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Institutional Frameworks and Economic Growth in Nigeria

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Abstract
Understanding how institutional frameworks influence macroeconomic variables like economic growth has become imperative in modern times due to the high influence institutional stakeholders have in modern times. This study evaluated the impact of institutional framework on economic growth in Nigeria from the periods of 1987 to 2022. The study employed multivariate time-series method of autoregressive distributed lag (ARDL) approach focusing on gross domestic product (GDP) as the dependent variable, quality of governance, corruption, political stability, and per capita income. The key finding of the study shows that there is a positive relationship between political stability and economic growth in the current period, such that 1% increase in political stability for example, increases GDP by 1.46%. In other words, political stability is a positive driver of economic growth in Nigeria as espoused in the development literature of development economics scholars. On the other hand, the current value of the quality of governance (QGOVT) in Nigeria was found to negatively influence economic growth, which is against the theoretical predictions that quality of governance should positively increase GDP. The result could be explained in reference to the high disregard for rule of law and infrastructural deficit challenge in Nigeria. This paper thus, recommends the need for the improvement of quality of governance and accountability through effective and independent functioning of agencies like the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Related Offences Commission (ICPC).

Key Words: *Institutional Quality, Economic Growth, Quality of Governance, Corruption, Political Stability, Per Capita Income.*

I. INTRODUCTION

Economic growth in developing countries is greatly determined by prevailing institutional frameworks (Yakubu, Akanegbu & Jelilov, 2020). Institutional framework is the system of laws, regulations, procedures, stakeholders with their roles and norms that shape socioeconomic activity and behavior (Hanushek & Woessmann, 2020).

Understanding institutional framework and how it affects economic growth is important for a developing country like Nigeria. A nation with a population of approximately 200 million spread over an area of about 923,800sq kilometers is among the few nations in the world amply blessed with abundant human and natural resources for economic development (Nathaniel & Bekun, 2021). The existence of the rich natural endowment in the country can only translate to high economic growth rate if efficient institutional frameworks are in place (Udemba, 2020). While Nigeria has made some progress in socio-economic terms in recent years, its human capital development ranked 150 out of 157 countries in the World Bank's 2020 Human Capital Index (World Bank, 2021). The country continues to face massive developmental challenges, including the need to reduce the dependency on oil and diversify the economy, address insufficient infrastructure, build strong and effective institutions, as well as address governance issues and public financial management systems (Igeibor, 2019).

It has been observed by scholars and commentators that corruption is a major challenge to social, political, and economic development in any country. The consequences of corruption are unfavorable for the progress of any society (Igeibor, 2019). Corruption, throughout history and across societies, has become a persistent phenomenon. It is evident in all types of political systems and in various forms both in established and developing democracies. Corruption is ubiquitous. However, its effects differ from one political system to another. The devastating effects of corruption are overwhelmingly evident in the developing countries where the economic base is often weak, the political structures are fragile, and there are inadequate mechanisms for control (Dike, 2011). Transparency International (TI) in partnership with Afrobarometer conducted a survey in 28 sub-Saharan African states between March 2014 and September 2015. Over 43,000 participants (43,143) provided their views on government corruption in their countries. Many governments were poorly rated by these respondents on their efforts to stop corruption in their states. For

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example, about three out of four respondents scored their governments' anti-corruption efforts low in Nigeria, Zimbabwe, and South Africa (Transparency International, 2018).

Inequality, in terms of income and opportunities, remains high and has adversely affected poverty reduction. The lack of job opportunities is at the core of the high poverty levels, regional inequality, and social and political unrest (Ayegba, 2015). High inflation has also taken a toll on household's welfare and high prices in from 2020 to 2022 are likely to have pushed an additional 8 million Nigerians into poverty (Oyadeyi et al., 2024).

Following the pandemic induced recession in 2020, Nigeria's economic growth recovered but macroeconomic stability weakened (Ozili, 2021). Amidst global commodity shocks, a depreciating currency, trade restrictions, and monetization of the deficit, inflation is surging and pushing millions of Nigerians into poverty. Since 2021, Nigeria is also unable to benefit from the surging global oil prices, as oil production has fallen to historic lows and petrol subsidy continues to consume a larger share of the gross oil revenues (Jesuola, 2024).

In 2018, 40% of Nigerians (83 million people) lived below the poverty line, while another 25% (53 million) were vulnerable (Nwadiubu & Onwuka, 2021). With Nigeria's population growth continuing to outpace poverty reduction, the number of Nigerians living in extreme poverty is set to rise by 19.7 million between 2021 and 2029 (Yeboua, Cilliers & Le Roux, 2022). While the economy is projected to grow at an average of 4.2% in 2021-2029, the growth outlook is subject to downside risks including further declines in oil production and heightened insecurity (Yeboua, Cilliers & Le Roux, 2022). Meanwhile, continued scarcity of foreign exchange and tighter liquidity could affect the economic activity in the non-oil sector and undermine the overall macroeconomic stability. The uncertainty is also expected to be accompanied by high inflation and continued fiscal and debt pressures.

Though, over the years, the Nigerian government has attempted to solve the poor economic growth rate issues in the country, there has not been significant positive results from such policies or programmes (Gungah, Emodi, & Dioha, 2019; Chinedu, Titus, & Thaddeus, 2010). Vision 20-2020 for example, aimed at making Nigeria one of the twenty nations that is most industrialized in the world, ended without achieving significant reduction in illiteracy rate and poverty rate in the country as there are more out-of-school children in the country now than ever (Uchenna et al., 2020). This inability of the government to achieve significant improvement in the human capital development vis-à-vis economic growth has resulted to so many economic and social crises in the country (Uchenna et al., 2020).

Policy makers and academics agree that good governance is anchored on efficient institutional frameworks and that institutional frameworks matter for economic development (Adams et al., 2019). Scholars have discovered that high-quality institutions have the power, over the long run, to raise per capita incomes and promote growth in all parts of the world. And the "development dividend" paid by good governance is large (Adams et al., 2019). Researchers estimate that when governance is improved by one standard deviation, incomes rise about three-fold in the long run, and poverty rate declines by two-thirds (Adams et al., 2019). Because such a one standard deviation improvement constitutes just a fraction of the difference between the worst and best performers, it is within reach.

Beyond the policy failures, empirically, there exist few but conflicting ideas of the constituents of institutional frameworks and their impacts on economic growth in Nigeria. Ekekwe (2013) for example, suggested positive and significant relationships between government regulations and small and medium scale enterprises' (SMEs) growth, and industry requirements and growth of SMEs. Ozekhome (2017) on the other hand, revealed that democratic institutions and foreign direct investment are significant variables influencing economic growth in Nigeria. Finally, Abubakar (2020) showed that economic growth responds positively to institutional quality (contract intensive money) and is statistically significant while effective governance index exerts positive and insignificant influence on the economy. Thus, these studies lack consensus in the constituents of institutional frameworks in Nigeria and it is therefore expedient in this study to first, define holistically the constituents of institutional framework in Nigeria and there impacts on economic growth in Nigeria.

The main objective of the study is to examine institutional frameworks and economic growth in Nigeria from 1987 to 2022. The specific objectives are to evaluate the impacts of quality of governance, corruption, political stability, and regulatory quality on economic growth in Nigeria; determine the forecasting powers of the institutional frameworks on economic growth in Nigeria; and determine the relative significance of each institutional framework to economic growth in Nigeria.

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II. LITERATURE REVIEW

2.1 Conceptual Literature Review

a) Economic Growth

Economic growth is conventionally defined as a sustained increase in a country's output of goods and services, most often measured by the growth rate of real Gross Domestic Product (GDP) or GDP per capita over time (Dragoi, 2020). This definition foregrounds the quantitative expansion of an economy but does not by itself capture distributional or welfare dimensions; hence contemporary literature distinguishes between growth (aggregate output expansion) and development (broad improvements in welfare, health, education, and distribution) (Solow, 1956). Measurement choices shape empirical findings: while real GDP growth captures aggregate performance, GDP per capita adjusts for population changes, and productivity measures – particularly total factor productivity (TFP) – are used to assess the efficiency with which labour and capital are combined (Romer, 1986).

b) Institutional Framework

Institutional framework refers to the systems of formal laws, rules, and regulations as well as informal norms, traditions, and practices that influence socioeconomic activity and behaviour (Adams et al., 2019). Economists have long recognized the significance of the institutional framework (i.e., a supportive environment for development) in explaining the wealth of nations. Assane and Grammy (2003), for instance, demonstrates that the context of development – defined as legitimacy, effectiveness, and stability of the government – exerts a significant effect on the expected return and risk of private investment, innovation, and trade. Assane and Grammy (2003) further argued that both economic and non-economic forces of development must be integrated in formulating time and space specific policies, taking into consideration differences in institutions and values.

2.2 Theoretical Literature Review

a) Endogenous Growth Theory

Endogenous growth theory is an economic theory which argues that economic growth is generated from within a system as a direct result of internal processes (Jones, 2019). More specifically, the theory notes that the enhancement of a nation's human capital will lead to economic growth by means of the development of new forms of technology and efficient and effective means of production (Parello, 2022).

The endogenous growth theory offered a fresh perspective on what determines economic growth (Parello, 2022). It argued that a persistent rate of prosperity is influenced by internal processes such as human capital, innovation, and investment capital, rather than external, uncontrollable forces, challenging the view of neoclassical economics (Parello, 2022). However, some critiques argued that it is impossible to validate the tenets of endogenous growth theory with empirical evidence (Onyimadu, 2015; Castellacci, 2007). The theory has been accused of being based on assumptions that cannot be accurately measured (Akcigit & Nicholas, 2019).

b) Neoclassical Growth Theory

Neoclassical growth theory is an economic theory that outlines how a steady economic growth rate results from a combination of three driving forces – labor, capital, and technology (Hahn, 2018). The National Bureau of Economic Research names Robert Solow and Trevor Swan as having the credit of developing and introducing the model of long-run economic growth in 1956 (Missaglia & Vaggi, 2025). The model first considered exogenous population increases to set the growth rate but, in 1957, Solow incorporated technology change into the model (Missaglia & Vaggi, 2025).

Neoclassical growth theory states that short-term equilibrium results from varying amounts of labor and capital in the production function (Hahn, 2018). The theory also argues that technological change has a major influence on an economy, and economic growth cannot continue without technological advances (Popa, 2014). Neoclassical growth theory outlines the three factors necessary for a growing economy. These are labor, capital, and technology (Popa, 2014). However, neoclassical growth theory clarifies that temporary equilibrium is different from long-term equilibrium, which does not require any of these three factors (Hahn, 2018).

c) Human Capital Theory

The theory of human capital is relatively new in finance and economics. It states that companies have an incentive to seek productive human capital and to add to the human capital of their existing employees (Wuttaphan, 2017). Put another way, human capital is the concept that recognizes labor capital is not homogeneous (Tan, 2014).

In the 1960s, economists Gary Becker and Theodore Schultz pointed out that education and training were investments that could add to productivity (Wuttaphan, 2017). As the world accumulated more and more physical capital, the opportunity cost of going to school declined.

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Education became an increasingly important component of the workforce. The term was also adopted by corporate finance and became part of intellectual capital, and more broadly as human capital. Intellectual and human capital is treated as renewable sources of productivity. Organizations try to cultivate these sources, hoping for added innovation or creativity. Sometimes, a business problem requires more than just new machines or more money.

Modern critiques from sociologists and anthropologists argue against the human capital theory, saying it offers extremely simple principles that purport to explain everyone's wages, all the time – or, a universal connection between human capital, productivity, and income (Marginson, 2017; Tan, 2014). But when researchers look closely at this, for the most part, productivity differences between individuals cannot be measured objectively.

2.3 Empirical Literature Review

A number of studies, both in Nigeria and abroad, have been carried out to examine the impact of institutional framework on economic growth. There seems to be a dearth of empirical studies on the impact institutional framework on economic growth in Nigeria as most studies are based on Western countries. A review of some recent empirical studies is provided below:

Institutional Framework and Economic Growth

Maduka, Ogwu, and Ekesiobi (2022) investigated the moderating role of institutional quality in the relationship between economic growth and carbon emissions in Nigeria. Using data from 1981 to 2018 and applying an autoregressive distributed lag (ARDL) model, the study revealed that institutional quality plays a significant role in shaping the growth–environment nexus. However, the focus on environmental outcomes narrows its generalisability to broader macroeconomic growth discussions, though it remains highly relevant for policy given Nigeria's climate and energy challenges.

Ogbuabor, Onuigbo, Orji, and Anthony-Orji (2020) examined the impact of institutional quality on Nigeria's economic performance using time series data within a vector error correction model (VECM) framework. Their study provided new empirical evidence that institutional quality significantly influences economic growth in Nigeria. The results indicated that better institutions, particularly those fostering accountability, rule of law, and government effectiveness, promote long-term economic performance.

Egbetokun et al. (2019) explored the interaction between institutional quality, environmental pollution, and economic growth in Nigeria, applying a simultaneous equation model with data spanning 1980–2016. Their findings demonstrated a bidirectional causality: economic growth worsens environmental quality, while institutional quality can attenuate this negative effect. The study also showed that strong institutional frameworks reduce environmental degradation without compromising economic expansion, thereby supporting the "strong sustainability" perspective in development economics.

Olayungbo and Adediran (2017) investigated the combined effects of oil revenue and institutional quality on Nigeria's economic growth using an ARDL methodology with annual data covering 1970–2015. The results revealed that oil revenue positively affects economic growth, but its impact is unsustainable in the absence of strong institutional frameworks. Specifically, the study found that weak institutions, characterised by rent-seeking behaviour and poor resource management, reduce the long-run growth benefits of oil wealth.

III. RESEARCH METHODOLOGY

3.1 Research Design

This research used the ex post facto and descriptive research design. Ex post facto design is a type of research method that examines how independent variables influence a dependent variable. The emphasis is on the ability of past behaviors to forecast future causes. As a result, a researcher cannot change already-taken acts or behaviors, nor can they alter particular features and attributes that a variable possesses. To identify a cause-and-effect link between the independent and dependent variables, this sort of research study evaluates hypotheses. In this study, the hypotheses on the impacts, relative significance and forecasting powers of the independent variables of institutional frameworks on economic growth in Nigeria were tested.

3.2 Model Specification

To examine the impact of institutional framework on economic growth in Nigeria, the study adapts a Solow-Swan based model of Udah and Ayara (2014) who examined institutions, governance structure and economic performance nexus in Nigeria. According to Solow model, output is a function labour (L) and capital (K), with constant returns to scale. The rate of capital accumulation in the long-run is higher than that of short-run, the marginal efficiency of capital approaches zero and the growth

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rate is subsequently determined by technical progress and growth in labour force.

$$RGDP = AKi\alpha Li1-\alpha \quad 3.1$$

Where: RGDP = real GDP; A = total factor productivity; K = Capital Stock; L = Labour; α = elasticity of capital with respect to output. The model assumes that each productive unit will use the same level of capital and labour with the following aggregate production function as:

$$RGDP = AK\alpha L\beta \quad 3.2$$

In the study of Udah and Ayara (2014), the incorporate governance structure and institutions into equation two through their effects on total factor productivity (TFP) or technical efficiency on the premise of the role of institutions in increasing technical efficiency (David (1997), which in turn affects the efficiency of investment. Thus, their study assumes that TFP is a function of quality of institutions and governance structure (corruption, government effectiveness and rule of law). Thus

$$A = Yt = \alpha o + \alpha 1Xt + \alpha 2PCI + \epsilon t \quad 3.3$$

Combining equations 3.2 and 3.3, we get

$$RGDP = CtKt\alpha,,,PCI\varphi \quad 3.4$$

Where α, β, d, and φ are elasticity coefficients. From equation 4 an explicit estimation function is specified, ignoring labour and capital and taking the natural logs of both sides as follows

$$LogRGDP_t = \alpha_o + \alpha_1 LogX_t + \alpha_2 LogPCI + \epsilon_t \quad 3.5$$

Where, X_t = is a vector of explanatory variables including; rule of law, quality of governance, corruption, Political stability, and regulatory quality; PCI = per capita income; and E_t = stochastic error term with the usual normality assumptions. Thus, put simply, the functional form of the model to be employed in this study is:

$$RGDP = f(QGOVT, CORRUP, PSTAB, REGQ, PCI) \quad 3.6$$

Where RGDP = real gross domestic product; QGOVT = quality of governance, CORRUP = corruption, PSTAB = political stability, REGQ = regulatory quality, PCI = per capita income, and f = functional notation.

Adopting a log-linear specification and assuming linearity of the relationship, this paper's model is specified in its full econometric form as follows:

$$LnRGDP = \beta_0 + \beta_1 LnQGOVT + \beta_2 LnCORRUP + \beta_3 LnPSTAB + \beta_4 LnREGQ + \beta_5 LnPCI + \mu \quad 3.7$$

Where β_0= intercept term; $\beta_1 - \beta_5$= coefficients of explanatory variables; and μ= stochastic error term.

IV. RESULTS AND DISCUSSION OF FINDINGS

4.1. Summary of Descriptive Statistics

Table 4.1 presents the summary of the descriptive statistics i.e., the measures of central tendency which explains the extent of distribution of values of a variable around the mean, and measures of dispersion-which measures the tendency of values of a variable to scatter away from the mean. The measures include the skewness and kurtosis.

Table 4.1 Descriptive Statics

Variables	GDP	QGOVT	CORRUP	PSTAB	REGQ	PCI
Mean	2.16	-1.081108	3.227218	-1.914417	10.59049	1384.976
Median	1.20	-1.080909	3.166667	-2.020802	9.881730	1138.129
Maximum	5.74	-0.882584	4.969464	-0.687918	17.53555	3098.986
Minimum	4.665863	-1.675610	1.980385	-2.288746	8.595710	270.2240
Std. Dev.	1.85	0.151554	0.809260	0.348124	2.037091	916.8242
Skewness	0.437480	-1.989664	0.372551	1.533193	2.000722	0.286574
Kurtosis	1.574786	8.461670	2.365631	5.648488	7.219485	1.535083
Jarque-Bera	4.195184	68.49734	1.436399	24.62581	50.72341	3.711720
Probability	0.122752	0.000000	0.487629	0.000004	0.000000	0.156318
Sum	7.78	-38.91988	116.1798	-68.91901	381.2576	49859.13
Sum Sq. Dev.	1.19	0.803903	22.92153	4.241662	145.2409	29419833
Observations	36	36	36	36	36	36

Note: GDP: Gross Domestic Product; QGOVT: Quality of Governance; CORRUP: Corruption; PSTAB: Political Stability; REGQ: Regulatory Quality; PCI: Per Capita Income. Significance Level: 5%. **Source: Authors' Computation**

Table 4.1 presents the descriptive statistics of the variables for gross domestic product (GDP), quality of governance (QGOVT), corruption (CORRUP), political stability (POLSTAB), regulatory quality (REGQ), and per capita income (PCI). From the presented evidence in Table 4.1, the

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mean for GDP was ₦2.16 billion and ₦1,384.98 for per capita income (PCI). Measured in percentile, the mean values of the institutional framework variables within the time scope of this study (1987 – 2022) were -1.08 for quality of governance (QGOVT), 3.23 for corruption (CORRUP), -1.91 for political stability (PSTAB), and 10.59 for regulatory quality (REGQ). Furthermore, considering the range for the variables which is the difference between the maximum and the minimum values, GDP had a range of 1.08, quality of governance (QGOVT) had a range of 0.79, corruption (CORRUP) had a range of 2.99, 1.60 for political stability (PSTAB), 8.94 for regulatory quality (REGQ) and ₦2,828.76 for per capita income (PCI). The skewness statistics showed that only quality of governance (QGOVT) is negatively skewed while gross domestic product (GDP), corruption (CORRUP), political stability (POLSTAB), regulatory quality (REGQ), and per capita income (PCI) are all positively skewed. From the skewness results also, it can be concluded that there are no outliers in the distribution. The kurtosis statistics showed that the values of the data range from 1.57 to 8.46, suggesting that the variables/data are more peaked than the normal distribution curve (Leptokurtic). Again, the Jarque-Bera statistic values of 1.43 to 68.49 rejected the null hypothesis of normal distribution for the variables at the 5% (0.05) critical values.

4.1.2 Unit Root Tests Results of the Variables

Econometric studies have shown that most financial and macro-economic time series variables are non-stationary and using non-stationary variables leads to spurious regression (Engel & Granger, 1987). Thus, the variables were investigated for their stochastic properties, using the ADF unit roots tests. The results of the unit root tests are presented in Table 4.2

Table 4.2: Unite Root Test Results

Variables	ADF Statistics	5% Critical Value	Order of Integration
GDP	-2.9762	-5.8280	I(0)
QGOVT	-2.9511	-6.8098	I(I)
CORRUP	-2.9540	-6.1795	I(I)
PSTAB	-2.9540	-5.8121	I(I)
REGQ	-2.9511	-6.8208	I(I)
PCI	-2.9511	-4.0889	I(I)

Source: Authors' Computation using EVIEW 10.0

As indicated in Table 4.2, all the variables contained in the model are stationary but at different order. All the variables used in the model were stationary at first difference except gross domestic product which was stationary at level.

4.1.3 ARDL Regression Result

Generally, parameter estimation in the regression analysis with lagged model is done by estimating the autoregressive distributed lag (ARDL) method. The influence of institutional framework on economic growth, the subject of this study, is one economic situation where the Autoregressive Distributed Lag Models (ARDL) model is quite useful in evaluating critically. Any change in one economic variable in an economy has the potential to affect other economic variables indefinitely. This change in a variable doesn't show up right once; instead, it spreads out across subsequent periods which are captured by the ARDL approach. The ARDL regression result is presented in Table 4.3.

Table 4.3 ARDL Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	6.341483	0.952161	6.660095	0.0218
GDP(-2)	-11.95443	1.451960	-8.233306	0.0144
GDP(-3)	9.254318	1.205093	7.679342	0.0165
GDP(-4)	-1.732928	0.994500	-1.742511	0.2235
QGOVT	-3.41	9.03	-3.776647	0.0635
QGOVT(-1)	6.36	4.59	1.383631	0.3007
QGOVT(-2)	-9.78	8.48	-1.154153	0.3677

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QGOVT(-3)	3.86	9.96	3.870738	0.0607
QGOVT(-4)	-4.33	1.02	-4.250605	0.0511
CORRUP	7.20	9.32	7.727614	0.0163
CORRUP(-1)	-9.27	1.57	-5.908343	0.0275
CORRUP(-2)	-1.32	7.06	-0.186977	0.8689
CORRUP(-3)	-9.73	2.89	-3.365939	0.0781
CORRUP(-4)	9.20	2.46	3.741257	0.0646
PSTAB	1.46	7.35	1.990488	0.1848
PSTAB(-1)	-9.63	2.07	-4.647991	0.0433
PSTAB(-2)	-1.18	2.75	-4.289580	0.0503
PSTAB(-3)	-4.04	2.44	-1.654403	0.2399
PSTAB(-4)	-2.50	3.84	-6.507913	0.0228
REGQ	3.37	7.13	4.718116	0.0421
REGQ(-1)	-2.62	4.13	-6.344429	0.0240
REGQ(-2)	4.14	7.25	5.705167	0.0294
REGQ(-3)	-2.48	5.85	-4.234607	0.0515
REGQ(-4)	4.97	9.66	5.142819	0.0358
PCI	2.61	6810010	3.836938	0.0617
PCI(-1)	-1.24	2.14	-5.806814	0.0284
PCI(-2)	2.00	2.55	7.847437	0.0159
PCI(-3)	-1.53	1.92	-7.995172	0.0153
PCI(-4)	2.97	1.89	1.568550	0.2573
C	-9.32	4.89	-1.907860	0.1966

R-squared	0.999733	Mean dependent var	2.37
Adjusted R-squared	0.995858	S.D. dependent var	1.86
S.E. of regression	1.20	Akaike info criterion	48.34896
Sum squared resid	2.86	Schwarz criterion	49.72308
Log likelihood	-743.5833	Hannan-Quinn criter.	48.80444
F-statistic	258.0190	Durbin-Watson stat	2.260932
Prob(F-statistic)	0.003868		

Source: Authors' Computation using EVIEW 10.0

From the above regression result, the R-squared (R^2) value of 0.9997 shows that 99.97% of variation in economic growth (GDP) is accounted for by variations in the included variances of quality of governance (QGOVT), corruption (CORRUP), political stability (PSTAB), regulatory quality (REGQ), and per capita income (PCI). Put together, the adjusted R^2 also supported the claim with a value of 0.9958 or 99.58%. This implies that the independent variables explain the behaviour of the panel model of the dependent variables at 99% level of confidence. The calculated F-statistic value of 258.0190 which is greater than any value in the F-table implies that there is a significant effect of the independent variables on the dependent variable. Meanwhile, the Durbin-Watson statistics as shown in the regression result is 2.26 which is approximately 2 - implying the presence of zero autocorrelation. The mean of the dependent variable as shown by the regression result is 2.37 is greater than one, justifying the acceptance of the ARDL results.

Using automatic selection criteria of lags, the maximum lag was set at 4 for all the variables. The coefficient of quality of governance (QGOVT) in the first lag is positive implying that a one (1) percentage point increase in quality of governance will bring about 6% increase in economic growth (GDP), a result that is in line with the economic theoretical postulations. In the second period, a 1% change in QGOVT will insignificantly reduce GDP by 9%. In the third period, a change in QGOVT will increase GDP by 3%; finally, a 1% change in QGOVT in the fourth period will reduce GDP by 4%. All the lag periods effects of QGOVT showed insignificant influence on GDP given that the p-value of the four lags were all greater than 0.05 – the critical value. This result is in conformity with the previous result of Abubakar (2020) in the first and second lags who also established an insignificant relationship between quality of governance and economic growth in Nigeria. Interestingly, there exists a significant relationship between QGOVT and GDP in the third

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and fourth lag periods were previous government policies relating to quality of governance would have yielded significant results in the economy.

Corruption (CORRUP) was found to be negatively related to GDP in the first lag such that a 1% change in CORRUP will decrease the GDP by 9.27%, a result that is largely in consonance with both theoretical and empirical postulations and findings that corruption is a cankerworm that eats deep into the fabrics of the productive capacity of an economy (Udah & Iyara, 2014). This was further buttressed as corruption has negative effect on GDP in the second and third lag periods. This result conforms to the findings of Udah and Iyara (2014) who found a negative relationship between corruption and economic growth.

Political stability on the other hand was shown to have a positive influence on economic growth (GDP) in Nigeria in the current period. This implies that a 1% change in PSTAB will increase GDP by 1.46%, which agrees with the empirical predictions of Feng (1997) that political stability will boost investors' confidence in a country. On the other hand, PSTAB was found to have a negative relationship with GDP from the first lag period to the fourth. In the first lag period for example, a 1% change in PSTAB will reduce GDP by 9.63%; by 1.32% in the second lag period; by 4.04% in the third lag period; and by 2.50% in the fourth lag period. These findings agree with the assertion of the World Bank (2014) that uncertainty associated with an unstable political environment may reduce investment and the pace of economic development in any nation of the world.

Furthermore, regulatory quality (REGQ) was found to have both positive and significant relationship with economic growth (GDP) in the current period where a 1% change in REGQ will significantly increase GDP by 3.37%. This finding aligns with the empirical investigation of Haidar (2012) who establish that past government policies in Nigeria relating to the Ease of Doing (EoD), a World Bank initiated business regulatory quality program, yields positive results in terms of now faster ease of company registration and tax payment in the country. Buttressing further, REGQ was found to have a negative relationship with GDP in the first and third lags with coefficient values of -2.62 and -2.48 respectively. These may be associated with bad business and economic regulatory rules like the bureau de change (FOREX) ban by the Buhari administration (Wakawa, 2016).

Finally, per capita income (PCI) was found to have a positive relationship with GDP in the current period such that a 1% change in PCI will increase GDP by 2.61%. This finding aligns with both classical economic growth theoretical postulations and some empirical findings on the relationship between PCI and GDP (Temitope & Fanowopo, 2020). PCI was further found to have a negative relationship with GDP in the first and third lags with coefficients values of -1.24 and -1.53 respectively. As emphasized by classical economic growth theory, population growths in a country like Nigeria will reduce income.

4.2 Evaluation of Research Hypotheses

The research hypotheses were tested with reference to the standard 5% level of significance, i.e., (α = 0.05).

The decision rule is, if the p-value is less than α (i.e. 0.05), then (H_o), the null hypothesis is rejected, and if otherwise we accept the H_0.

Hypotheses I

H_{01}: There is no significant impact of quality of governance, corruption, political stability, and regulatory quality on economic growth in Nigeria.

H_{11}: There is significant impact of quality of governance, corruption, and political stability, and regulatory quality on economic growth in Nigeria.

From Table 4.3, QGOVT has a p-value of 0.0635, CORRUP has a p-value of 0.0163, PSTAB has a p-value of 0.1848, REGQ has a p-value of 0.0421, and PCI has a p-value of 0.0617. Thus, we accept the null hypothesis that quality of governance (QGOVT), political stability (PSTAB), and per capita income (PCI) has no significant impact on economic growth in Nigeria and reject the alternative hypothesis that quality of governance, political stability, and per capita income has significant impact on economic growth in Nigeria. On the other hand, given that the p-values of corruption (CORRUP) and regulatory quality (REGQ) were less than 0.05, we reject the null hypothesis that corruption and regulatory quality has no significant impact on economic growth in Nigeria and accept the alternative hypothesis that corruption and regulatory quality has significant impact on economic growth in Nigeria.

Hypotheses II

H_{02}: There is no significant forecasting power of institutional frameworks on economic growth in Nigeria

H_{12}: There is significant forecasting power of institutional frameworks on economic growth in Nigeria

Using the ARDL bound test result as shown in Table 4.4, F-Stat value of 28.86 which is greater than the

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critical values at both the lower bound and upper bound, we reject the null hypothesis that there is no significant forecasting power of institutional frameworks on economic growth in Nigeria and accept the alternative hypothesis that there is a significant forecasting power of institutional frameworks on economic growth in Nigeria.

Hypotheses III

H_{03}: There is no significant relative significance of each institutional framework on economic growth in Nigeria

H_{13}: There is relative significance of each institutional framework on economic growth in Nigeria.

In testing the above hypotheses, which partly satisfies the objective of this study, we employ a 0.05 level of significance. In so doing, we are to reject the null hypothesis if the t-value is significant at the chosen level of significance; otherwise, the null hypothesis will be accepted.

From the results obtained from the ARDL regression result in Table 4.3, it was observed that the current t-stat values in absolute terms, of QGOVT (-3.77), CORRUP (7.72), PSTAB (1.99), REGQ (4.71), and PCI (3.83) were greater than the t_{tab} value of 1.96. Thus, the null hypothesis that each of these variables has no significant relative importance on economic growth in Nigeria is rejected and the alternative hypothesis that there is significant relative significance of each of these institutional framework variables on economic growth in Nigeria is accepted.

4.3 Discussion of Findings

Starting from the descriptive/summary statistics the average values for the included variables shows some level of significance as key variables of institutional framework in Nigeria. From the mean/average, standard deviation to the Jarque-Bera statistics, the null hypothesis of normal distribution for the included variables at the 5% critical value was rejected. From the ADF unit root test, it was concluded that there is existence of non-stationarity. This implies that the included variables are free from spurious results. This is supported by the ARDL bound test, meaning that there exists a long run dynamic relationship between the variables of institutional framework and economic growth in Nigeria. From the ARDL regression result, there are positive relationships between corruption, political stability, regulatory quality, per capita income and economic growth in the current period, such that 1% increase in political stability for example, increases GDP by 1.46%, a finding that is in consonance with earlier findings of Haidar (2012). In other words, political stability is a positive driver of economic growth in Nigeria as espoused in the development literature in the development economics scholars (Adams, Adams, Ullah & Ullah, 2019). On the other hand, the current value of the quality of governance (QGOVT) in Nigeria was found to negatively influence economic growth, which is against the theoretical predictions that quality of governance should positively increase GDP. The result could be explained in reference to the high disregard for rule of law and infrastructural deficit challenge in Nigeria. This result is in sync with that obtained by Abubakar (2020) that reported a negative relationship between quality of governance and economic growth.

The reliability test shows that the result is free from autocorrelation and therefore useful for policy inference and forecasting, with Durbin Watson value approximately equal to 2.

V. CONCLUSION AND RECOMMENDATION

In conclusion, the study shows the complex role of institutional frameworks in shaping Nigeria's economic growth trajectory. While political stability, regulatory quality, corruption control, and per capita income exert significant positive effects on GDP, the unexpected negative influence of governance quality highlights persistent institutional weaknesses such as weak rule of law and infrastructural deficits. This paradoxical outcome aligns with Shobande (2020) and suggests that Nigeria's governance institutions may not yet be effectively channeling resources and policies toward productive outcomes, despite theoretical expectations. The robustness of the results, confirmed by diagnostic reliability tests, provides credible evidence for policy inference and forecasting, reinforcing the argument that strengthening institutional quality, particularly governance effectiveness, is indispensable for sustaining inclusive economic growth in Nigeria.

Given that the first finding shows that quality of governance, political stability, and per capita income were found to not have significant impacts on economic growth in Nigeria, there is need to improve the institutional frameworks of the country in respect of rule of law, accountability, quality of governance, political stability, and per capita income that will lead to increased private domestic investment, foreign domestic investment, and increased local industrial productivity. Quality of governance and accountability for example, can be improved in Nigeria through effective financial autonomy of the arms of government and independent functioning of agencies like the Economic and Financial Crimes Commission (EFCC)

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and Independent Corrupt Practices and Other Related Offences Commission (ICPC).

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