

Impact of Institutions on Macroeconomic Performance in Nigeria: 1980-2013

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Iyoboyi M, Jalingo U, Tsauni A. 2016. Impact of Institutions on Macroeconomic Performance in Nigeria: 1980-2013. *Eastern European Business and Economics Journal* 2(3): 193-221.

Full text (coming soon)

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Abstract:

In this paper, the Vector Error Correction Model was used to investigate the impact of institutions on macroeconomic performance in Nigeria for the period 1981-2013. Data were drawn from secondary sources. Three institutional measures were employed in the study, namely contract intensive money, revenue source volatility and quality of service delivery. Accounting for structural breaks in the series, a long-run equilibrium relationship was found between the macroeconomic performance and institutional indicators. Short-run bidirectional causality between institutions and Nigeria's macroeconomic performance was found. There is evidence of long-run unidirectional causality from revenue source volatility to macroeconomic performance and bidirectional causality between macroeconomic performance and contract intensive money, and between macroeconomic performance and the quality of service delivery. The institutional indicators were found to be endogenous. Property rights institutions should be improved through financial deepening. There is need to diversify the economy and improve the quality of service delivery through adequate provision of electricity.

Keywords:

causality, cointegration, impulse response functions, institutions, variance decomposition, vector error correction model

JEL classification:

O14, O25, E61, E63

Language:

English

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