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Connectedness of Government Effectiveness and Poverty Reduction in Nigeria

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Abstract
This study explored the connection between government effectiveness and poverty reduction in Nigeria, using time series data spanning from 1981 to 2023. The study employed the ADF structural breakpoint unit root, Granger causality, AutoRegressive Distributed Lag (ARDL) and diagnostic models. It was realized from the ARDL output that EDI had an insignificant positive relationship with POVr in Nigeria, in the short-term model. Contrarily, it demonstrated a significant positive in the long-term model of this study. On the other hand, CCI exhibited an insignificant negative relationship with POVr in Nigeria, in the short-term and long-term models of this study respectively within the period under study. In addition, FCASP was observed to have exhibited an insignificant positive relationship with POVr in Nigeria, in the short-term. Contrarily, it also showed a significant positive in the long-term model of this study. Finally, FRESP had a significant negative relationship with POVr in Nigeria, in the short run. Conversely, it exhibited an insignificant positive in the long run model of this study. Granger causality test result indicated that EDI and CCI, because their p-values in Table 4.7 were significant and leading to the conclusion that government effectiveness exhibits a significant one-directional causal relationship (EDI→POVr and CCI→POVr) with poverty level (measured by final consumption expenditure of households) in Nigeria. Sequel to the findings, it was suggested that there is a dire need for effective monitoring and evaluation of the various capital and recurrent income channels to the Nigerian populations including social amenities, social transfers, remunerations, other social benefits, etc., so as to ensure that the vulnerable ones (especially the less privileged ones) should through these means enjoy the dividends of democracy and good governance in the country.

Keywords: Government Effectiveness, Electoral Democracy Index, Control of Corruption Index, Federal Government Capital Spending, Federal Government Recurrent Spending, Poverty Reduction, ARDL

1. Introduction

The nexus between government competency, economic expansion and disparity in any economy, predominantly in the Less Developing Countries (LDCs) and promising market economies has remained an interminable vital subject of debate amongst scholars, analysts, etc (Okulegu, 2013 as quoted in Egbogu, 2025 [11]). One of the policy thrusts of every rational and people-oriented government is the achievement of economic improvement via a robust commodity affordability and unemployment diminution. The governments across the globe have at its neck the burden of ensuring the welfare of the subjects (citizens). The attainment of a sustainable growth in an economy embodies the interactions of numerous macroeconomic variables. Various schools of economic thought have argued differently but in a sticky opinion as to the factors or key players for the achievement of full employment. Accordingly, the Say's law argues that the achievement of full employment in an economy remains the dual interactive effects of demand and supply. In a bid to foster sustainable development, vis-à-vis decline in poverty level, the Keynesian school of thought attributes a pertinent role to the government via a robust intervention approach (Keynes, 1936). This, the government can do via a robust fiscal policy framework (and particularly judicious government spending, transparency, accountability, uphold of rule of law, etc).

Regrettably, available statistics indicate that the country's Human Development Index (HDI) has remained so low between 2003 and 2022; signaling an underdevelopment in the economic history of Nigeria.

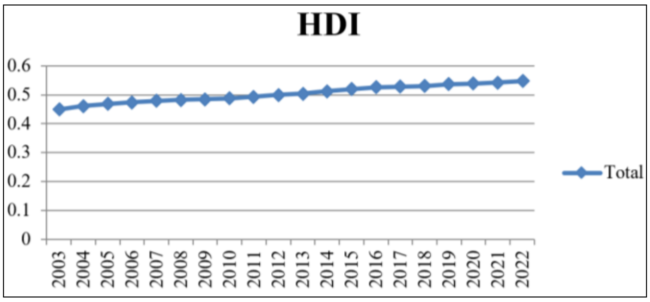

Fig 1.1: The trend of the Human Development Index in Nigeria from 2003 to 2022

Fig 1.1 above is the movement of the Human Development Index (HDI) between 2003 and 2022. From the above indication, the country's HDI had been below (a low HDI of <0.5 between 2003 and 2015, and a median HDI of <0.6 between 2016 and 2022), the World Bank's benchmark of 1. However, it is belittling to still observe that the majority of Nigerians are still wallowing in abject poverty amidst hyperinflationary pressures, despite various impressive growth enhancing and pro-poor growth policy initiatives advocated or pursued both in the past and presently. Sequel to the above rhetoric, this study probes into the Nigerian government's efficiency in fostering meaningful economic expansion in the country, particularly with reference to poverty alleviation amongst the populace.

Poverty reduction has been a major concern for policymakers and researchers globally, particularly in developing countries like Nigeria (World Bank, 2020) [46]. Nigeria, with a population of over 200 million people, has been struggling with high levels of poverty, with approximately 40% of the population living below the poverty line of $1/day (National Bureau of Statistics, 2020) [33].

Government effectiveness plays a crucial role in poverty reduction, as it determines the quality of public services, policy implementation, and overall governance (Kaufmann *et al*., 2010) [25]. Effective governance can lead to improved economic outcomes, increased access to education and healthcare, and reduced poverty (Acemoglu & Robinson, 2012) [3].

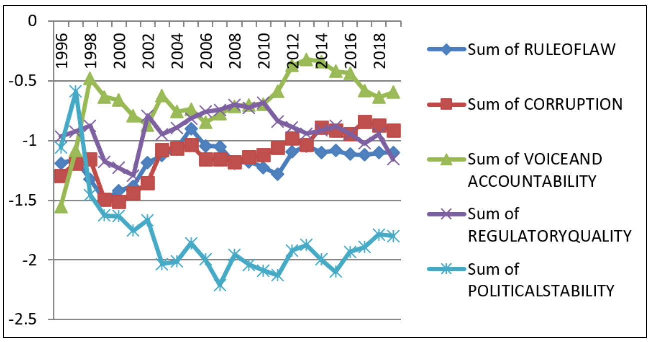

Fig 1.3: A single line graph indicating the interactive effects of the various measures of government effectiveness in Nigeria from 1996 to 2023

Fig 1.3 above reveals that true democracy predicated on or championed by voice and accountability was only witnessed between 2012 and early 2025. However, Nigeria's governance system has been characterized by unabated corruption, inefficiency, political instability, bureaucracy, and lack of accountability, etc., which have hindered the effective implementation of poverty reduction programs (Transparency International, 2020).

In the words of Egbogu (2025) [11], the Nigerian government has implemented various poverty reduction strategies and programs over the years, including the National Poverty Eradication Programme (NAPEP, 2001), National Economic Empowerment and Development Strategies (NEEDS, 2004), Millennium Development Goals (MDGs) (UNDP, 2000), Vision 20:2020 (NPC, 2009), National Industrial Revolution Plan (NIRP) (FGN, 2014), Social Investment Programmes (SIPs) such as the Conditional Cash Transfer (CCT) program (FGN, 2016) [20], Economic Recovery and Growth Plan (ERGP) (FGN, 2017), National Social Safety Nets Project (NSSNP) (World Bank, 2020) [46]. However, despite these efforts, poverty remains a persistent challenge in the country.

Interestingly, as a differential departure from the plethora of extant literatures, the researcher argues that there are yet more works to be done on demystifying the effect of government effectiveness with government social spending on poverty reduction in Nigeria. Hence, this study lodges a critical appraisal on the association between government social outlay and inequality gap in Nigeria with special attention to the government effectiveness in engendering poverty alleviation in Nigeria using definitive and globally applicable measures such as World-Wide Governance Indicator (WGI) captured in this study by rule of law, accountability, corruption control, regulatory quality, political stability, etc., as prescribed or approved by the World Bank.

Notably, recurrent spending alone was pegged at ₦7.72trillion whereas capital expenditure remained so low at ₦9.92trillion in the 2024 national budget of "Renewed Hope". The gap between these amounts is a pointer to the fact that Nigerian economy compromises production to consumption. This has led to economic wastages through various nomenclatures as Tradermoni, Conditional Cash Transfers, etc. The resultant of these none productive wastages is the widening gap in poverty rates.

The study has the following objectives: i. to evaluate the impact of government effectiveness on poverty reduction in Nigeria. ii. to determine the direction of causality relationship between government effectiveness and poverty reduction in Nigeria.

This paper is organized as follows: chapter describes the introduction, chapter two deals with literature review, chapter three is concerned with the methodology, chapter four treats the results and discussion while chapter five deals with the summary, conclusion and recommendations.

1. Government effectiveness

The concept "government effectiveness" means the ability or competence of a government to devise and execute policies and programs to achieve their intended goals (Kaufmann, Kraay & Mastruzzi, 2020) [26]. Government effectiveness encompasses the following: the capacity to develop and execute effective policies—policy formulation (World Bank, 2022), the eminence and ease of access to public services, such as healthcare and education—public service delivery (UNDP, 2022), the capacity to set up and implement efficient regulations—regulatory quality (OECD, 2022), the degree to which the legal system is just, unbiased, and efficient—rule of law (World Justice Project, 2022), the capability to prevent and combat corruption—corruption control (Transparency International, 2022). Certain measures of government effectiveness include but not limited to: a composite measure of government effectiveness, covering policy formulation, public service delivery, and regulatory quality—World Bank's Worldwide Governance Indicators (WGI) (Kaufmann *et al*., 2020) [26], a gauge of well-being, covering life expectancy, education, and income —United Nations Development Programme (UNDP) Human Development Index (HDI) (UNDP, 2020), a gauge of competitiveness, covering institutions, infrastructure, and macroeconomic stability—Global Competitiveness Index (GCI) (World Economic Forum, 2022).

2. Poverty

Scarce and deteriorated human requirements that prevent the best fulfillment of basic individual desires like clothing, food, shelter, education, and health are considered to be a form of poverty. Poverty rates have increased as a result of developing nations' declining standards of living, particularly Nigeria. This downturn has been connected to the slowdown in developing nations' economic growth.

Benson and Emmanuel (2023) posit that poverty emerges a universal viewpoint and it affects various people in diverse districts, landmasses and nations in different ways. While no nation or county is protected against scarcity, the degree differs from one economy to the other (Binuyo, 2014). The world's deficiency tempo has been declining, with the exception of a few Sub-Saharan African nations, like Nigeria.

There are two aspects to poverty. The first is *moneylessness*, which denotes a lack of resources and money to meet fundamental human requirements. It also suggests helplessness. That is, those who lack options and opportunity. Inadequate and deteriorated human conditions that impede the best fulfillment of fundamental individual desires such as clothing, food, shelter, education, and health are another definition of poverty. The reduction in the level of life in the emerging economies, Nigeria inclusive, has bred an elevation in the prevalence of poverty. This downturn has been connected to the slowdown in developing nations' economic progress.

According to Obiechina (2020), poverty is defined broadly and is perceived differently by different authors, presenting a distinct paradigm. According to Aboyade (1975), poverty is like an elephant and is easier to recognize than to characterize. In his work on poverty, Ajakaiye (1998) makes reference to Aboyade (1975) and observes that a conventional understanding of poverty remains elusive because of its multidimensional character and dynamic features.

Empirical Review

Musa, Charles and Audu (2024) [32] explored the efficiency of fiscal policy in fostering poverty diminution in Nigeria, while adopting the secondary data spanning from1981 through 2022. The study deployed the AutoRegressive Distributive Lag (ARDL) Model. It was disclosed that government capital spending, recurrent government spending and aggregate oil tax revenue negatively impacted poverty alleviation in Nigeria. Sequel to the above, the study proffered that that the management should contain revenue yielding channels including grants, royalties, return on government investments, licensing fees, etc., which can help in lessening scarcity prevalence when they are efficiently ploughed back in the economy.

Abdulrahman, Akanbi & Oniyide (2023) [2] evaluated the impact of monetary policy on poverty reduction in Nigeria from 1985 to 2019. The study used Error Correction Model (ECM) technique for the estimation, and the results show that there exists a strong link between monetary policy and poverty reduction. The findings also reveal that institutional quality, proxy by political and economic institutions, is among the major factors that influence poverty in Nigeria. The study concludes that monetary authority should implement low inflationary monetary policy that will not only encourage investment, raise employment opportunities and economic growth, but also improves wellbeing of the people in the country.

Nwambuko, Nnaeto & Nwobi (2023) [34] examined poverty reduction and SDGs in rural areas in Nigeria with reference to selected local government areas in Enugu State. The study adopted the descriptive survey research design and made use of both primary and secondary sources of data. The population of the study was 722,664 people of the three local government areas selected to represent Enugu State, while the sample size was 400 derived via Taro Yamani formula size determination. The cluster sampling technique was applied to select the sample from the population of the study, while the data collected were presented and analyzed using frequency percentage and chi-square (X^2) analysis. The study revealed a number of factors contributing to increasing rate of poverty in the rural areas in Nigeria - corruption, debt burden, unemployment, overdependence on oil, lack of political will, ethno-religious conflicts among others. It was suggested that the Nigerian government should address the issues of poverty reduction programs via effective implementation of poverty reduction related program/policies among others.

Bolarinwa (2023) [7] assessed the impact of formal education on poverty reduction in Nigeria by studying the relationship between government expenditure on education, school enrolment, and labour force participation for a period of 30 years. The OLS estimation technique was utilized. The findings reveal that both school enrolment and government expenditure on education significantly affect labour force participation. The study proposed improving the effectiveness of government expenditure, enhancing access to quality secondary and tertiary education, fostering collaboration between education and businesses, and emphasizing vocational and technical education aligned with the labour market's needs.

Fagemi, Osinubi & Adeosun (2022) [18] investigated the correlation between infrastructure and poverty diminution in Nigeria, while adopting the time series data spanning between 1996 and 2019. The Autoregressive Distributed Lag Bounds, Vector Error Correction mechanism and Granger causality techniques were utilized. The study employed infrastructure outlay (capital spending on commercial services) and social infrastructure outlay (such as wellbeing and schooling) as the explanatory variables. All these were assumed the infrastructure investment indicators. The results showed that infrastructure investment indicators significantly impacted poverty diminution. The causality analysis indicated that a bidirectional movement between infrastructure and poverty. It was concluded that the infrastructural provisions in developing countries, including Nigeria, is insufficient. Hence, it was recommended that bringing in and executing novel and formidable infrastructure investments are seminal to engendering poverty mitigation.

Abdulkareem, Jimoh & Shasi (2022) [1] investigated the roles poverty reduction and social inclusion as socioeconomic factors in achieving sustainable development (SD) in Nigeria from 1970 to 2019.Vector error correction model (VECM) is adopted as the analytical technique. Three groups of factors are employed when determining SD: economic (per capital gross domestic product [GDP] and the inflow of foreign direct investment [FDI]), social (life expectancy, school enrollment, poverty and the proportion of women in parliament) and environmental (CO_2 emission and natural resource endowment).The findings reveal that the economic factors (GDP per capita and the inflow of FDI to the GDP ratio) and two of the social determinants (life expectancy and school enrollment) have a positive effect on SD while the remaining two social determinants (poverty gap and the proportion of women in parliament) and the environmental determinants (CO_2 emission and natural resource endowment) have a negative influence on SD in Nigeria during the period under study.

Eke (2022) [12] evaluated the impact of monetary policies on living standards in Nigeria from 1980 to 2017. The study employed eclectic regression techniques for the analysis and the results show that monetary policy, proxy with policy rate and money supply has positive influence on unemployment rate. The author concluded that monetary policies may accentuate unemployment and poverty in Nigeria. It was provided that low policy rate and money supply could be stopped through ways and means, so as to reduce poverty in the country.

Odalonu (2022) [35] probed the extent and impact of poverty reduction strategies in Nigeria. It explored the successes that have been achieved and the challenges that have been faced in Nigeria on poverty alleviation. The study relied on secondary source of data and the elite theory was adopted to explain why poverty alleviation programs failed in Nigeria. The study identified some of the reasons for the failure of the previous poverty reduction measures, programs and strategies as thus: absence of good governance, inconsistency in policies and programs, poor design and implementation, poor targeting of recipients, poor human capital development, corruption, inadequate funding, among others. The study suggested that new poverty reduction strategies for Nigeria should be anchored on collaborative governance, productive job creation, empowerment scheme, consistency and commitment for effective implementation, infrastructural development, adequate funding of poverty programs, bottom-up approach, equitable distribution of resources and provision of micro credit schemes by the government.

Megbowon, Aderoju and Gbenga (2021) [31] empirically studied the correlation amid government expenditure and poverty diminution in Nigeria with special focus on federal and state governments' spending between 1981 and 2018. Autoregressive distributed lag (ARDL) model was utilized. It was gathered that there is the need for more devolution and increase in fiscal disbursement tasks and intensification of revenue in favour of state governments.

Ali, Suryati, Yasmin and Hanny (2021) evaluated the connection among governance, public spending, trade and poverty diminution in some selected Sub-Saharan African countries between 1996 and 2019. The study used the Pool Mean Group (PMG) technique in analyzing the data. The outcome confirmed a long-run connection among public spending, governance, trade and poverty diminution in SSA. The study recommended the management of fraud, political firmness, government spending, and trade to lessen poverty by promoting or improving the Human Development Index (HDI) in the long term.

Deinne & Ajayi (2021) [9] used both probabilistic and non-probabilistic techniques to analyze household data while studying the dynamics of poverty, inequality and SD in Delta State, Nigeria. The results revealed a significant geographical variation in inequality and poverty levels, posing huge risks to SD in the State.

Igwe (2020) [24] explored the impact of major poverty reduction policies in the Niger Delta during Nigeria's democratic era (1999-2015), while adopting qualitative and historical analytical procedures. The study generated critical primary data using a questionnaire based on sample size of 2,400 households in three states (Bayelsa, Edo and Rivers) out of the nine Niger Delta states that were selected, using random sampling. The main findings of the study show that Nigeria's democracy has not significantly ameliorated poverty in the Niger Delta; and that democracy is a necessary but not sufficient condition for the reduction of poverty. The study therefore recommends a democratization that is more participatory, transparent, accountable and responsive. The poverty reduction strategies should be collaborative, multi-dimensional and cognizant of the socio-cultural and environmental features of the various regions.

Maku, Tella & Fagbohun (2020) [28] relatively assessed the impacts of fiscal and monetary policies on poverty in Nigeria from 1986 to 2018. Using the Ordinary Least Squares and Standardized or Beta Coefficient approach, it was found that the Nigerian political system plays a vital role on a large number of its citizens living in extreme poverty. In particular, monetary measures like exchange rate and interest rate are more significant in alleviating poverty far more than inflation rate while fiscal measures proxy with government recurrent expenditure plays a more vital role in alleviating poverty in Nigeria than others like government capital expenditure and government recurrent expenditure. The study recommended that in the case of monetary measures, there is a need for Government through the Central Bank of Nigeria, to shift their attention towards key monetary policy measures like interest rate and exchange rate compare to other monetary measures.

Idike, Ukeje, Ogbulu, Aloh, Obasi, Nwachukwu, Osuebi & Ejem (2020) [23] explored the effects of human capital development and poverty reduction on SDGs' achievement in Ebonyi State, Nigeria. The study employed focus group discussions and in-depth interviews to gather data for thematic analysis. The findings revealed that poverty reduction schemes implemented by the Ebonyi State Government suffer from poor targeting, methodology and sustainability which impedes theachievement of SD in the State.

Fagbemi, Oladejo and Adeosun (2020) [17] carried out a study to investigate the linkage between institutional quality and poverty in Nigeria from 1984 to 2017. Dynamic Ordinary Least Squares (DOLS), Canonical Cointegrating Regression (CCR) and Vector Error Correction Mechanism (VECM) estimation techniques were deployed. Three institutional measures including bureaucratic quality, democratic accountability, and rule of law were modelled. It was found that democratic accountability and rule of law were significant in determining the poverty level. Finally, the study concluded that poverty remains widespread in Nigeria as a result of the weakness on the part of public institutions. It was recommended that policymakers should pay extra attention to actions that have the highest power for promoting competent governance geared towards poverty diminution and advancement. The finding is biased as the study modelled an aggregated governance indicator (governance quality; GOV), but ended up reporting a disaggregated result (bureaucratic quality, democratic accountability and rule of law) on same.

Cordelia (2019) [8] demystified the part played by government sectoral outlay in fostering poverty alleviation in Nigeria using time series data spanning from 2000 to 2017. The study employed the Ordinary Least Squares (OLS) technique. It was found that government outlay on farming, building and construction, schooling and wellbeing had no substantial impact on poverty levels in Nigeria. It was advised accordingly, that government injects or channels more resources to the fundamental areas of the Nigerian economy; so as to dismantle the menace of poverty in the economy.

Tafamel (2019) [42] examined the effect of microfinance institutions on reduction of poverty as well as entrepreneurial activities in Nigeria. The study employed a survey research instrument through the administration of questionnaires to two hundred (200) micro and small-scale business enterprises in Ikpoba Okha Local Government Area of Edo State, Nigeria. The study adopted Pearson correlation, multivariate regression techniques, Heteroskedasticity diagnostic test and Ramsey RESET test for data analyses. The results showed that microfinance institution and poverty alleviation were positively and significantly related while entrepreneurial activity and poverty reduction were positively and insignificantly related. The study recommended that microfinance institutions should be given a conductive environment to operate in order to assist in developing micro and small business enterprises, thereby help mitigate the effect of poverty ravaging the Nigerian society.

Waziri, Ahmed & Zainal (2019) [45] evaluated the significant relationship between government anti-poverty intervention programs (Youth empowerment scheme and conditional cash transfer) and poverty alleviation in Niger state-Nigeria. The study employed a quantitative method using PLS path modeling to establish the statistical relationship between the two anti-poverty government intervention programs and poverty alleviation in Niger state-Nigeria. The findings revealed that both youth empowerment scheme and conditional cash transfer programs are significant to poverty alleviation and made a beneficial impact to the target beneficiaries.

Shitile & Sule (2019) [41] re-examined the efficacy of foreign aid and grants on poverty reduction in Nigeria from 1999 to 2017, using a disaggregated data for the analysis of foreign aid and grants, that is, technical cooperation grants (TCG), official development assistance (ODA) and other grants. Autoregressive Distributed Lag (ARDL) bounds testing approach. The empirical findings show that TCG and ODA have positive but insignificant impact on national poverty incidence in the short-term horizon; however, in the long-term, the effect of TCG and ODA on poverty incidence is negative. This finding suggests that the plausibility of poverty reduction policy based on external aid and grants is contestable.

3. Gap in Literature

No research work is complete in itself; that is, wanting of limitations, the present study inclusive. From the plethora of extant empirical literatures reviewed above, it is evident that virtually all the previous studies were one-dimensional (monetary or fiscal policy and poverty reduction nexus); that is, their focus was primarily on the connection between aggregate public spending and poverty mitigation or government's monetary policy and poverty. However, none of the previous studies, to the researcher's best of knowledge, had empirically (quantitatively and qualitatively simultaneously) investigated the connection between government effectiveness and poverty mitigation in Nigeria. The inability of the previous researchers to purely model the disaggregated Worldwide Governance Indicator (WGI) without bias as shown in Fagbemi, *et al* (2020) [17], including electoral democracy index and control of corruption index, as a key measure of government effectiveness leaves a question mark on the reliability of the estimations; hence, the departure of the present study.

4. Data and Methodology

The unit root test for stationarity and descriptive statistics are two of the preliminary tests that are performed on the time series variables that are used to ascertain the connection between the variables. The Autoregressive Distributed Lag Model (ARDL) is used to estimate the parameters for the selected model. Additional post-estimation tests were performed to ensure the rationality of the findings.

Both the short-term dynamics and the cointegration (long term) connection between the regress and regressors are examined using the Autoregressive Distributed Lag (ARDL) Bounds testing system. The bounds test is a better cointegration method than the Johansen techniques method. According to Pesaran, Shin, and Smith (2001) [38], the bound test is essentially calculated using Ordinary Least Squares to compute an estimated error correction version of the Autoregressive Distributed Lag (ARDL) model by Ordinary Least Squares (OLS) estimator. The hypothesis that there is no cointegration among the variables will be tested against the possibility that there is cointegration among the variables using an F-test of the joint significance of the coefficients of the lagged levels of the variables.

Either way, the F-test has a nonstandard distribution for the variables: 1(0) or 1(1). Two sets of adjusted critical values—the lower and upper bounds—are presented by Pesaran, Shin, and Smith (2001) [38]. Whereas the other set assumes that all variables are 1(1), the first set assumes that all variables are 1(0). The illogical hypothesis of no cointegration would be rejected if the calculated F-statistic is greater than the upper bound critical value. However, if it falls below the lower bound, then the null would not be rejected. Finally, if it falls between the lower and upper bound, then the result would be uncertain. The equation for the ARDL bounds test model is specified as follows:

$$\Delta HFCE_t = \alpha_0 + \sum_{i=1}^{p} \alpha_1 \Delta HFCE_{t-i} + \sum_{i=1}^{p} \alpha_2 \Delta EDI_{t-i} + \sum_{i=1}^{p} \alpha_3 \Delta CCI_{t-i} + \sum_{i=1}^{p} \alpha_4 \Delta FCASP_{t-i} + \sum_{i=1}^{p} \alpha_5 \Delta FRESP_{t-i} + \beta_1 EDI_{t-1} + \beta_2 CCI_{t-1} + \beta_3 FCASP_{t-1} + \beta_4 FRESP_{t-1} + ECM_{t-1} + \mu_t$$

5. Results and Discussion

Test of Hypotheses

Regression analyses

Short-term and long-term direct relationships

Short-term and long-term direct relationships

Autoregressive Distributed LAG (ARDL) Model Estimates							
Short-run				Long-run			
Variables	Coef	SE	T-stats	Variables	Coef	SE	T-stats
EDI	*1,319.46*	*1,625.75*	*0.08*	***EDI***	*41,581.1*	*8,389 2.61*	*2.26****
CCI	*-1,062.33*	*1,655.36*	*-0.64*	***CCI***	*-2,410.20*	*3,654.23*	*-0.65*
FCASP	*4.54*	*2.65*	*1.09*	***FCASP***	*24.03*	*12.00*	*2.75****
FRESP	*-6.66*	*2.11*	*-3.14****	***FRESP***	*1.24*	*2.75*	*0.45*
C	*659.37*						
CointEq(-1)	*-0.44*						

Source: Author's computation using EViews 13.0

The suppositions detailed previously in this study stood tested using the combinations of ARDL and Granger causality models or econometric techniques. In reaching a conclusion, the following procedures were heeded; A. the test results were presented and analyzed and, B. the suppositions were reaffirmed in null and alternate forms, C. the decision rule involving the rejection or acceptance of the null hypothesis based on the decision criterion of the techniques of analysis was made.

The outcome of the examination is the focus of discussion in accordance with the research objectives and in response to the research questions.

Objective One: To evaluate the impact of government effectiveness on poverty reduction in Nigeria.

In consonance with this objective and using the ARDL model to test the hypothesis, the findings revealed that EDI exerts a substantial long-term positive influence on poverty rate (measured by final consumption expenditure of households) in Nigeria over the period under study. By implication, this result suggests that for any change (that is, increase as indicated in the ARDL model); the majority of the Nigerian households in the economy would be left with less liquid resources to spend on consumption as well as low purchasing ability; that is, for the procurement of goods and services. Hence, the dividend of democracy in terms of equitable distribution of resources has been compromised as only the few can afford the luxury of life in the Nigerian economy currently. The typical policy implication of this result is that only a few Nigerians get well enough for the daily upkeep and for the continuation of their various economic activities.

On the contrary, the result of the ARDL also indicated a negative influence of CCI on POVr, meaning that control of corruption index invariably triggers an upward movement in the disposable incomes as well the consumption expenditures of households. Positively, increasing the control of corruption index in the economy steps up the infrastructural development initiatives, increasing human capital development index, fostering social cohesion as well as economic growth; and all these are geared towards engendering households' self-sufficiency. Put differently, following the negative and insignificant impact of CCI of the Nigerian government on household consumption expenditure as indicated in by the ARDL result above, it signifies that for any increase in the CCI, the disposable incomes of the households are favorably affected, and by extension, their poverty ranking declines by 23,829.09 and 2,410.20 level in the short-term and long-term correspondingly.

Objective Two: To determine the direction of causality relationship between government effectiveness and poverty reduction in Nigeria.

In accordance with this objective and using conventional Granger causality model to test the hypothesis, the discovery indicated that EDI and CCI share a significant long run one-directional causality relationship flowing from EDI→POVr and CCI→POVr, with POVr in Nigeria over the period under study. On the contrary, FCASP and FRESP shared no significant long run causality relationship with POVr. The above result, therefore, speaks volume of the forecasting potentials among EDI, CCI and POVr. From the foregoing, it suffices to say that the past values of both EDI and CCI are adequate in forecasting the future values, trends and prospects of POVr, whereas the past values of POVr is not sufficient enough to forecast the future values, trends and prospects of both EDI and CCI in Nigeria. However, the past value of FCASP and FRESP is not sufficient enough to forecast the future values, movements and prospects of POVr, and vice versa.

For the Diagnostics Test results, the BG-LM depicts the test for higher autocorrelation. The insignificant p-value of the BG-LM test shows that there was no higher autocorrelation for the chosen ARDL model. HET (BPG) entails the test for heteroscedastic residuals. The insignificant p-value of the BPG (HET) test meant that the chosen ARDL model was without heteroscedastic residuals. The Regression Equation Specification Error Test (RESET) being insignificant implies that the ARDL model was without misspecification.

The Jarque-Bera Test of normality of the residuals, which had its probability value to be greater than 0.05 indicated that the residual maintained a normal distribution; otherwise, they were normally distributed.

The CUSUM and CUSUM of Squares graphs which were helmed between two dotted red lines provides indication in courtesy of parameter firmness which showed that the CUSUM and CUSUM of Squares tests demonstrated that the models were stable as depicted in Figure 1.1 and Figure 1.2 below;

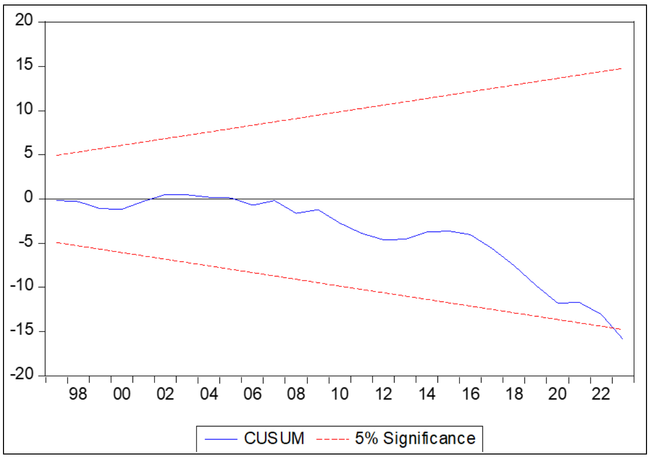

Fig 1.1: CUSUM graph

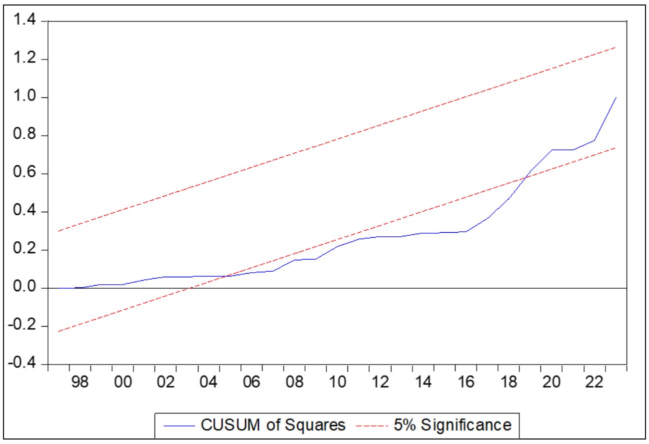

Fig 1.2: CUSUM of squares graph

In a nutshell, the models were best, linear and unbiased. This is due to the R^2 goodness test of fit. There was no higher autocorrelation, alluding the diagnostics tests, specifically the BG-LM test. The lack of heteroscedastic residuals in the outcome was demonstrated by the BPGs' insignificance.

6. Conclusions and Policy Recommendations

There is paucity of extant literature on government effectiveness and poverty mitigation in Nigeria (a disaggregated approach). Nearly all the studies reviewed concentrated on the influence of pecuniary policy (particularly public spending) on poverty alleviation in Nigeria, which ignited the stimulus for this research work.

Checking the influence of government efficiency on poverty level in Nigeria using the test for serial correlation, heteroskedasticity, stability, and adopting both the conventional causality and ARDL Bounds estimation method to test the hypotheses, some noteworthy results were obtained. The study found that government effectiveness symbolized as EDI exerted a substantial direct influence on poverty level (measured by household consumption expenditure) in the long-term in Nigeria. On the other hand, the research revealed that control of corruption index denoted as CCI had an inconsequential favourable effect on poverty level (proxied by household consumption expenditure) in the short-term and long-term in Nigeria. Finally, the research revealed that as EDI and CCI shared a significant one-directional causality relationship with POVr, FCASP and FRESP shared no significant causality relationship with POVr in Nigeria over the period of this study.

The research envisages stimulating government efficiency embedded on true democracy not only in Nigeria but across other developing and developed economies.

As evidenced by the revelations in the research, the under-listed policy recommendations are put forward:

Given the significant positive influence exerted by electoral democracy index on poverty level in Nigeria, it is imperative to suggest, therefore, that there is a dire need for effective monitoring and evaluation of the various capital and recurrent income channels to the Nigerian populations including social amenities, social transfers, remunerations, other social benefits, etc., so as to ensure that the vulnerable ones (especially the less privileged ones) should through these means enjoy the dividends of democracy and good governance in the country.

Looking at the insignificant negative influence of control of corruption index of the government on poverty level in Nigeria, judging from the results, it suffices to provide that government is yet to perform and / or discharge its core mandate of providing life-sustaining infrastructures to the reach of the vulnerable ones. It becomes important, therefore, for the Nigerian government to have a rethink and embark on immediate and speedy campaigns, and implement a corruption mitigation mandates geared towards infrastructural development of the Nigerian economy. By so doing, there would be effective multiplier-acceleration effect in the economy, as well as the effective redistribution of resources and incomes across Nigerian households.

Lastly, the Nigerian economy has been identified as a democratic entity over the decades. However, it is appalling that the modelled measure of government efficacy, world governance index, exhibited an insignificant negative short run and long run influence on poverty mitigation in Nigeria. Accordingly, the study suggests that the true definition of democracy and its tenets need be reoriented and crusaded into the enormous Nigerian populations so as to ensure a sane discharge of public office responsibilities devoid of parochialism, favouritism, tribalism and clientelism. This would help to ensure the equitable distribution of the dividends of democracy amongst Nigerians.

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