



## Consequences For Nigeria's Democracy and the Cost Of Governance.

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**Abstract.** President Goodluck Jonathan established the Presidential Committee on Rationalization and Restructuring of Federal Government Parastatals, Commissions, and Agencies in August 2011 in an effort to reduce the growing cost of government. The committee, led by Stephen Orosanye, the former Head of the Civil Service of the Federation, produced a report that included various recommendations, some of which have caused uncertainty and anxiety among government workers. The committee reviewed existing legislation and noted in the report that "Nigeria's average cost of governance is considered to be among the highest in the world." All branches of government must work diligently to reduce operating costs if the cost of governance is to be lowered. The report suggested reducing the 263 agencies to 161, with additional recommendations: 38 agencies should be abolished, 52 merged, and 14 transferred back to departments within relevant ministries. It is estimated that around 30,000 people work in these agencies and parastatals, though the exact figures vary. However, it is still unclear how the National Assembly will accept these proposals, given that most of these institutions were established by legislation. Orosanye's Report has attracted more criticism than support, based on public opinion reflected in the media. The aim of this research is to investigate the impact of high governance costs on Nigeria's socioeconomic sectors.

**Keywords:** Capital, Governance, Recurrent Expenditures, Socio-economy Development, Transformation

### 1. INTRODUCTION

Both Peter Obi, the governor of Anambra State, and Rt. Rev. Adebayo Akinde, the bishop of the Anglican Diocese of Lagos Mainland, have denounced the enormous expense of national governance. They recently addressed at the church's Second Synod's Third Session in Lagos. According to Obi, all tiers of government must lower the expense of governance and reroute the money into socioeconomic advancement. According to Obi, we cannot keep using our limited resources to pay for needless spending and accrue enormous national debt. In order to supply public facilities, we need to produce resources and boost savings. In order to find a long-term solution to the electrical issue, Obi then recommended that the Federal Government finish deregulating and unbundling the power sector. However, Akinde claimed that the nation's high cost of governance has left little money for other purposes for the construction of infrastructure. "In Nigeria, the cost of governance is disproportionately high in relation to productivity," he stated. Our list of highly compensated ministers, special advisers, and special assistants is lengthy

(Famutimi, 2012:8). Akinde urged governments to show political commitment in order to address terrorism, reduce overhead expenses, and improve the power industry (Abalaka, 2024).

We all know that is true, but Mallam Sanusi Lamido Sanusi, the governor of the Central Bank of Nigeria (CBN), was chastised and nearly expelled when he brought this anomaly to the attention of the National Assembly. Not to mention members of the National Assembly and State Assemblies, the president, governors, chairmen of local governments, ministers, and even commissioners in the states, along with their entourage of aides, this nation is being drained by its numerous aids, Abalaka (2024). The governor of Kwara State employs more than 500 assistants, all of whom receive salary from the state's funds. In contrast, another governor in the South-South employs an astounding 900 aides. Keep in mind that each of them makes at least N50,000 every month. The problem of paying so much to so many people while accomplishing so little needs to be addressed. We need to reexamine a constitution that permits the payment of large sums of money and benefits to those who pleaded to serve after so many years of waste with so little on the ground. Addressing this anomaly is still possible. The National Assembly and the siren-blaring idlers have had enough ought to intervene to stop the situation, according to Ajiteru (2024).

According to statistics gathered by the Business Day Research and Intelligence Unit (BRIU), the state governments in Nigeria's North-East and North-West geopolitical zones were the most costly in 2011 in terms of staff and overhead expenses. The Central Bank of Nigeria's 2011 Annual Report served as the source of the information. According to total regional personnel and overhead costs, the six North-East zone states—Adamawa, Bauchi Borno, Gombe, Taraba, and Yobe—spent N182 billion of the N360.6 billion in revenue realized in 2011. This indicates that 51 percent of the zone's revenue was spent on personnel and overhead costs (Abalaka, 2024).

Additionally, the geopolitical zone of the north-west, which is composed of Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara, spent 44.8 percent of its annual earnings as expenses. This translates to N217 billion of the N485 billion that state governments in the area make each year, according to Ajiteru (2024). With N196 billion, or 41.4 percent of its 2011 revenue, going toward governance costs, the North-Central came in third. The money spent on salaries and administrative costs is known as the cost of governance. According to Ajiteru (2024), the combined expenditures incurred by state governments in the three geopolitical zones in the south were N230 billion, N89 billion, and N251 billion, respectively, and the South-West, South-

East, and South-South ranked fourth, fifth, and sixth with 37.3 percent, 27.5 percent, and revenues for 2011.

Regarding state-by-state analysis, with staff and overhead expenditures accounting for 75% of its total yearly receipts in 2011, Kano State has the highest combined personnel and overhead costs in the nation (52.4 billion). N24.6 billion was left over for the state's development initiatives. With N45.4 billion and N42.8 billion, respectively, of the total funds collected by the aforementioned state governments going toward administrative expenses, Kano was closely followed by Bauchi (70%) and Plateau (68%). The most costly states in the South-West area were Oyo State (63%) and Ogun State (57%), while the least expensive state was Ogun State (9%). Just two Nigerian states could readily cover the amount of expenses and internally generated revenue (IGR) their employees to depend on the federal appropriation each month. These are the states of Abia and Lagos. While Abia State produced N31 billion in IGR in 2011 compared to N26 billion in personnel and administrative costs, Lagos State made N147 billion in IGR in 2011 compared to N70 billion in staff and overhead expenditures (Ajiteru, 2024).

The governor of the Central Bank of Nigeria (CBN), Sanusi Lamido Sanusi, has called for a decrease in the cost of governance during the Annual Capital Market Committee conference in Warri, Delta State. "Currently, 70 percent of the Federal Government's revenue is used to pay civil servants' salaries and benefits, leaving 30 percent for the development of 167 million Nigerians," he stated. Thus, for each and every Naira government civil servants use 70 kobo of their earnings. The CBN governor's conclusion regarding the high cost of governance is corroborated by another study. In his 2012 study, "Cost of governance on economic development in Nigeria," published in the Global Journal of Management and Business Research, Stephen Ejubekpokpo discovered that "a unit increase in recurrent administrative expenditure would result in a 0.52 unit fall in GDP." On the other hand, he discovered that a 0.45 unit decrease in gross domestic product would result from a unit increase in capital administrative expenditure. In other words, GDP will decrease by 52% if recurring administrative spending increases by 100%, just as if capital administration spending increases by 100 percent, GDP will fall by 45 percent Sulaiman (2024).

The NESG Chairman, Foluso Phillips, included a section on cost management of the economy in his speech. At the recent NES 18, he informed attendees that the current cost of running the Nigerian economy exceeds its base of productivity (Abalaka, 2024). "We cannot defend a condition that cannot be sustained. We are unable to maintain this model. We must all

work together to solve this issue more quickly than we are now doing so (Nwachukwu, 2012:1). Speaking to dignitaries at the Nigeria Economic Summit (NES 18) at the Transcorp Hilton Hotel in Abuja, Philips explained that the circumstances surrounding the nation's current cost of governance create a scenario in which the three million or so individuals who work for the federal, state, and local governments, as well as the legislature, spend roughly 70% of the yearly budget on salaries, benefits, and overhead, leaving the remaining 30% to support infrastructure, healthcare, education, and other services that most governments are supposed to provide for Nigeria's 160 million or more citizens. Examining how Nigeria's cost of governance affects the country's economy is the main goal of this article. The first section of the paper addresses conceptual concerns in order to accomplish this goal. The cost of managing Nigeria's government is examined in the next section. The effects of governance costs on the Nigerian economy are covered in the third section. The paper is concluded and recommendations are made in the final section (Sulaiman, 2024).

### **The Governance Concept**

It is believed that governance is the way in which authority is used to govern a nation's social and economic resources for growth. It is the administration of a society's resources for socioeconomic development, as well as the exercise of political power and control over it (Sulaiman, 2024). This means that effective administration of public resources, of which public funds are an essential part, is what governance is all about. Ajiteru (2024). Therefore, good government is concerned with how to raise the standard of living for its citizens by utilizing all available constitutional strategies. This is why the 1999 Constitution's Section 16 (1) declares that "the state shall, within the context of the ideals and objectives for which provisions are provided in the constitution:

- a) utilize the nation's resources to advance national prosperity and an effective, dynamic, and self-sufficient economy;
- b) manage the national economy to ensure the maximum level of welfare, freedom, and happiness for all citizens based on social justice, equality of status, and opportunity; and
- c) ensure that all citizens have access to adequate and suitable housing, food, and a reasonable national minimum living wage, as well as pensions and old age care, unemployment insurance, sick benefits, and welfare for the disabled. This discussion makes it abundantly

evident that the improvement of a state's socioeconomic standing and the general well-being of its citizens constitute the fundamental components of governance (Abalaka, 2024).

### **Governance Cost**

The term "public expenditure" describes the costs that incurred by the government when carrying out its functions. It may be simple to determine how much of public spending goes toward sustaining the government and how much goes toward advancing society and the economy overall as state activity increases. According to Sulaiman (2024), government spending can be broadly classified into two (2) primary categories: capital expenditure and recurring expenditure. Recurrent expenses are those that occur frequently on a daily, weekly, or even monthly basis. For instance, this covers paying for pensions and salaries, overhead costs, official car upkeep, phone and energy bills, water rates, insurance fees, and more. Conversely, capital expenditure describes the money spent on capital projects. Construction is included in this roads, homes, schools, hospitals, human capital development (health and education spending), official vehicle purchases, borehole building, electrification projects, etc.

There is broad agreement in the public finance literature that current expenditures—that is, expenses attributed to the upkeep of government rather than for the benefit of society and the economy as a whole—are linked to the cost of governance. Increased government spending on physical and socioeconomic infrastructures, according to some academics, promotes economic growth (Abalaka, 2024). For instance, government spending on health and education increases worker productivity and boosts the expansion of the country's output. Similarly, investing in infrastructure—roads, communications, power, etc.—reduces production costs, boosts private sector investment, and promotes business profitability, all of which promote economic expansion (Usman and Nurudeen, 2020). However, when government spending consistently exceeds capital spending, which should have a positive effect on the economy, particularly in the areas of investment, employment creation, and other growth-promoting activities, citizens will view the government as a burden (Ajiteru, 2024).

### **The State's Economic Theory**

Colonial influence can be seen in great part in the system of governance that was left over after independence. Ethnically unrelated peoples were compelled to enter into political matrimony

in order to establish a state after the colonial powers unilaterally split the African continent (Abalaka, 2024). Colonial governments built European-style institutions in areas that were suitable for habitation and "extractive institutions" in areas where unfavorable weather had major negative health effects on residents (Acemoglu et al., 2021). Consequently, weak in resource-rich multiethnic civilizations, institutions—which were widely reflected in governmental systems that hindered growth—became the defining characteristic. Ethnic leaders' opportunistic actions, especially in a mineral-rich country like Nigeria, ultimately resulted in a political system that hindered social and economic advancement. More information is provided by our model in section 3. Ajiteru (2024).

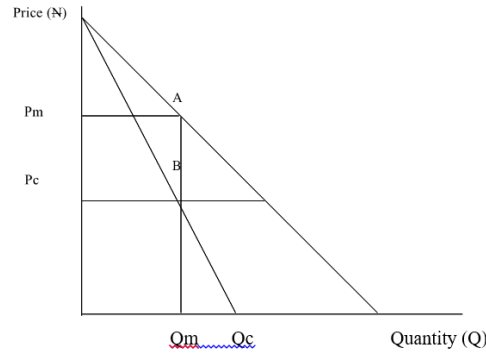
Two significant studies the detrimental effects of governance on Nigeria's economic development and growth are demonstrated by Ajiteru (2024). According to Artadi and Sala-i-Martin's analysis, sub-Saharan African (SSA) nations did horribly on every index they looked at. A number of factors, including flimsy economic reforms, shoddy institutions, excessive public expenditure, and many more, combined to slow economic growth and negatively impact people's quality of life. If we acknowledge that we might conclude that the massive resources available to the Nigerian government for the people were not effectively used to bring about the intended economic development if the administration had controlled the identified growth-inhibiting elements to accelerate the growth process. High tariffs, the use of export and import licenses, the indiscriminate use of import bans, government involvement in the production of private goods, and the government's economically damaging intervention strategies, in addition to the previously listed factors, represent the high price society paid for the political elite's "mis-governance" (Sulaiman, 2024).

The other research, Abalaka (2024), found that the per capita GDP (in terms of purchasing power parity, or PPP) had decreased from US\$1113 in 1970 to US\$1084 thirty (30) years later. In the percentage of the population living on less than \$1 USD per day, known as the poverty rate, rose from 36% to 70% over this time. Between 1970 and 2000, the number of people living in poverty increased from 19 million to 90 million. According to the income distribution data in the same study, in 1970, the wealthiest 2 percent of the population and the bottom 17 percent made the same amount of money. By the year 2000, the overall income of the top 2 percent and the bottom 55% was equal. The thriving and industrious middle class had been wiped out in the 30-year period, and many had been forced into the low-income group by the governing structures that

made rent-seeking a profitable hobby of the wealthy political elite, Ajiteru (2024). Nigeria's GDP per capita stagnated between 1965 and 2000, despite the country earning US\$350 billion and its oil income per capita increasing from US\$33 to US\$325. Earnings during that time did not raise living standards or add value to lives. Instead, it established a system of government that led to a drop in living conditions. Therefore, it was inevitable that a bigger than ideal civil service, mostly composed of the region of the nation with the greatest human capital shortfalls, would increase governance expenses and institutionalize the methods for extracting rent (Sulaiman, 2024).

This model will primarily utilize the insights offered by Bates et al. (2002) and Olsen (1965). According to traditional economic theory, the government is the result of collaboration. Put another way, logical people who inhabit a certain area find that cooperation, as opposed to competition, yields a net benefit. It might be compared to a monopoly, which is a collusive unit made up of numerous perfectly competitive businesses. All businesses operating in a competitive market will generate  $Q_c$  and charge price,  $P_c$ , as shown in **figure 1**. In these marketplaces, all businesses eventually make merely regular profits. Since it is doubtful that all costs would be reimbursed in the long run, any company that undercuts its competitors will be driven out of the market. The alternative is to limit output to  $Q_m$  and increase the price to  $P_m$ . If any company does that if it took action alone, it would lose a significant portion of its clientele to competitors in the sector. It would lose every client in a market with perfect competition. The loss of business as a result of unilateral price rises grows with the level of industry rivalry. Abalaka (2024).

The best course of action is for all businesses to work together as a monopolist. Together, they can decrease output from  $Q_c$  to  $Q_m$  and raise price to  $P_m$ . The rectangle  $ABP_cP_m$  represents the benefit of collaboration. This is a higher level of profit than what would be possible in a long-term scenario with perfect competition. The benefit of collaboration is that there is no automated system in place to reduce the extraordinary profit made by collaborating companies. As a result, externality can benefit from such enormous revenues (Ajiteru, 2024). Assuming that the sector in question is a constant cost industry—one in which rising output does not result in rising costs—will help us simplify our study. According to Sulaiman (2021), our marginal cost (MC) can therefore be represented as a straight line throughout a range of output.



**Fig.1: Competition Vs Cooperation**

The problem of distributing the excess earnings  $ABPcPm$  across various companies in the sector exists, even though collaboration will result in positive profit. The complexity of profit sharing increases with the number of businesses in the industry. One way to circumvent the issue is that PM will continue to be the market pricing while each firm is given a set quota. Higher PM prices, however, nevertheless provide an incentive for everyone to produce more and break the quota share. This is something that members of the Organization of Petroleum Exporting Countries (OPEC) frequently do. The monopoly PM might not be greatly impacted as long as there aren't many infringers. The real price diverges further from the monopoly price, PM, as quota violation increases. The likelihood of such infractions makes it necessary to monitor every company in the sector in order to identify and effectively punish offenders. According to Sulaiman (2024), policing can be expensive, and no successful cartel can be formed unless the cost is less than the extraordinary gains to be made. The businesses must establish a police department to oversee and enforce adherence to collective bargaining agreements (Abalaka, 2024). Accordingly, the state ought to be the single organization tasked with monitoring all businesses and guaranteeing adherence to the agreement (Ajiteru, 2024).

According to political economy theory, the state is the result of logical people who think that living as families or individuals would be inferior to forming a state. Since no two entities can effectively coexist and preserve relative peace with equal powers of force across a given territory, the state is a natural monopoly in addition to being the government's tool of operation. Ajiteru (2024). One recent instance of two strong groups asserting control over a single nation is Somalia's descent into chaos. Two significant it is now necessary to make observations.

- a) It has not been shown whether using the government as a central entity to provide security is cost-effective.
- b) The generalization that all stateless civilizations would descend into chaos is untrue.

Anthropologists have long demonstrated that peaceful coexistence is possible among members of kinship groupings in stateless cultures (Bates et al., 2017). The Hobbesian decline into anarchy in the absence of a state and government is strongly refuted by this. Although there was peace in these cultures, there was no development, hence development is a significant trade-off for peace. From there, we expand on our claim that people in a stateless society's realization of the necessity of a state contributes to the quickening of progress. The expense of governance is borne by the state as long as it is utilized to further the interests of the general public, according to Sulaiman (2024).

These stateless societies' salient characteristics explain why there hasn't been any growth and why it is improbable that any would occur. Every member of these societies is either a soldier or a future soldier, and security is privately provided. In terms of defending people and property rights, kinship units carry out governmental duties (Bates, 2017). Religious extremism, a reputation for aggression, and unresolved past disputes continue to be serious threats to people's lives and property. The tit-for-tat tactic in kinship groups makes everyone's desire to maintain harmony the preferable choice in these kinds of communities. There are ways to guarantee peace and progress in these self-governing kinship groups (Abalaka, 2024).

These possibilities and how the move to statehood can lower the cost of government are explored in the Bates et al. (2017) model. Their concept states that people maximize their utility by engaging in leisure activities as well as the consumption of things purchased with their income. Additionally, they split their time between earning money, relaxing, and undergoing military training. Producing items and robbing others who have done the same can both boost income. The tit-for-tat tactic is essential for maintaining harmony in cultures where frequent interaction is feasible. Now let's look at the two possibilities and the expenses associated with each of them. Production is a problem for kinship groups (Ajiteru, 2024). If one individual shifts resources from production to predation, the entire group suffers. Since expected outcomes will leave everyone bloodied—an ending that is obviously least preferred—there is a chance for anarchy, but more crucially, there is also a chance for peace. According to Sulaiman (2024), resources can be

allocated equally between predation and the manufacturing of commodities and recreational pursuits.

Assume that the latter is the first best course of action. Prosperity will only result from this choice if people are able to withstand the desire to steal. People will devote more time to production rather than predation if this is feasible, and they will also spend less time relaxing and more time working. A "utopian society of saints" is what this would be. In a society where everyone is excellent, bad, and ugly, it is more likely that people will spend more time relaxing and less time working. Little effort will result in little output, which would reduce the motivation to steal. Therefore, peace is maintained at the expense of abundant productivity in areas where no military effort is made. One of the main characteristics of this type of society is pronounced poverty. It is defined by minimal private benefit and zero public benefit. In this kind of society, self-governance would inevitably come at a very high cost in terms of underdevelopment. Continuing to follow the argument of Bates et al., the alternative would entail dividing up time between military operations and revenue generation. Everyone must be armed in order for there to be prosperity. Therefore, the cost of affluence is military preparation and training. Abalaka (2024). There must be a balance of military power among various kinship groups for limited prosperity to exist. According to Sulaiman (2024), there is an excess of the public good, security, in the second alternative, whereas there is none at all in the first.

### Nigerian States' Cost of Governance and Revenue Assurance

The State Government's finances (in billions of naira) from 2015 to 2022 are displayed in Table 1. The States had the highest total, according to the **table**, 2008 had N2, 943.80 billion in revenue, followed by N2, 739.40 billion in 2022 and N2, 590.70 billion in 2015. According to Ajiteru (2024), the year 2002 had the lowest overall revenue of all the years under study, coming in at N669.83 billion.

**Table 1: Finances of the State Government, 2015–2022 (Billion Naira)**

	2015	2014	2016	2017	2018	2019	2020	2021	2022/
<b>STATE GOVT. FINANCES</b>									
<b>A</b>	<b>Total Revenue Plus Grants</b>								
	<b>669.83</b>	<b>855.01</b>	<b>1,113.96</b>	<b>1,419.66</b>	<b>1,543.80</b>	<b>2,065.40</b>	<b>2,943.80</b>	<b>2,590.70</b>	<b>2,739.40</b>

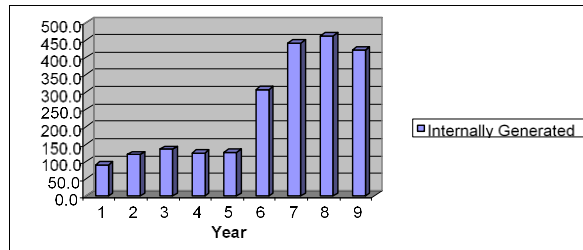
Share of Federation Account 2/	388.30	535.18	777.21	921.00	1,016.10	1,109.30	1,709.20		
	978.38	1.353.7							
Share of Excess Oil Revenue -	-	-	-	-	154.70	258.90	354.10	376.80	329.00
Share of Augmentation	-	-	-	-	-	-	-	272.80	162.90
Exchange Gain	-	-	-	-	-	-	-	58.90	14.80
Share of VAT	52.63	65.89	96.20	87.45	110.60	144.40	198.10	229.30	275.60
Internally Generated Revenue	89.61	118.76	134.20	122.74	125.20	305.70	441.10	461.20	
	420.50								
Grants and Others	129.72	134.18	104.35	137.45	125.30	209.40	179.00	188.00	140.40
Share of Stabilization Fund	9.57	1.00	2.00	10.78	11.90	37.70	53.40	29.70	42.50
State Allocation	-	-	-	140.24	-	-	-	-	-
<b>B Total Expenditure</b>	<b>724.55</b>	<b>921.16</b>	<b>1,125.06</b>	<b>1,478.60</b>					
	<b>1,586.80</b>	<b>2,116.10</b>	<b>3,021.60</b>	<b>2,777.00</b>	<b>2,871.40</b>				
Recurrent Expenditure	424.20	545.31	556.81	789.13	894.30	1,217.40	1,505.60	1,426.10	
	1,437.00								
Capital Expenditure	283.48	324.02	412.93	514.73	584.00	854.80	1,455.70	1,284.20	
	1,339.00								
Extra-Budgetary Expenditure	16.87	51.83	155.32	174.74	108.50	43.90	60.30	66.70	
	95.40								
<b>b. Current Balance 3/</b>	<b>245.6</b>	<b>309.69</b>	<b>557.13</b>	<b>630.51</b>	<b>649.40</b>				
	<b>848.00</b>	<b>1,429.20</b>	<b>1,164.60</b>	<b>1,302.40</b>					
<b>c Overall Balance 3/</b>	<b>-54.72</b>	<b>-66.15</b>	<b>-11.10</b>	<b>-58.94</b>	<b>-43.00</b>	<b>-50.70</b>	<b>-86.80</b>	<b>-186.20</b>	<b>-132.10</b>
<b>d Financing</b>	<b>54.74</b>	<b>66.17</b>	<b>11.12</b>	<b>58.96</b>	<b>43.00</b>	<b>50.70</b>	<b>86.80</b>	<b>186.20</b>	<b>132.10</b>
External Loans	15.9	14.68	-	-	-	5.90	38.30	8.00	24.80
Internal Loans	32.45	71.03	4.4	22.56	27.00	25.70	60.20	162.30	225.80
Operating Cash Balance	5.09	13.01	-	33.26	16.10	19.10	-11.70	16.00	-118.50
Other Funds	1.3	-32.55	6.72	3.14	16.10	19.10	-11.70	-	-

Note 1/Provisional

2/Gross Statutory Allocation

3/ Positive (+) sign connotes surplus while (-) sign connotes deficit

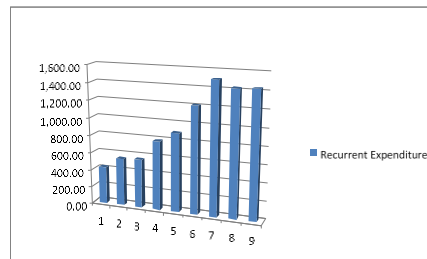
Central Bank of Nigeria Annual Report and Statement of Accounts (2015-2024)



**Figure I: Internally Generated Revenue (IGR) (2015-2024) in Billion Naira**

**Source:** Developed by the Author from Table 1

The IGR trend at the state level from 2015 to 2024 is displayed in **Table 1 and Figure I**. The greatest IGR was N461.20 billion in 2024, and the lowest was N89.61 billion in 2015, according to Sulaiman (2024). Between 2015 and 2017, the Revenue Assurance (RA) based on the IGR remained comparatively low, and in 2018, it climbed correspondingly. IGR trends typically show both upward and downward movement, raising concerns about state-level Revenue Assurance (RA) processes (Ajiteru, 2024). Therefore, the States must work together to guarantee consistent increase in IGR.



**Figure II: Billion Naira for Recurrent Expenditure (RE) from 2015 to 2024**

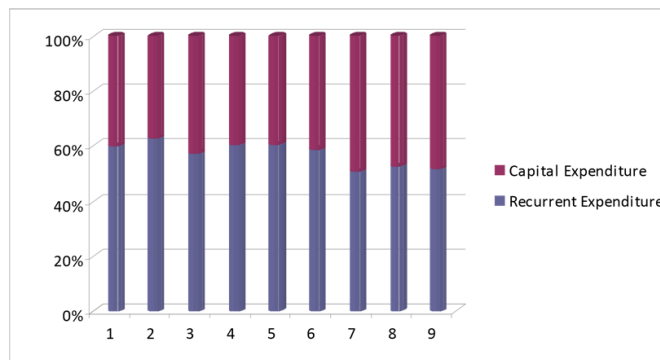
**Source:** Developed by the Author from Table 1

The recurrent spending trend from 2015 to 2024 exhibits behavior that is comparable to the IGR trend. The most concerning is that, over the nine years under study, the RE significantly exceeds the IGR (Ajiteru, 2019). This illustrates a terrible situation in which the States would not have been able to cover their overhead costs had they not received funding from the Federation Account. From the perspective of revenue assurance and cost reduction at the state level, this is not desirable (Abalaka, 2020).

According to research by Kalama, Etebu, Charles, and John (2012), the salaries and benefits now received by political office holders in Nigeria violate Section 70 of the Federal Republic of Nigeria Constitution since they are not consistent with the pay and other benefits as

decided by the Fiscal Commission and Revenue Mobilization Allocation. According to Sanusi in Kalama, Etebu, Charles, and John (2012), who compares the jumbo pay of Nigerian politicians with that of the US President, Barak Obama receives \$400,000 annually, a Nigerian senator receives forty million Naira (N40,000.000.00) every quarter, and each member of the House of Representatives receives approximately \$1.2 million annually. Ajiteru (2024) suggests that a similar situation can exist at the state level.

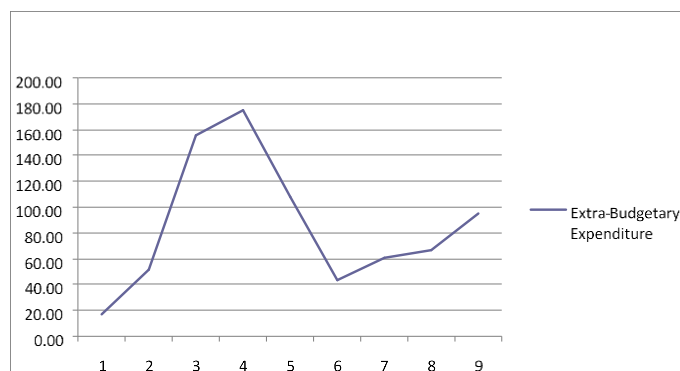
Due to the needless expansion of government agencies, the large number of Commissioners, Special Advisers, Special Assistants, and Personal Assistants, as well as the bloated pay of political office, the cost of state-level governance in Nigeria has significantly escalated holders, payroll fraud due to ghost workers, excessive official car ownership regardless of government monetization policies, frequent international travel, the presence of security votes, and extra-budgetary spending.



**Figure III: Capital versus Recurrent Spending in Billion Naira, 2015–2024**

**Source:** The author's development of Table 1

A depressing scenario for State Government spending from 2015 to 2024 is depicted in **Figure III**. Recurrent expenses greatly exceed capital expenditures during 2015–2019, with a ratio of roughly 60:40 in favor of recurrent expenditures, with the exception of 2015–2024 (Ajiteru, 2024). According to Abalaka (2024), the current state of affairs is detrimental to the nation's economic development and progress. Therefore, it is imperative that the states adopt an efficient cost of governance approach with the intention of the lives of the citizens would be directly impacted by carrying out more development initiatives, according to Sulaiman (2024).



**Figure IV: Billion Naira in Extra-Budgetary Spending from 2015 to 2024**

**Source:** Developed by the Author from Table 1

The tendency of extra-budgetary spending raised concerns about how states were carrying out their budgets. For instance, states had N174.74 billion in extra-budgetary spending in 2015, which might have been on top of previously existing recurring spending. This might be against Section 48 of the Fiscal Responsibility Act of 2019, which states that no government institution, regardless of its disguise, is permitted to use public funds in a manner, and for reasons that the public is unaware of. Abalaka (2024) raises concerns about cost-cutting measures for improved revenue certainty at the state level.

**Table 2: Financial Summary of FCT and State Governments (State-by-State, 2024 1/)** The Naira Billion

S/N	STATE	Total Revenue & Other Receipt	IGR	Personnel Cost	Overhead Cost	Capital Expenditur	ExtraBudgetary Expenditure	Total Expenditure
1	Abia	53.50	9.90	5.20	0.30	21.80	1.98	63.00
2	Adamawa	63.20	4.20	11.70	19.30	30.10	2.96	69.10
3	Akwa Ibom	211.60	12.10	17.90	4.10	160.80	0.96	189.40
4	Anambra	63.30	4.80	3.70	5.00	30.70	0.69	51.10
5	Bauchi	80.40	2.30	8.10	14.30	37.40	2.00	77.20
6	Bayelsa	132.10	3.90	21.50	12.00	35.00	17.00	127.60
7	Benue	54.30	8.30	14.90	8.40	25.20	3.76	59.30
8	Borno	48.50	2.10	13.10	8.00	23.90	0.23	51.90
9	Cross River	45.60	7.10	12.30	8.90	23.70	3.00	56.30
10	Delta	179.80	15.60	19.10	16.70	51.30	8.54	173.30
11	Ebonyi	35.10	2.10	7.10	3.30	27.70	3.27	44.90
12	Edo	63.70	12.40	17.10	17.90	24.40	2.80	72.40
13	Ekiti	38.60	2.70	11.40	2.30	18.90	0.39	58.20
14	Enugu	41.60	4.10	10.70	6.40	17.60	0.94	39.20
15	Gombe	50.70	9.50	7.40	14.40	24.50	1.53	59.90
16	Imo	53.10	5.20	6.80	11.30	3.20	5.66	50.10
17	Jigawa	54.70	2.40	1.70	5.50	48.10	1.66	65.30
18	Kaduna	60.50	9.30	12.10	13.70	27.20	2.97	67.50

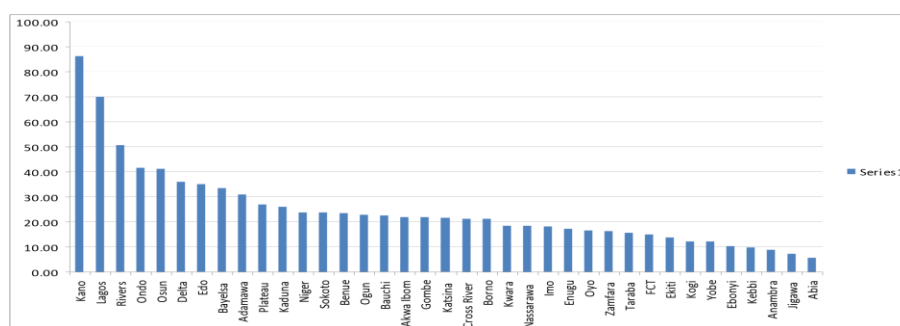
19	Kano	45.80	12.20	65.40	20.70	12.60	1.05	103.00
20	Katsina	51.40	3.20	16.70	5.00	29.40	1.53	26.40
21	Kebbi	43.40	3.80	4.50	5.20	36.40	3.23	63.80
22	Kogi	45.30	3.30	9.20	3.00	21.20	1.65	41.60
23	Kwara	52.20	11.30	6.10	12.40	24.90	0.34	56.60
24	Lagos	242.30	147.10	32.70	37.20	157.40	7.60	261.10
25	Nassarawa	36.10	2.40	5.70	12.80	10.90	1.28	53.30
26	Niger	53.50	3.10	18.00	5.80	6.20	4.54	35.70
27	Ogun	53.10	11.20	13.20	9.50	8.50	0.37	33.50
28	Ondo	69.60	3.80	14.30	27.20	17.50	1.10	62.80
29	Osun	42.50	5.40	14.30	27.00	12.60	0.84	59.70
30	Oyo	62.20	11.90	11.20	5.50	26.40	3.07	55.10
31	Plateau	43.40	3.60	12.30	14.70	24.70	2.09	65.10
32	Rivers	269.50	58.50	36.50	14.10	227.00	1.08	292.80
33	Sokoto	49.10	3.10	18.00	5.80	6.20	0.31	31.40
34	Taraba	47.20	3.30	10.60	4.90	26.10	0.14	52.00
35	Yobe	40.00	1.80	8.50	3.70	20.50	0.08	41.00
36	Zamfara	70.20	2.90	14.80	1.60	10.30	2.12	69.00
37	FCT	62.30	10.30	11.20	3.80	28.80	1.97	62.00
	<b>Total</b>	<b>2,709.40</b>	<b>420.20</b>	<b>525.00</b>	<b>391.70</b>	<b>1,339.10</b>	<b>94.73</b>	<b>2,841.60</b>

Note 1/Provisional

2/Gross Statutory Allocation

3/ Positive (+) sign connotes surplus while (-) sign connotes deficit

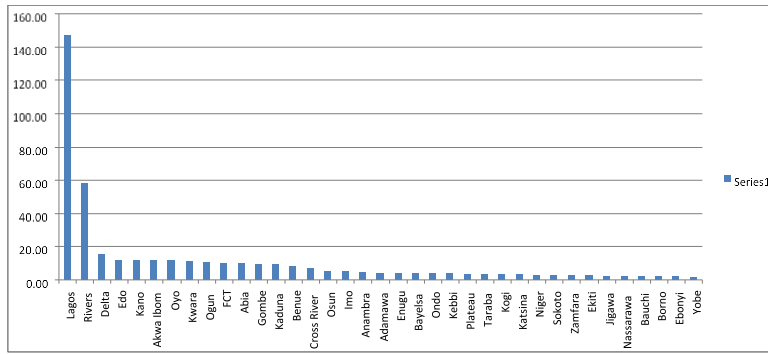
To better understand the issue of cost of governance and revenue assurance at States level figures v, vi and vii were developed from Table 2 using 2024 data on state-by-state basis.



**Figure V: Personnel and Overhead Expenses State-by-State (2024) in Billion Naira**

**Source:** Developed by the Author from Table 2

The 2010 IGR picture reveals that, with the exception of Lagos and Rivers, which had notable IGRs of N147.10 billion and N58.50 billion, respectively, the remaining states had negligible IGRs ranging from N15.60 billion to N1.80 billion. Significant discrepancies in IGR between States are depicted in Figure VI, suggesting that the States' levels of revenue assurance varies (Ajiteru, 2024).



**Figure VII: State-by-State (2024) Extra-Budgetary Expenditure (EBE) in Billion Naira**

**Source:** Developed by the Author from Table 2

Remarkably, Figure VII shows that the majority of States with higher extra-budgetary spending had higher overhead and staff costs and lower IGR (Sulaiman, 2024). These raise concerns about the States' revenue assurance and cost-cutting measures (Abalaka, 2024).

## 2. RESULTS

Every level of government has absurdly high governance costs, particularly for the legislative and executive branches. Less than three-quarters of the national budget is allocated to capital expenditures required for economic growth, with a large portion going toward employee salaries and other expenses (Ajiteru, 2024). For instance, the local cost of upkeep of the National Assembly alone was N138.015 billion in the 2024 Appropriations Bill. Given that there are 469 members of the National Assembly (360 Representatives and 109 Senators), the average cost per member is N294,375 million, which is the same as 1.962 million US dollars, according to Abalaka (2024). This expense is more than 2500 times the average income of 92% of Nigerians, making it completely unsustainable and irrational for her frail national economy, which is beset by high unemployment and inadequate infrastructure needed to spur economic growth (Nwokedi 2021). In spite of public protest, the National Assembly authorized a larger budget for the 2021 fiscal year, giving it a staggering N 232,736 billion. A disproportionate N2.4 trillion was allocated for recurring expenses, whereas a lesser N1.5 trillion was set aside for capital expenditures, according to the 2011 National Budget's overall projection of N4.5 trillion.

Nigeria must develop a stable and sustainable therefore, she must use the enormous amount of oil wealth, which is its main source of national income, to diversify her economy and practice caution and openness in her administration. Sulaiman (2024). This suggests that in order to provide the infrastructure required for economic growth, she should increase her capital expenditures and

decrease her annual budget for recurring expenses. Nigeria's leaders must look back to the good old days of the 1960s and learn how previous leaders were able to prudently manage the economy (without much oil revenue) so well that Nigeria by 1966 was among the fastest growing economies in the world if they are to achieve the much-planned vision 20:20 to be one of the most advanced economies of the world (Abalaka, 2024).

## **CONCLUSION AND RECOMMENDATIONS**

Making sure that every dollar of public monies is used wisely is the issue of efficiency in government. Stated differently, every dollar of public funding must be used to maximize the wellbeing of all citizens, not just a select few. A benign group of public officials holding power is the only way to lower the cost of government in the absence of robust political institutions (Ajiteru, 2024). We must impose institutional restraints on technocrats and public office holders in a way that diminishes the state's ability to take rent, as this is extremely unlikely. If Nigeria wants to significantly lower the cost of governance, this is the superior course of action.

Therefore, regardless of the amount of cash resources in hands of the government, if governance costs are not decreased to guarantee income assurance in Nigeria, the intended goals might not be met (Abalaka, 2024). This is essential for cost containment and accomplishing governance's overarching goals. Without efficient cost control, expense minimization, revenue leak prevention, and management of fraud, excesses, and abuses, financial impropriety, and extravaganzas in the performance of its duties, no institution, no matter how big or small, can thrive (Sulaiman, 2024). Nigerians believe that security votes are prone to abuse and that they duplicate the votes allotted to security services in the budget. They have long associated security votes with governors. However, it is astounding to all Ministries, Departments, and Agencies (MDAs) are involved in the security vote. Even agencies with security-related core functions have budgetary allocations for security votes, which is even more shocking, according to Nzeshi (2017). Additionally, there have been instances of budgetary provisions being copied under other subheadings in an attempt to garner additional funding that would ultimately be embezzled at the conclusion of the fiscal year (Nzeshi, 2017). In a similar vein, budgets typically contain unnecessary spending that may be greatly reduced (Ajiteru, 2024). Additionally, too many MDAs were using the budget to gather enormous sums of money while providing little to no actual services (Ajiteru, 2024).

Organizational structure, procedures, technology, and information are all part of revenue assurance, which is in charge of keeping an eye on the revenue process. Its Activities are intended to ensure that business systems and processes are operating as intended, lowering the possibility of revenue leakage by making sure that risks have been recognized and appropriately addressed; enhancing operational efficiency by examining systems and processes to find holes and design flaws that increase operating costs; and successfully communicating business risks to management so that well-informed decisions can be made and surprises can be avoided. Sulaiman (2021). Since no program can be properly implemented in a corrupt environment, good governance can only accomplish its intended goal if corruption is tackled and totally eradicated from society. According to Abalaka (2024), revenue leakage is becoming a bigger issue in Nigerian public governance. In order to maximize a revenue engagement, it must be conducted not only as a leak detection exercise but also as a component of a government performance strategy. The executive, legislative, and judicial branches are not the only ones tasked with lowering governance costs for revenue certainty at the state level. All parties must work together to complete this task.

### **Recommendations**

1. It is necessary to make capital spending more efficient and to cut waste, inefficiency, corruption, and redundancy in government in order to bring recurring expenditures down to a sustainable level.
2. More public involvement is required to guarantee accountability, openness, and prudence in the budgeting process.
3. In order to eliminate unnecessary agencies and cut down on unnecessary spending, it is necessary to combine, restructure, and even repeal the laws that permit them.
4. The practice of buying a fleet of cars for public officials must be avoided, with the exception of ambulances, Black Marias, and Hilux vans, in order to maintain the implementation of the monetization of benefits. The monetization program's ongoing execution will reduce spending and conserve resources.
5. The States Executive Councils should have as few commissioners as possible, and the governors' personal aides and special advisers should be reduced as well. It is also inappropriate for any of these designated officials to own more than one government car.

6. Nigerian regulatory bodies and authorities should make sure that all public officials' and civil servants' salaries and benefits, including those of political office holders, comply with due process, constitutional provisions, and current financial laws and regulations. This will undoubtedly lessen the system's overall instability and friction.
7. In order to reduce recurring expenses and budget deficits, good public policy design and implementation are also necessary to ensure fiscal discipline.
8. The executive cabinet's larger-than-ideal size is one of the main expenses of governance. By maintaining an ideal cabinet size and making merit and core competencies the main criteria for admission to public office, it is possible to lower the cost of governance.

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