

Public Sector Instability and Macroeconomic Performance in Nigeria

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ABSTRACT

Using both quantitative and qualitative methods, the research looks into the relationship between public sector instability and macroeconomic performance. It analyses how shifts in political power, policy uncertainty, and governance problems lead to fluctuations in macroeconomic performance in Nigeria. The analysis uses secondary data analysed by Autor Regressive Distributed Lags. Findings show that political stability and absence of violence, and control of corruption, exert negative effect on economic performance in the long run horizon in Nigeria alongside the short run horizon. Public sector instability generally was found by the study to be very precarious to the good macroeconomic performance of Nigeria during the period under review.

Key words: Public sector instability, Political instability, Macroeconomic performance, Corruption

INTRODUCTION

The impact of public sector instability on the country's macroeconomic performance has sparked numerous arguments among specialists, economists, and policymakers. Some academics argue that Nigeria's public sector system has been characterized by public sector corruption, ethnic tensions, and power struggles, which have undermined the government's ability to implement effective economic policies and promote sustainable development (Igoshemu & Ogidiagba, 2022). Isife (2020) opined that public sector instability in Nigeria results to spate of militarized polity, incessant agitations, insurgency, corruption, poor leadership and followership which consequently affects productivity, impede foreign investment and result to poor economic performance.

Over the years, Nigeria has experienced significant challenges in achieving its target macroeconomic performance. Despite various efforts by the government to stimulate economic performance, including implementing economic reforms, attracting foreign investment, and promoting exports, the economy has remained fragile, with low GDP performance, high unemployment rates, and persistent inflation. According to recent data from central bank of Nigeria, GDP performance have witnessed slow performance since its last peak in 2002 with 15.3% and stood at 3.6% in 2021; inflation rate have been persistently rising from approximately 10% in 2016 to 21% in 2021; and the rate of unemployment (% of total labour force) in Nigeria according to International Labour Organisation modelled estimate have been increasing significantly from 3.70% in 2013 to 9.79% IN 2021. One major factor that have contributed to Nigeria's economic challenges is public sector instability (Isife, 2020).

Meanwhile, there has been insufficient knowledge in economic literature on the specific impact of public sector instability on macroeconomic performance. Related economic literature on the subject is the analysis of the impact of public sector instability and stability on economic performance (Murad & Alyshyab, 2019; Elbargathi & Al-assaf, 2019; Nomor & Lorembor, 2017), which totally neglects the effect of public sector instability on other macroeconomic variables, including inflation and unemployment. Moreover, Igoshemu & Ogidiagba (2019) assessed the link between poor governance and massive unemployment. Hence, past economic

literature have not effectively captured the relationship between public sector instability and macroeconomic variables. In view of this, this study will attempt to investigate the impact of public sector instability on macroeconomic performance in Nigeria using times series data over the period between 1996 and 2021 which is considered most recent according to data availability.

Following this, developments, this study will be discussed further under the following headings; literature review, methodology, results and discussion, then conclusions and recommendation.

LITERATURE REVIEW

There have been some researches around the topic across the globe. These researches are reviewed as follows.

Using annual data spanning from 1984 to 2020, Akinlo, Arowolo & Zubair (2022) analysed the effect of public sector instability on economic performance in Nigeria. They employed Autoregressive Distributed Lag (ARDL) technique. Their cointegration test revealed that public sector instability and economic performance are cointegrated. Meanwhile, the findings of their study indicated that in the short run, public sector instability negatively impacted economic performance. Likewise, in the long-run, public sector instability harms economic performance. The result of the study also showed that Government expenditure contributed to economic performance in the short-run and long-run. Gross capital formation and financial development had detrimental effect on economic performance. However, they recommended the government should address the frequent public sector instability to achieve the expected long-term performance in the economy.

Pasha (2020) assessed the nexus between public sector instability and economic performance in Guyana using time-series data covering the period 1961 – 2018 and GARCH (1,1) models. The result showed that changes in the Head of State (HOS) exert a positive and significant impact on real GDP performance rates, while strikes have the opposite effect on economic performance. Other proxies of public sector instability, such as public sector assassinations, riots, insurrection, and terrorism, were not significantly related to performance in real GDP because of the dispersed nature of economic activities and their negligible effect on production and productivity. When the proxies of public sector instability are added to the conditional variance equation, the result indicated that only changes in Head of State (HOS) moderate volatility in performance rates.

Nomor, Lorember & Adamu (2019) investigated the influence of press freedom on public sector stability on one hand and its impact on economic performance of Nigeria on the other hand. The study used time series data ranging from 1999 to 2016. Furthermore, the study used simultaneous equation system in which performance and public sector stability were jointly determined. They employed a two stage least square criterion analysing the data. The result of the study revealed that press freedom as correlate and instrument of public sector stability had negative but insignificant relationship with economic performance in Nigeria. Consequently, they recommended that the government should evolve policies that aim at promoting press freedom in order to promote stability and adequate attentions should be given to them to ensure economic performance in Nigeria.

Abubakar & Afolabi (2017) examined the causal relationship between FDI inflow, volume of trade, public sector instability, and gross domestic product (GDP) in Nigeria using time series data from 1981 to 2014. The study employed ADF and Phillips Perron (PP) tests and the Johansen and Juselius cointegration tests to see whether all variables are stationary and to investigate the existence of long-run relationship among the variables respectively. The findings of their study indicated that there was a long-run relationship among the variables used in this study. The multivariate Granger causality test was carried out using the VECM approach

to analyse the causal links among all the variables. A bidirectional causality was discovered between the FDI inflow and economic performance (GDP), but there was one-way direction between public sector instability and FDI, as well as between public sector instability and GDP. Aside that, there was also one-way relationship between FDI and volume of trade within the stated period. They recommended that the government should review and implement a strong, vibrant policy to ensure maximum security and peace in the country with the purpose of attracting more foreign investors.

Kaplan & Akçoraoğlu (2017) examined the empirical relations between economic performance and a broad group of public sector instability factors including corruption, government instability, internal and external conflicts, religious and ethnic tensions, democratic accountability and bureaucracy quality. They used the system-GMM (Generalized Method of Moments) to estimate the panel data spanning the period 1984-2012. Their findings revealed most of the literature that public sector instability is negatively associated with economic performance. Their result asserted that corruption negatively affects economic performance. However, the results of system-GMM estimation indicated that democratic accountability, ethnic and religious tensions and bureaucracy quality have no statistically significant impact on economic performance of OECD countries.

METHODOLOGY

This section of the paper focuses on the research methods adopted to achieve the research objective. This starts from the model specification, definition and description of variables, source and data and method of data analysis.

Model Specification

In a bid to examine the impact of public sector instability on macroeconomic performance (gross domestic product, and inflation rate) in Nigeria, the model employed in the study is in line with the model used by Nomor & LoreMBER (2017) and Elbargathi & Al-Assaf (2019). This study modified the model employed by Nomor & LoreMBER (2017) and Elbargathi & Al-Assaf (2019), which specified economic performance measured by gross domestic product (GDP) as the dependent variable and public sector instability indicators as the explanatory variable, as shown below:

$$GDP_t = f(Pi) \quad (1)$$

Where macroeconomic performance is measured by the Gross domestic product GDP and PI is the public sector Instability.

The Public sector instability PI is measured by the following variables; political stability and absence of violence/terrorism (PV), control of corruption (CC), and regulatory quality (RQ). By incorporating the above into the model, and by introducing foreign direct investment (FDI) and interest rate (INT), the functional form of the model becomes,

$$GDP_t = \beta_0 + \beta_1PV + \beta_2CC + \beta_3RQ + \beta_4FDI + \beta_5INT + \mu \quad (2)$$

Apriori Expectation

A priori expectation is referred to as the expected link between the explained variables and the explanatory variable. This discusses the theoretical relationship between the parameters of the provided functions' signs and magnitudes. The model's parameter estimate determines the statistical significance of the value. These expected signs are then utilized to draw the necessary conclusions about the explanatory variables in relation to the model's dependent variable. Thus, it is expected theoretically that $\beta_1, \beta_2, \text{ and } \beta_3 < 0$, $\beta_4 > 0$, while $\beta_5 \lessgtr 0$ in model one.

Method of Data Analysis

To achieve the purpose and objective of this research work, this study employs an appropriate econometric method. However, this study divided its empirical and estimation techniques into three categories: preliminary analysis, model estimation, and diagnostic test or post-estimation test.

Preliminary Analysis

The preliminary analysis will be carried out to demonstrate the features or intrinsic behaviours of the variables described above in order to investigate the impact of political instability on macroeconomic objectives in Nigeria, which will further determine the model estimation technique to be employed. The preliminary analysis is sub-divided into: (i) Trend analysis, which is a technique that allows us to capture the trend of time series variables across time, which aids in the evaluation of variable movements and changes over time. (ii) Descriptive analysis, which aids in capturing the series' fundamental statistical behaviour. Some of the parameters are mean, median, mode, minimum, maximum, Jarque-Bera, kurtosis, skewness, and standard deviation. (iii) Correlation analysis, which determines the strength of the relationship between two or more variables, which can be positive or negative. The correlation coefficient(r) will be employed to measure the degree of co-variability. However, the value of the correlation coefficient (r) is assumed to vary from -1 to +1.

Unit Root Test

The unit root test is an econometric criterion which measures the level of Stationarity of the variables under consideration. The unit root test is a preliminary test that is used to determine whether or not a time series variable is non-stationary and has a unit root. It is thus regarded as the first step in conducting an appropriate analysis which further determines the model estimation technique to be employed. Depending on the test, the null hypothesis is the presence of a unit root while the alternative hypothesis is either Stationarity or trend Stationarity. Time series data can either be stationary or non-stationary. Non-stationary time series data are unpredictable and cannot be modelled or forecasted in general, whereas the stationary process, in contrast to the non-stationary process, which has a variable variance and a mean that does not remain close to, or return to, a long-run mean over time, reverts around a constant long-term mean and has a constant variance regardless of time (Jordanova, 2019). The results acquired using non-stationary time series could be fictitious, implying a relationship between two variables where none exists. Non-stationary data must be turned into stationary data in order to obtain consistent, trustworthy findings. However, time series analysis must be stationary in order to produce predictable and stable economic policies and suggestions, as well as forecasts for the future. Two important statistics are used to evaluate the unit root test for this study namely; Phillip Perron (PP) test and the Augmented Dickey-Fuller (ADF) test. To determine the position of Stationarity using ADF and PP test, if the absolute value of the ADF or PP test statistic is greater than the critical value at the 1%, 5%, or 10% alpha level of significance, then the variables are stationary either at the level $I(0)$, at the first difference $I(1)$ or second difference $I(2)$. The unit root test was conducted with intercept specification case and Schwartz Information Criterion (SIC) automatic lag selection for the ADF test, while the PP test was conducted with Bartlett Kernel spectral estimation method and Newey-West Bandwidth using Eviews.

Co-integration Test

Engle and Granger (1987) established the co-integration test, which is an econometric technique for testing correlation between non-stationary temporal variables. If two series follow the same trend at the same time, they are said to be co-integrated. Over time, an

econometric system's convergence to the existence of a long-run equilibrium relationship is referred to as co-integration. Co-integration tests are meant to ascertain the existence of co-integration between the dependent and independent variables. Co-integration tests detect situations in which two or more non-stationary time series are integrated in such a way that they cannot diverge from equilibrium over time. The Johansen Method of Testing Co-integration would be employed to test the co-integration between the variables.

Estimation Technique

This study adopts the ARDL-ECM bounds-test cointegration procedure to estimate the short-run and long run relationship among the variables under consideration. Pesaran et al. (2001) proposed an Autoregressive Distributed Lag (ARDL) bounds testing approach to investigate the existence of a cointegration relationship among variables.

Post Estimation Test

This study considered four primary tests for the post estimation (diagnostic) test. These include the Jacque-Berra test, which is used to check whether the residuals have the normal distribution property; the Ramsey Reset or Linearity test, which is used to check for the validity of the model specification as well as the linearity assumption; the Durbin-Watson test to check for the presence of serial correlation; the Auto-Regressive Conditional Heteroscedasticity-Lagragian Multiplier (ARCH-LM) test to ascertain whether the error term (u) in the regression model has a common or constant variance; and lastly, the Standard Cholesky for stability test.

Variable Measurement

In measuring variables employed in this study, economic performance(GDP) is measured by the real gross domestic product (GDP) performance rate, and inflation rate (INF) which are the dependent variables for model one, two and three respectively. The explanatory variables on the other hand are measured as follow; The approach of how the governments are chosen, observed and substituted; measured by Political Stability and Absence of Violence/Terrorism (PV); The government ability to address and applied relevant policies measured by Regulatory Quality (RQ); The degree of the respect of the country and their societies for the organizations that responsible for economic and social activitie measured by Control of Corruption (CC); foreign direct investment (FDI) measured by the net capital inflow; and the real interest rate (INT).

Sources of Data

This research work obtained a time-series data covering the period (1996-2021) and the source of the data is from the World Bank tables 2022 edition.

RESULTS AND DISCUSSION

This section thoroughly investigates the analysis of the impact of public sector instability (proxied by political stability and absence of violence, control of corruption and regulatory quality) on macroeconomic objectives (proxied by gross domestic product and inflation) in Nigeria. Meanwhile, foreign direct investment, and interest rate were incorporated as control variables to ensure the reliability, robustness, and stability of the model. Consequently, this section explores the descriptive analysis, correlation analysis, unit root test of Stationarity, F-bound cointegration test for the existence of long-run relationship, optimal lag length, autoregressive distributed lag model, and other diagnostic tests.

Descriptive Analysis

Descriptive analysis is a statistical analysis used to ascertaining the statistical behaviour of variables employed in this study. It comprises mean, median, maximum, minimum, standard deviation, skewness, kurtosis, Jarque-Bera, probability, sum, sum square deviation, and the total number of observations of each of the variables involved in this study.

Table 1: Summary of Descriptive Statistics

Variable	GDP	INF	PV	CC	RQ	INT	FDI
Mean	5.039130	12.63313	-1.808226	-1.160364	-0.904166	5.600000	1.395411
Median	5.300000	12.21800	-1.920183	-1.126394	-0.894972	5.800000	1.380374
Maximum	15.30000	29.26800	-0.588244	-0.900949	-0.681769	18.20000	2.900249
Minimum	-1.800000	5.388000	-2.211123	-1.502068	-1.292818	-5.300000	0.183822
Std. Dev.	3.696772	4.840896	0.367658	0.142802	0.158315	5.723238	0.792940
Skewness	0.429363	1.632243	1.962425	-0.747742	-0.942553	0.052918	0.341048
Kurtosis	4.150264	7.174615	6.796502	3.099193	3.521459	2.640853	1.971001
Jarque-Bera	1.974663	26.91410	28.57547	2.152716	3.666146	0.134346	1.460588
Probability	0.372570	0.000001	0.000001	0.340835	0.159921	0.935033	0.481767
Sum	115.9000	290.5620	-41.58920	-26.68837	-20.79582	128.8000	32.09445
Sum Sq. Dev.	300.6548	515.5541	2.973799	0.448635	0.551403	720.6200	13.83259
Observations	23	23	23	23	23	23	23

Source: Authors Computation, 2023

From Table 1 above, the descriptive statistics revealed that from 1996 to 2022, gross domestic product (GDP), inflation rate (INF), interest rate (INT), and foreign direct investment (FDI) all show an approximate positive mean value of 5.04, 12.63, 5.60, and 1.40 respectively while political stability and absence of violence (PV), control of corruption (CC) and regulatory quality (RQ) show an approximately negative mean value of -1.81, -1.16 and -0.90 respectively. The maximum values of the variables are approximately 15.30, 29.27, -0.59, -0.90, -0.68, 18.20, and 2.90 respectively; with their minimum values approximately ranging from -1.80, 5.39, -2.21, -1.50, -1.29, -5.30 and 0.18 correspondingly. The standard deviation showed that the highest standard deviation of (5.723238) was recorded by INT, while the least standard deviation of (0.142802) was recorded by CC. The Skewness statistic from the table revealed that GDP, INF, PV, INT and FDI are positively skewed, while CC, and RQ are negatively skewed. The kurtosis coefficients showed that INT and FDI are platykurtic as the value is less than 3.000000 which indicate that the tails of the variable is very thin compared to the normal distribution, while GDP, INF, PV, CC, and RQ are leptokurtic as their values are greater than 3.000000 which indicates that the tail is fatter than the normal distribution. Finally, the probability of the Jarque-Bera statistic revealed that only INF and PV is above the 5% significance level while GDP, CC, RQ, INT and FDI were below the 5% significance level.

Correlation Analysis

Correlation analysis measures the degree of association that exist between two or more variables. Consequently, this study examines the degree of association that exist between dependent variables (GDP and INF) and independent variables (PV, CC, RQ, INT and FDI) for the two models using correlation matrix which is presented in Table 2 below.

Table 2: Summary of Correlation Statistics

Variable	GDP	PV	CC	RQ	FDI	INT
GDP	1.000000	-0.029582	-0.572940	-0.217543	0.630683	-0.106195
PV	-0.029582	1.000000	-0.274258	-0.329874	-0.109279	-0.193003
CC	-0.572940	-0.274258	1.000000	0.553802	-0.108311	0.234206
RQ	-0.217543	-0.329874	0.553802	1.000000	0.122566	0.288300
FDI	0.630683	-0.109279	-0.108311	0.122566	1.000000	-0.053874
INT	-0.106195	-0.193003	0.234206	0.288300	-0.053874	1.000000

Source: Authors Computation, 2023

The correlation result in Table 2 for model one above indicates that the independent variables PV, CC, RQ and INT exert low degrees of negative correlations of approximately -2%, -57%, -22%, and -11% with GDP respectively, while FDI exhibit low degree of positive correlation of approximately -63% with GDP. The result also indicated that due to low degree of correlations, there is absence of multicollinearity among the variables under consideration.

Unit Root Test of Stationarity

Economic variables are generally non stationary and random in nature as a result of linear combinations of variables closely associated with economic theory. In order to assess the time series properties of variables employed in this study, the unit root test was employed using augmented dickey fuller (ADF) and Philip Perron (PP) test statistic. To achieve the second objective of this study which focuses on the assessment of the impact of foreign direct investment on financial deepening in Nigeria, it is assumed that all variables must be stationary at level I(0) and at first difference I(1) to be able to employ autoregressive distributed lag (ARDL) model.

Table 3. Summary of ADF and Test Summary of PP test

Variable	Level	First Diff.	Order of Integration	Level	First Diff.	Order of Integration
GDP	-2.573906 (0.1115)	-6.761988** (0.0000)	I(1)	-2.592689 (0.1077)	-6.832700** (0.0000)	I(1)
INF	-6.375484** (0.0000)	_____	I(0)	-6.125502** (0.0000)	_____	I(0)
PV	-2.646499 (0.1016)	-4.446254** (0.0033)	I(1)	-2.546275 (0.1210)	-5.647996** (0.0003)	I(1)
CC	-2.741608 (0.0856)	-4.044622** (0.0068)	I(1)	-2.741608 (0.0856)	-4.044197** (0.0068)	I(1)
RQ	-2.310066 (0.1789)	-5.657296** (0.0003)	I(1)	-2.221229 (0.2057)	-5.657296** (0.0003)	I(1)
INT	-5.368560** (0.0002)	_____	I(0)	-5.313110** (0.0002)	_____	I(0)
FDI	-1.103314 (0.6973)	-7.562516** (0.0000)	I(1)	-1.661848 (0.4375)	-7.682383** (0.0000)	I(1)

Test critical values: 1% level **-3.724070**
 5% level **-2.986225**
 10% level **-2.632604**

*MacKinnon (1996) one-sided p-values.

Source: Authors Computation, 2023

From Table 3 above, it can be deduced that GDP, PV, CC, RQ and FDI are non-stationary at level I(0) for both ADF and PP test using the case of constant intercept, as their respective critical values are less than 5% MacKinnon critical value. However, after the difference of the variables were taken, they were found to be stationary at first difference I(1) for both ADF and PP tests with p-values less than 5% significant level. Notably, INF and INT were found to be stationary at level I(0). Consequently, Autoregressive distributed lag (ARDL) model can be employed for the analysis of the effect of political instability on macroeconomic objectives in Nigeria.

Cointegration Test

When a linear combination of variables are stationary at I(0) and I(1) series, then the variables may need to be cointegrated. This means that a long-run relationship may exist among them, which connotes that they may wander from one another in the short run, but in the long run they will move together. To establish whether long-run relationship exists among the variables or not, cointegration test is conducted by employing F-bounds cointegration test developed by Pesaran, Shin, and Smith (2010).

Table 4: F-Bounds Cointegration Test

ARDL Bounds Test		
Null Hypothesis: No long-run relationships exist		
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68
Test Statistic	Value	K
F-statistic	3.547464	5

Source: Authors Computation, 2023

The result of the analysis in Table 4 for model one indicates that the calculated F-statistic (**3.547464**) is greater than the upper bound critical value of 3.35 at significance level of 10%. It can also be deduced that the F-statistic is greater than lower critical bound at 10%, 5%, 2.5%, and 1% accordingly. Based on this result, it can be concluded that there is evidence of a long-run relationship among the variables incorporated in the model. Having established co-integration relationship, it is pertinent to estimate the ARDL model to assess both the long-run and the short-run impact of public sector instability on macroeconomic performance in Nigeria.

Table 5: Summary of ARDL

Dependent Variable: GDP				
Selected Model: ARDL(1, 1, 0, 1, 0, 1)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	-0.228249	0.253964	-0.898746	0.3922
PV	-2.167526	7.820559	-0.277157	0.7879
PV(-1)	-9.666465	5.869860	-1.646796	0.1340
CC	-12.77529	5.554999	-2.299783	0.0470
FDI	0.625674	1.675031	0.373530	0.7174
FDI(-1)	3.776912	1.825343	2.069152	0.0685
INT	0.094631	0.108444	0.872632	0.4055

RQ	0.285859	6.260985	0.045657	0.9646
RQ(-1)	-11.19184	6.292361	-1.778639	0.1090
C	-48.37225	24.26711	-1.993325	0.0774
R-squared	0.817418	Mean dependent var		4.673684
Adjusted R-squared	0.634837	S.D. dependent var		3.216078
S.E. of regression	1.943436	Akaike info criterion		4.472209
Sum squared resid	33.99248	Schwarz criterion		4.969282
Log likelihood	-32.48599	Hannan-Quinn criter.		4.556334
F-statistic	4.477001	Durbin-Watson stat		2.230379
Prob(F-statistic)	0.017934			

Source: Authors Computation, 2023

In line with the Durbin-Watson stat for the model of approximately 2.23 which tends to be greater than the value of R-squared of approximately 0.81, the model is said to be free from spurious regression and serial correlation problem. Furthermore, with the p-value of F-statistic (0.017934), the model is said to be jointly significance. With regards to the R-squared of approximately 0.81, it implies that the changes in explanatory variables in the model explained about 81% of the changes in dependent variable. Consequently, the estimated long-run and short-run result for the model is presented in Table 6 below.

Table 6: Summary of Long-run model

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PV	-9.634844	7.076048	-1.361614	0.2064
CC	-10.401220	3.543110	-2.935618	0.0166
FDI	3.584440	0.617586	5.803956	0.0003
INT	0.077046	0.085894	0.896985	0.3931
RQ	-8.879286	5.957159	-1.490524	0.1703
C	-39.383079	19.046590	-2.067723	0.0686

Source: Authors Computation, 2023

From Table 6 above, for model one, it can be seen that the political stability and absence of violence (PV) exert negative but insignificant effect on gross domestic product performance rate (GDP) in Nigeria along the long run horizon. With a coefficient of approximately -9.63 unit and a p-value of 0.2064, the result implies that a unit increase in the index of political stability and absence of violence would bring about 9.63% unit decline in gross domestic product and vice versa. This result is conformed to the study of Akinlo, Arowolo & Zubair (2022) who also found a negative relationship between political instability and economic performance in Nigeria.

Furthermore, it can also be deduced from Table 6 that the control of corruption (CC) also exert a negative and significant effect on economic performance (GDP) in Nigeria along the long run horizon. With a coefficient of approximately -10.40 unit and a p-value of 0.0166, the result implies that a unit increase in control of corruption would bring about -10.40 unit contraction in economic performance and vice versa in the long run. This result is in agreement with the study of Akinlo, Arowolo & Zubair (2022) in Nigeria.

Conversely, it can also be seen from table 6 above that the foreign direct investment (FDI) exhibit positive and significant effect on economic performance (GDP) in Nigeria along the long-run horizon. With a coefficient of approximately 3.58 unit and a p-value of 0.0003, the result indicates that a unit increase in the foreign direct investment would bring about 3.58%

expansion in economic performance and vice versa in the long run. This result is in line with the study of Abubakar & Afolabi (2017) who also found a positive impact of foreign direct investment on economic performance in Nigeria.

Additionally, it can also be seen from Table 6 that the regulatory quality (RQ) exhibit negative but insignificant effect on economic performance (GDP) in Nigeria along the long run horizon. With a coefficient of approximately -8.88 unit and a p-value of 0.1703, the result implies that a unit increase in the regulatory quality would bring about -8.88% decline in economic performance and vice versa. This result is in agreement with the economic theory which posited an inverse relationship between public sector instability and economic performance.

Post Estimation Test

As far as this study is concerned, post estimation test is carried out to assess if the model suffer from serial correlation, Heteroskedasticity and normality. The autocorrelation test was performed with Breusch-Godfrey serial correlation LM test, Heteroskedasticity test was performed with Breusch-Pagan-Godfrey Heteroskedasticity test, the normality test employed Jarque Bera test.

Table 7: Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.610002	Prob. F(1,8)	0.4573
Obs*R-squared	1.346114	Prob. Chi-Square(1)	0.2460

Source: Authors Computation, 2023

Table 7 reveals that with F-stat probability of 0.4573, and 0.3601, and Chi-square probability of 0.2460 and 0.1303 for model one and model two respectively, the null hypothesis of no serial correlation cannot be rejected. Consequently, the models are said to be free from serial correlation problem.

Table 8: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.286412	Prob. F(9,9)	0.3568
Obs*R-squared	10.69004	Prob. Chi-Square(9)	0.2976
Scaled explained SS	0.937189	Prob. Chi-Square(9)	0.9996

Source: Authors Computation, 2023

Table 8 reveals that with F-stat probability of 0.3568 for model one, and 0.5304 and Chi-square probabilities of 0.2976 and 0.9996 for model one, and Chi-square probabilities of 0.4069 and 0.9957 for model two. Therefore, the null hypothesis which assumes the model to be Homoscedastic cannot be rejected. Consequently, the two models are said to be free from Heteroskedasticity problem.

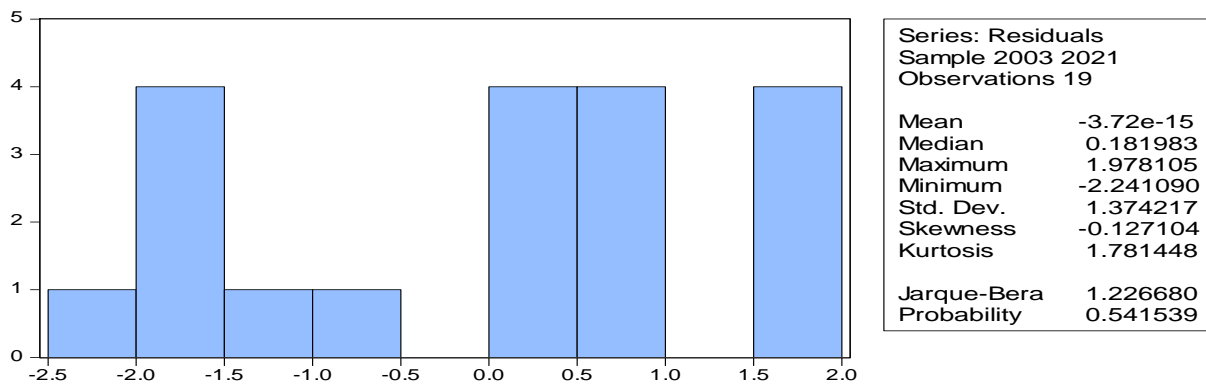


Figure 1: Normality Test

Figure 1 reveals that with a Jarque-Bera statistic approximately to 1.23 and probability value of 0.541539 the residuals are said to be normally distributed at 1% significant level.

CONCLUSION

With regards to the objective of this study, The unit root test revealed that the GDP, PV, CC, RQ and FDI are non-stationary at level I(0) for both ADF and PP test using the case of constant intercept, as their respective critical values are less than five percent MacKinnon critical value. However, after the difference of the variables were taken, they were found to be stationary at first difference I(1) for both ADF and PP tests with p-values less than five percent significant level. Notably, INF and INT were found to be stationary at level I(0). This study employs manual selection of lags due to the large negative values of the variables and the model select lag 1 as the maximum lag length.

In accordance with the long run analysis, political stability and absence of violence exert negative but insignificant effect on gross domestic product performance rate in Nigeria along the long run horizon. Furthermore, the control of corruption also exert a negative and significant effect on economic performance in Nigeria along the long run horizon. Conversely, the foreign direct investment exhibit positive and significant effect on economic performance in Nigeria along the long-run horizon. Additionally, the regulatory quality exhibit negative but insignificant effect on economic performance in Nigeria along the long run horizon.

In line with the short run analysis, the political stability and absence of violence, and control of corruption, exert negative effect on economic performance in the long run horizon in Nigeria alongside the short run horizon. Meanwhile, only control of corruption was found to be significant and five percent. Conversely, the regulatory quality exert positive and insignificant effect on economic performance in Nigeria.

POLICY RECOMMENDATIONS

From the above conclusion, it is recommended that the Nigerian government should prioritize the followings:

1. In line with negative and significant effect of control of corruption on economic performance in Nigeria. The Nigeria government should implement robust and transparent anti-corruption measures such as strengthening institutions, promoting accountability, and fostering a culture of transparency and integrity, which will mitigate the negative impact of corruption on the economy. And consequently lead to improved investor confidence, increased business opportunities, and a more conducive environment for economic performance and development
2. Considering the positive and significant impact of political stability and absence of violence, the Nigeria government should prioritize and maintain a stable political

environment in order to promote consistency in policy making in order to manage inflationary pressures.

3. Given the positive and significant impact of regulatory quality on inflation rate, the Nigeria government should focus on strategies that will enhance regulatory efficiency and effectiveness in order to promote a conducive business environment, stimulate investment, and reduce uncertainties that could contribute to inflationary pressures in Nigeria.

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