue tests fail to reject the null hypothesis of no cointegration at the 5% significance level, the results indicate that there is no long-run equilibrium relationship between governance financing and government effectiveness in Nigeria during the study period. The implication of this finding is that although the variables were found to be integrated of order one, I(1), they do not move together in the long run. Thus, changes in governance financing may influence government effectiveness in the short term, but the variables do not exhibit a stable long-run association.

4.6 Discussion of Findings

The findings of this study provide empirical evidence on the relationship between governance financing and government effectiveness in Nigeria. The correlation analysis demonstrated a positive relationship between governance financing and government effectiveness, with a correlation coefficient of 0.325735. This suggests that increases in governance financing are associated with improvements in government effectiveness. However, the relationship was found to be relatively weak and statistically insignificant at the 5 percent significance level. This indicates that although increased financing may contribute to improved government effectiveness, other institutional, administrative, and structural factors may also significantly influence the effectiveness of government operations.

The Johansen cointegration results further revealed the absence of a long-run equilibrium relationship between governance financing and government effectiveness, as both the Trace and Maximum Eigenvalue tests failed to reject the null hypothesis of no cointegration. This implies that the variables do not move together in the long run and do not maintain a stable long-term relationship during the period under investigation. Therefore, changes in governance financing may only exert temporary or short-term effects on government effectiveness rather than producing sustained long-term outcomes.

The overall findings suggest that while governance financing may contribute positively to government effectiveness in Nigeria, the impact appears limited and insufficient to establish a stable long-term relationship. This outcome may indicate that the effectiveness of governance is not solely determined by the amount of financing available but also by factors such as institutional quality, accountability mechanisms, policy implementation strategies, administrative capacity, and transparency in public resource management.

5. Conclusion and Recommendations

This study examined governance financing, government effectiveness and their relationship using Nigeria's datasets for the period, 1996-2024, using descriptive statistics, Pearson correlation and Johansen cointegration tests. The study found the existence of a weak but positive significant correlation between governance financing and government effectiveness in Nigeria. However, there was no long-run relationship between governance financing and government effectiveness in Nigeria.

The study concludes that the association between governance financing and government effectiveness in Nigeria is shot-termism and the rise in government administrative costs and expenditures is not matched with its governance sustainability in terms of government effectiveness. In other words, while governance financing may contribute positively to government effectiveness in Nigeria, the impact appears limited and insufficient to establish a stable long-term relationship.

Consequently, improving government effectiveness may require not only increased governance financing but also stronger institutional frameworks and more efficient utilization of available financial resources. This finding emphasizes the need for policymakers to focus on both the quantity of financial allocations and the quality of governance practices in achieving sustainable improvements in government effectiveness. There is therefore the need for Nigerian government to review its cost of governance in such a manner that it can be positively matched with its effectiveness indicator in the country.

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