**International Journal of Economics, Commerce and Management**
United Kingdom ISSN 2348 0386 Vol. 14, Issue 11, Nov 2026

***https://ijecm.co.uk/***

# IMPACT OF CORRUPTION AND ACCOUNTABILITY ON FISCAL DISCIPLINE IN NIGERIA

**Miftahu Idris**
Department of Economics, Taraba State University, Jalingo, Nigeria
miftahu4real12@gmail.com

**Habiba Abubakar Bawa**
Department of Economics, Taraba State University, Jalingo, Nigeria

**Mela Tersoo**
Department of Economics, Taraba State University, Jalingo, Nigeria

**Adamu Idi**
Department of Economics, Taraba State University, Jalingo, Nigeria

**Abstract**

*This study examines the impact of corruption and accountability on fiscal discipline in Nigeria over the period 1996-2025. The study employed Augmented Dickey-Fuller (ADF) and Autoregressive Distributed Lag (ARDL). The empirical findings reveal that corruption exerts a positive and statistically significant effect on the fiscal deficit in the long run, indicating that higher corruption levels worsen fiscal discipline, while accountability demonstrates a negative and significant relationship, confirming that stronger voice and accountability mechanisms enhance fiscal prudence. Oil rents exhibit a positive and significant association with the fiscal deficit in the long run, reflecting Nigeria's hydrocarbon dependency and pro-cyclical spending behavior, whereas GDP growth shows an insignificant effect. In the short run, changes in accountability significantly reduce the fiscal deficit, while changes in oil rents remain insignificant, and the lagged change in fiscal deficit exhibits inertial persistence. The error correction term is negative, statistically significant, and remarkably high (-1.152), confirming*

Licensed under Creative Common

*rapid adjustment to long-run equilibrium. The study concludes that corruption systematically undermines fiscal discipline while accountability serves as a critical ameliorating factor, and recommends strengthening anti-corruption institutions, enhancing citizen participation and legislative oversight, diversifying the revenue base, and implementing transparent budgeting frameworks to achieve sustainable fiscal consolidation in Nigeria.*

*Keywords: Corruption, Accountability, Fiscal Discipline, ARDL Model, Nigeria*

## INTRODUCTION

Nigeria, Africa's most populous nation and largest economy, presents a paradox that has confounded scholars and policymakers for decades: a country endowed with abundant human and natural resources, yet trapped in a cycle of underdevelopment, poverty, and socioeconomic stagnation. The nation's public financial management (PFM) system, which ought to serve as the engine for resource mobilization and equitable development, has instead become a conduit for systemic corruption, fiscal indiscipline, and institutional decay. Despite successive governments introducing various fiscal reforms including the Fiscal Responsibility Act (FRA) of 2007, the Treasury Single Account (TSA), the Integrated Payroll and Personnel Information System (IPPIS), and the Medium-Term Expenditure Framework (MTEF) the desired outcomes of transparency, accountability, and fiscal discipline remain largely elusive. The persistence of corruption within Nigeria's public sector has not only undermined the effectiveness of these reforms but has also created what scholars describe as a persistent governance crisis where fiscal mismanagement perpetuates economic decay, and economic decay, in turn, legitimizes further governance failure.

The concept of fiscal discipline, broadly defined as the capacity of government to maintain smooth and long-term financial operations in relation to total revenue, financial balance, public debt, and total spending, has been systematically eroded by the pervasiveness of corrupt practices across all tiers of government. Empirical evidence reveals that corruption in Nigeria's PFM system is "deep and substantial," manifesting in the distortion of public finance and procurement processes, payment systems, accounting, financial reporting, and auditing systems (John & Luma, 2025). These distortions stem fundamentally from "low adherence to laws and near absence of deterrence" (Sunusi, 2026), creating an environment where fiscal indiscipline thrives and public funds are routinely diverted from their intended purposes. The consequences are staggering: Nigeria loses billions of dollars annually to corruption, resources that could otherwise finance critical infrastructure, healthcare, education, and poverty reduction programmes. This reality has led scholars to characterise corruption, tax evasion, rent-seeking,

Licensed under Creative Common

and fiscal irresponsibility as "an interlocking web that perpetuates underdevelopment across critical sectors" (Otusanya, 2025).

Accountability, the necessary complement to transparency in any functional governance system, has been equally compromised in Nigeria's public sector. Accountability entails the obligation of individuals and institutions to be answerable for their actions, decisions, and the utilization of public resources, encompassing both answerability for actions and the capacity for enforcement through sanctions (Carthena Advisory, 2023). However, the Nigerian governance framework has been characterized by a persistent "culture of impunity," where public officials rarely face consequences for financial malfeasance (Gyong, 2014). The Fiscal Responsibility Commission itself has acknowledged that the FRA has been "hindered by weak provisions for sanctioning violators," with numerous "inchoately created 'offences'" lacking prescribed sanctions, thereby "prolonging a regime of impunity" (Fiscal Responsibility Commission, 2025). This accountability deficit is further exacerbated by the chronic delay in public sector auditing, which experts warn is "not merely a bureaucratic lapse" but "a structural weakness with far-reaching consequences for accountability, governance and service delivery" (Otalor et al., 2026). The growing culture of high-level impunity and grand corruption must be confronted with the seriousness it deserves, as the executive and legislative arms of government have done little to punish the masterminds or plug the obvious leakages that fuel fiscal indiscipline.

The institutional frameworks designed to promote fiscal discipline have demonstrated mixed effectiveness, revealing the complex interplay between reform design, implementation capacity, and political will. While reforms such as the TSA have "significantly contributed to centralizing government revenues, reducing opportunities for corruption, and improving cash management" (Ganyam, 2018), their overall efficacy remains "constrained by entrenched corruption, political interference, limited institutional capacity, and poorly enforcement mechanisms" (Ibadin, 2024). The TSA, described as one of the most successful fiscal reforms in Nigeria's modern history, has made corruption harder to hide by eliminating the multiple accounts that previously enabled the diversion of public funds (Ganyam, 2018). Yet, even this transformative reform faces resistance from "government agencies, technological gaps, and capacity-building needs" (Mnah, 2024), underscoring the reality that institutional reforms alone cannot succeed without corresponding changes in governance culture and leadership commitment. Similarly, the Fiscal Responsibility Act, enacted in 2007 to strengthen transparency and accountability in public finance, requires the federal government to publish quarterly budget implementation reports; however, the persistent failure to comply with these reporting requirements has created an environment where "financial secrecy allows for corruption, manipulation and suspicion and mistrust within the Nigerian public" (Okegbe, 2019).

Licensed under Creative Common

The devastating impact of corruption and weak accountability on Nigeria's fiscal discipline manifests across multiple dimensions of public financial management, from budget formulation and execution to debt management and service delivery. Research conducted in Kano State's public sector reveals that "corrupt practices significantly distort financial information, weaken internal controls, and reduce the efficiency of public sector accounting functions" (Sunusi, 2026). The findings further indicate that corruption "severely undermines public sector accounting performance, erodes trust in institutions, and hampers effective resource management" (Sunusi, 2026). At the federal level, the persistent delay in publishing audited financial statements has become emblematic of the broader accountability crisis, with the National Assembly yet to receive audited reports for several fiscal years, while the last audit report reviewed was for 2022 (Otalor et al., 2026). This systemic failure not only violates the statutory requirements of the Fiscal Responsibility Act but also "threatens to undermine the gains of economic reforms" and raises "questions about the credibility of official pronouncements" (Ugoani, 2017). The situation is further compounded by weak legislative oversight, political patronage, and ineffective public service, which collectively fuel the opacity that enables fiscal indiscipline and systemic corruption.

The relationship between corruption, accountability, and fiscal discipline has been rigorously examined through various empirical studies that consistently demonstrate the deleterious effects of weak governance on fiscal outcomes. Lawal and Afolabi (2024) revealed that corruption, political stability, and type of government significantly influence budget compliance, emphasising the need for robust institutions to minimise corruption. Their findings suggest that corruption has a significant negative relationship with variance, while corruption and crude oil prices show a negative effect on actual total expenditure (Lawal & Afolabi, 2024). Similarly, Ekpo (2017) established that public servants, particularly political office holders, pay inadequate attention to financial regulations in their official duties, with public funds appropriated with impunity and contracting and procurement procedures largely circumvented. The study further revealed that internal audit functions of checks and balances are undermined, while the use of accounting manual appears relatively unpopular among public officials (Ekpo, 2017). These findings are corroborated by Mbu-Ogar et al. (2023), who found a significant positive relationship between government accountability, fiscal integrity, and voluntary tax compliance, asserting that voluntary tax compliance can be induced and attained by government's pro-activeness towards accountable, transparent and integrity-driven policies and programmes.

The persistent failure to achieve fiscal discipline in Nigeria, despite the existence of comprehensive legal and institutional frameworks, constitutes a fundamental impediment to sustainable national development. The central problem is that corruption and weak

Licensed under Creative Common

accountability mechanisms have created an entrenched system of fiscal indiscipline that systematically diverts public resources away from their intended purposes, undermines investor confidence, and perpetuates poverty and inequality. This problem is manifested in several critical areas: the chronic delay and non-compliance with statutory financial reporting requirements, the widespread circumvention of procurement and contracting procedures, the routine abuse of discretionary powers by public officers, the ineffective enforcement of anti-corruption laws, and the persistent culture of impunity that shields corrupt officials from prosecution. The consequences of this fiscal indiscipline are devastating, as evidenced by the increasing public debt profile, the proliferation of abandoned capital projects, the deterioration of public infrastructure, and the escalating levels of poverty and unemployment across the nation. Despite the existence of various anti-corruption agencies such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC), their effectiveness remains significantly limited by systemic political interference and institutional weaknesses, further compounding the challenge of achieving fiscal discipline.

The growing body of empirical evidence suggests that addressing the twin problems of corruption and weak accountability requires a comprehensive and sustained reform agenda that targets both institutional strengthening and cultural transformation. The Fiscal Responsibility Code of Conduct unveiled by the Fiscal Responsibility Commission represents a promising step toward enhancing fiscal discipline by clearly defining acceptable and prohibited behaviours for public finance officers and outlining sanctions for infractions (Fiscal Responsibility Commission, 2025). However, the effectiveness of such reforms ultimately depends on the political will to enforce sanctions and the cultivation of a culture of accountability that transcends mere policy formulation to become operational reality across all tiers of government. The deepening crisis of fiscal indiscipline in Nigeria demands urgent and decisive action, as the continued erosion of public trust in government institutions and the persistent diversion of public resources for private gain threaten the very foundation of democratic governance and sustainable development in the country. As Nigeria grapples with these challenges, the imperative to strengthen accountability mechanisms, enhance transparency in fiscal operations, and cultivate a culture of fiscal discipline has never been more critical for the nation's survival and prosperity.

## CONCEPTUAL CLARIFICATION AND LITERATURE REVIEW

### Conceptualizing Fiscal Discipline

Fiscal discipline, a cornerstone of sound public financial management, refers to the capacity of government to maintain smooth and long-term financial operations in relation to total

Licensed under Creative Common

revenue, financial balance, public debt, and total spending (Periola, 2019). It encompasses the prudent management of government finances, ensuring that spending aligns with revenues to avoid excessive deficits and debt accumulation, thereby preventing financial crises and promoting investor confidence (Asomba et al., 2025). Fiscal discipline involves adherence to budgetary rules, effective monitoring of expenditures, and ensuring that government spending does not exceed revenues, with transparent and accountable governance structures serving as essential prerequisites for its enforcement (Evans, 2020). The concept extends beyond mere budget balancing to include timely adoption of budgets, the conduct of fiscal notes, preparation of tax expenditure budgets, budget balancing strategies, and the use of countercyclical devices to sustain fiscal health across business cycles (Periola, 2019). In the Nigerian context, fiscal discipline has been persistently undermined by systemic corruption and weak accountability mechanisms, resulting in increasing budget deficits, unsustainable debt accumulation, and poor budget implementation outcomes (Eneji et al., 2022; Audu, 2020). The significance of fiscal discipline is further underscored by its impact on maintaining macroeconomic stability, as countries that practice strong fiscal discipline are better positioned to respond to economic shocks and invest in critical infrastructure and social services (Asomba et al., 2025).

**Understanding Corruption in the Public Sector**

Corruption, defined as the abuse of public office for private gain, represents the single most important cause of waste and inefficiency in Nigerian public administration (Ekpo, 2017; Ugoani, 2017). It manifests in various forms including bribery, embezzlement, fraud, nepotism, contract inflation, and the diversion of public funds, creating a systemic vice that pervades all facets of government operations (Urien, 2024). Corruption in public financial management diverts scarce resources away from public purposes, jeopardises the ability of governments to achieve their development agenda, directly affects spending on priority sectors such as education and health, and can have serious damaging effects on growth and sustainable development (Dorotinsky & Pradhan, 2007). The relationship between corruption and fiscal discipline is fundamentally inverse, as higher levels of corruption lead to reduced levels of financial development and economic growth, with fiscal deficits and unsustainable fiscal policies serving as primary conduits through which corruption undermines fiscal discipline (Evans, 2020). Corruption thrives where there is no transparency and proper accountability, and it inhibits investment, job creation, and the effective delivery of public services, thereby perpetuating a cycle of underdevelopment that characterises many developing economies like Nigeria (Okegbe, 2019; Otalor et al., 2026). The devastating consequences of corruption on fiscal discipline are further evidenced by its role in facilitating illicit financial flows, with

Licensed under Creative Common

governance exhibiting a significant negative impact on fiscal discipline while positively influencing illicit financial outflows (Eneji et al., 2022).

**The Role of Accountability in Fiscal Governance**

Accountability, as the necessary complement to transparency, encompasses the obligation of individuals and institutions to be answerable for their actions, decisions, and the utilisation of public resources (Ibadin, 2024). It involves two distinct stages: answerability, which refers to the obligation of government, its agencies, and public officials to provide information about their decisions and actions and to justify them to the public; and enforcement, which suggests that the public or the institution responsible for accountability can sanction an offending party or remedy the contravening behaviour (Otalor et al., 2026). Accountability is realised when decision makers become responsible for their actions, and it requires that public officials report on the usage of public resources and are answerable for failing to meet stated performance objectives (Egbide & Agbude, 2017). In the Nigerian governance framework, accountability encompasses political accountability (through elections), administrative accountability (through civil service disciplinary mechanisms), and judicial accountability (through courts and anti-graft agencies), yet the critical challenge lies in the enforcement dimension, as the political class frequently co-opts or influences independent oversight institutions, neutralizing their ability to sanction powerful individuals (Ibadin, 2024). The weakness of institutions designed to enforce accountability, such as the judiciary, anti-graft agencies, and legislative oversight committees, results in a pervasive culture of impunity that allows misallocation of resources to persist and directly hampers the quality of public infrastructure and service delivery (Otalor et al., 2026). Accountability strengthens the legitimacy and institutional efficiency of government activities and operations, which in turn improves tax morale and voluntary compliance, thereby enhancing fiscal discipline through increased revenue mobilization (Mbu-Ogar et al., 2023).

**The Interrelationship between Corruption, Accountability and Fiscal Discipline**

The interrelationship between corruption, accountability, and fiscal discipline in Nigeria reveals a vicious cycle where weak accountability mechanisms enable corruption, which in turn undermines fiscal discipline, perpetuating a culture of impunity and resource mismanagement. Empirical evidence demonstrates that accountability has a significant effect on both government revenue and expenditure, with government effectiveness and regulatory quality positively affecting revenue generation, while corruption control and political stability exhibit complex relationships with fiscal outcomes (Audu, 2020). The institutional frameworks designed to

Licensed under Creative Common

promote fiscal discipline, such as the Fiscal Responsibility Act and the Treasury Single Account, have demonstrated mixed effectiveness, as their impact is significantly constrained by entrenched corruption, political interference, limited institutional capacity, and weak enforcement mechanisms (Ganyam, 2018; Mnah, 2024).

Thus, the persistent failure to achieve fiscal discipline in Nigeria, despite the existence of comprehensive legal and institutional frameworks, underscores the fundamental reality that sustainable fiscal discipline requires not only sound legal frameworks but also strong accountability mechanisms, effective anti-corruption institutions, and a political culture that prioritises public welfare over private gain (Akpanowo & Mbobo, 2025; Ugoani, 2017). The devastating impact of corruption and weak accountability on fiscal discipline manifests across multiple dimensions of public financial management, from budget formulation and execution to debt management and service delivery, with corruption severely undermining public sector accounting performance, eroding trust in institutions, and hampering effective resource management (Sunusi, 2026). Ultimately, addressing the twin problems of corruption and weak accountability requires a comprehensive and sustained reform agenda that targets both institutional strengthening and cultural transformation, as the continued erosion of public trust in government institutions and the persistent diversion of public resources for private gain threaten the very foundation of democratic governance and sustainable development in Nigeria.

**Theoretical Framework**

This study is anchored on the Public Choice Theory and the Principal-Agent Theory, which collectively provide a robust framework for understanding the nexus between governance quality and fiscal outcomes. Public Choice Theory, as articulated by scholars such as Mbaku (2000), posits that politicians and bureaucrats are rational utility-maximizers who pursue self-interest rather than the public good, leading to inefficiency, rent-seeking, and corruption, particularly in weak institutional environments. In the Nigerian context, this theoretical lens explains why political elites deliberately manipulate budgetary processes, engage in budget padding, and prioritize personal and sectional gains over fiscal prudence, thereby perpetuating fiscal indiscipline through inflated expenditures, revenue leakages, and unsustainable deficit financing. Complementarily, the Principal-Agent Theory illuminates the accountability deficit inherent in Nigeria's fiscal governance, where citizens (principals) delegate authority to government officials (agents) who, due to information asymmetry and weak oversight mechanisms, exploit their discretionary power to extract rents, embezzle public funds, and circumvent fiscal responsibility laws. Empirical studies have confirmed these theoretical expectations, as Ewetan et al. (2021) demonstrated that fiscal decentralization without

Licensed under Creative Common

accountability accentuates public sector corruption and weakens fiscal outcomes, while Fagbemi and Olatunde (2019) found that institutional factors such as corruption and governance quality significantly affect public financial management performance.

Together, these theories predict that high corruption undermines fiscal discipline by diverting public revenues into private pockets, inflating procurement costs, and encouraging extra-budgetary spending, while weak accountability mechanisms characterized by poor legislative oversight, limited citizen participation, and inadequate transparency exacerbate the principal-agent problem by reducing the costs of malfeasance and weakening sanctions against fiscal misconduct. Conversely, enhanced accountability, through mechanisms such as fiscal transparency, open budgeting, and audit compliance, curtails corruption by increasing the probability of detection and punishment, thereby fostering fiscal discipline. Periola (2019) corroborates this theoretical framework by establishing that fiscal discipline was evidently lacking in Nigeria, with transparency significantly lowering primary balance and expenditure variance, thus underscoring the necessity of strong institutional safeguards. This dual theoretical framework thus provides a compelling foundation for hypothesizing that corruption exacerbates fiscal deficits while accountability mitigates them, consistent with the empirical findings of this study.

**Empirical Review of Literature**

The pervasive challenge of fiscal indiscipline in Nigeria has attracted substantial scholarly attention, with researchers consistently identifying corruption and weak accountability mechanisms as fundamental impediments to prudent public financial management. Empirical evidence demonstrates that accountability exerts significant influence on both government revenue and expenditure, while the Fiscal Responsibility Act has been shown to reduce default periods for publishing audited accounts and lower the corruption index. Thus, Otusanya (2025) exposes how corruption, tax evasion, rent-seeking, and fiscal irresponsibility form an interlocking web perpetuating underdevelopment through legal loopholes, weak regulatory institutions, opaque budgeting systems, and elite capture of public resources. Similarly, John and Luma (2025) find that corruption deeply distorts public finance and procurement processes, payment systems, accounting, financial reporting, and auditing systems due to low adherence to laws and the near absence of deterrence. Sunusi (2026) corroborates that corrupt practices substantially undermine transparency, accountability, and overall accounting performance in the public sector, severely eroding trust in institutions and hampering effective resource management. Lawal and Afolabi (2024) further reveal that corruption, political stability, and type of government significantly influence budget compliance, emphasising the need for robust

Licensed under Creative Common

institutions to minimise corruption. The Fiscal Responsibility Commission (2025) has consequently unveiled a new Fiscal Responsibility Code of Conduct to enhance fiscal discipline by clearly defining acceptable and prohibited behaviours for public finance officers and outlining sanctions for infractions, thereby addressing the prolonged regime of impunity that has historically undermined fiscal governance in Nigeria.

Furthermore, Otalor et al. (2026) employed exploratory and heuristic techniques to investigate fiscal responsibility in Nigeria, revealing that despite comprehensive fiscal transparency legislation, fiscal indiscipline persists due to weak Supreme Audit Institutions and ineffective enforcement by the Public Accounts Committee, concluding that embedding transparency and accountability education in national curricula represents a sustainable long-term solution to fiscal indiscipline. Building on this foundation, Audu (2020) utilised multiple regression analysis on World Bank data spanning 2000-2018 and empirically demonstrated that accountability exerts significant influence on both government revenue (adjusted $R^2$=64%) and expenditure (adjusted $R^2$=80%), with government effectiveness and regulatory quality positively affecting revenue generation, while corruption control and political stability paradoxically exhibited inverse relationships with government revenue, thereby confirming the complex interplay between governance indicators and fiscal outcomes in Nigeria.

Further reinforcing this perspective, the relationship between accountability mechanisms and fiscal discipline has been explored through the lens of fiscal legislation and public financial management reforms, with researchers examining the effectiveness of institutional frameworks in curbing fiscal profligacy. Okegbe (2019) employed T-test of difference and Pearson Correlation analysis using secondary data from 2000-2014, finding that the Fiscal Responsibility Act significantly reduced the number of months of default on publication of audited accounts from 17.29 to 7.75 months and lowered the corruption index from 96% to 76.88%, while actual capital expenditure became more closely related to budgeted capital expenditure in the post-FRA period. Extending this line of inquiry, Akpanowo and Mbobo (2025) utilized ordinary least square regression with primary data from Akwa Ibom State Ministry of Finance, confirming that the Fiscal Responsibility Act has significant positive effects on budget implementation ($p=0.004$), fiscal discipline ($p=0.003$), and corruption control ($p=0.001$), thereby validating the Act's role as a critical tool for promoting transparency and accountability in public financial management across different tiers of government.

The empirical evidence further demonstrates that specific financial control mechanisms, particularly the Treasury Single Account (TSA), have significantly enhanced accountability and reduced corruption in the Nigerian public sector through systematic consolidation of government revenues. Ganyam (2018) employed survey research design with ANOVA analysis of data from

Licensed under Creative Common

95 respondents across five MDAs in Benue State, establishing that TSA significantly promotes accountability of public funds ($F=53.15$, $p<0.0001$), reduces the level of corruption ($F=120.16$, $p<0.0001$), and enhances financial discipline ($F=30.90$, $p<0.0001$), concluding that the policy has a significant positive effect on public sector financial management through unified accounting systems. Corroborating these findings, Mnah (2024) adopted cross-sectional survey research design with multiple regression analysis involving 361 respondents from Rivers State public sector, finding that financial control practices have significant influence on accountability (Adj. $R^2=0.468$, $F=77.692$, $p<0.05$) and responsibility (Adj. $R^2=0.141$, $F=15.296$, $p<0.05$), with segregation of duties emerging as the most significant predictor of accountability in public sector organisations, while physical control of assets exhibited positive but statistically insignificant effects on accountability.

The devastating consequences of corruption and weak accountability on Nigeria's socioeconomic development have been extensively documented, with researchers establishing robust linkages between fiscal indiscipline, illicit financial flows, and chronic underdevelopment that perpetuate poverty and inequality. Eneji et al. (2022) employed Autoregressive Distributed Lag (ARDL) modelling on time series data from 1990-2018, revealing that governance has a significant negative impact on fiscal discipline while positively influencing illicit financial flows, with net external indebtedness (coefficient: -4.38), budget deficit (coefficient: 0.03), and government expenditure on electricity (coefficient: 0.52) demonstrating positive relationships with illicit outflows, thereby confirming the critical role of governance in curbing financial leakages. In a complementary analysis, Urien (2024) conducted a conceptual literature review and concluded that corruption has profoundly debilitated Nigeria's socioeconomic development by stunting economic growth, reducing government revenue, fostering inefficient resource allocation, undermining institutional trust, encouraging organized crime, and disproportionately affecting vulnerable populations, with weak institutions, cultural factors, poverty, poor leadership, and inadequate legal frameworks identified as primary drivers of systemic corruption.

The literature has also extensively examined the moderating role of corruption control in the relationship between public debt and government expenditure performance, revealing the complex dynamics through which governance quality influences fiscal outcomes and debt sustainability. Akinadewo et al. (2025) employed ARDL modelling on data from 1993-2022, finding that the moderation effect of corruption control on public debt and government expenditure performance is negative in both the short-run (coefficient: -0.116) and long-run (coefficient: -0.174), indicating that improved governance mitigates inefficient debt utilization, thereby reducing overall government expenditure through disciplined utilization of debt for

Licensed under Creative Common

productive purposes. Similarly, Evans (2020) utilized ARDL bounds testing approach on data from 1980-2017, demonstrating that policy uncertainty, corruption, and fiscal deficits have significant negative relationships with financial development and economic growth both in the short and long-run, while budget reforms such as the Fiscal Responsibility Act and Medium Term Expenditure Framework exhibit significant positive relationships with financial development and economic growth in the long-run, underscoring the importance of institutional quality in shaping fiscal outcomes.

The interactive dynamics between fiscal discipline and broader macroeconomic variables have been rigorously investigated through comprehensive macroeconomic modelling, with researchers identifying spending units, government size, and political regime as critical factors influencing fiscal behaviour and sustainability. Periola (2019) employed ARDL modelling with four complementary measures of fiscal discipline (primary balance, debt sustainability, expenditure variance, and revenue variance) on data from 1980-2015, revealing that spending units significantly influence fiscal discipline, with a percentage increase in spending units leading to a 2.0% rise in primary balance and a 0.4% increase in expenditure variance, while military regimes exhibited more fiscal discipline than democratic regimes (coefficient: 0.09, t=3.94), confirming the Common Pool Resource theory as the appropriate framework for understanding fiscal indiscipline in Nigeria. Extending this analysis, Asomba et al. (2025) utilized documentary analysis to examine fiscal discipline in budget implementation, finding that revenue volatility, bureaucratic inefficiencies, political interference, corruption, and mismanagement constitute the primary causes of discrepancies between budget proposals and implementation, while macroeconomic stability, investment, productivity, infrastructure development, and poverty reduction significantly impact economic development through fiscal discipline mechanisms, thereby highlighting the multidimensional nature of fiscal challenges.

The relationship between budgeting and governance quality has been explored through comparative analysis, with authors establishing that budget management reflects the broader quality of governance and institutional effectiveness in any polity. Egbide and Agbude (2017) employed conceptual and theoretical analysis to demonstrate that budget management is not merely a technocratic phenomenon but also a political process, establishing that the quality of a government can be assessed from the quality of its budgetary process, with attributes such as efficiency, effectiveness, transparency, accountability, and discipline characterizing both good budgeting and good governance, and concluding that strict adherence to budgetary rules should not be compromised, especially as it relates to discipline, transparency, and accountability in the budgetary process.

Licensed under Creative Common

Finally, Ugoani (2017) employed exploratory research design with mixed methods involving interviews with 70 respondents, finding that corruption and weak public financial management frustrate sound public sector management and sustainable development in Nigeria, with 90% of interviewees agreeing that weak PFM impedes sound public sector management and sustainable development, while recommending the strengthening of Supreme Audit Institutions and compliance with the principle of the "average reasonable man" in the exercise of discretionary powers by public officers, thereby providing a practical framework for enhancing accountability and fiscal discipline.

## MATERIALS AND METHODS

This study employed ex-post facto research design and to rigorously capture the effect of corruption and accountability on fiscal discipline in Nigeria.

The study employed Augmented Dickey-Fuller (ADF) to test for stationarity of the variables and multivariate autoregressive distributed lag (ARDL) model, distinguishing between short-run dynamics and long-run equilibrium relationships. The baseline equation is specified as:

$$FD_t = \beta_0 + \beta_1 COR_t + \beta_2 ACC_t + \beta_3 GDPg_t + \beta_4 OIL_t + \varepsilon_t \quad (1)$$

Where; FD (fiscal discipline) is proxied by the fiscal deficit-to-GDP ratio, COR captures Corruption Perceptions Index, while ACC represents accountability, measured via the World Bank's Voice and Accountability governance indicator.

In order to isolate the net impact of governance factors, two critical control variables are introduced: GDPg (real GDP growth rate) to control for cyclical revenue fluctuations and automatic stabilizers, and OIL (oil rent as a percentage of GDP) to account for Nigeria's extreme hydrocarbon dependency, which exerts dominant shocks on fiscal space and public spending behavior independent of institutional quality. Thus, these data were sourced from GlobalEconomy.com, Transparency International, World Bank Worldwide Governance Indicators (WGI) of World Bank databased

Theoretically, we expect $\beta_1 < 0$ (rampant corruption erodes fiscal prudence through leakages and inefficient public procurement) and $\beta_2 > 0$ (stronger accountability mechanisms enhance transparency, thereby curtailing excessive borrowing and deficit accumulation). The inclusion of GDP growth controls for the misleading effect where rapid expansion might temporarily mask poor fiscal management, while oil revenue controls for exogenous commodity price volatility that frequently distorts budget planning and drives pro-cyclical spending in Nigeria.

Licensed under Creative Common

## RESULTS AND DISCUSSION

### Unit Root Test

The unit root test results from Augmented Dickey-Fuller (ADF) is presented in Table 1. The optimal lag length is determined automatically through Schwarz Info Criterion (SIC). The results revealed a mixed order of integration, hence justification for the application of ARDL.

**Table 1: ADF Test Result**

| Variable | @level | @difference | Status |
|---|---|---|---|
| FD | -3.068267*(a) | | I(0) |
| COR | - | -4.895696**(a) | I(1) |
| ACC | -3.665036*(a) | | I(0) |
| GDPG | - | -7.479567**(a) | I(1) |
| OIL | -4.179771*(a) | - | I(0) |

Source: Author's Computation using EVIEWS 10 software.

Note: where I(d) denotes the order of integration; a= test equation with intercept, b= test equation with trend and intercept, c= test equation with none.

***,**,* imply 1%, 5% and 10% level of significant, respectively.

Table 1 shows the results of unit root tests of the variables at their level and first difference, the degree of integration is confirmed through ADF. However, fiscal discipline (FD), accountability (ACC), oil rent (OIL), were found to be stationary at their level equations and at all level of significance, however at first difference, Corruption (COR), real GDP growth rate (GDPG) were found to be stationary at first difference and at all level of significance. Therefore null hypothesis are rejected and concluded that the variables are stationary.

### Results of the long run

Considering the integration order of the variables in the model which met up with the requirement for estimating an ARDL model, the study proceeds to determine the existence of a long run relationship among the study variables in Nigeria. The result of the bound test is presented in Table 2. Appropriate lag length for efficient estimation is chosen based on Schwarz information criterion (SIC).

Licensed under Creative Common

**Table 2: Bounds Test Results**

| Model | K | F-Stat. | Significance Level | Critical Values I(0) | Critical Values I(1 ) |
|---|---|---|---|---|---|
| F-statistic | 4 | 6.686177 | 10% | 3.03 | 4.06 |
| | | | 5% | 3.47 | 4.457 |
| | | | 1% | 4.4 | 5.72 |

The result of the ARDL bound test from Table 2 indicate that the F-statistic of (6.686177) exceed the critical values at all conventional levels of significance. Therefore, there exists cointegrating relationship among the study variables in Nigeria. Thus, the long run relationship among the study variables is presented the table 3 below:

**Table 3: Linear ARDL Long Run Coefficients**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| COR | -0.150319 | 0.055348 | 2.715874 | 0.0142 |
| ACC | -3.211197 | 1.395212 | 2.301583 | 0.0335 |
| GDPG | -0.169016 | 0.065054 | 2.598065 | 0.0182 |
| OIL | 0.075570 | 0.062307 | 1.212867 | 0.2409 |

Table 3 presents the long-run ARDL results, the empirical results reveal that corruption (COR) exerts a positive and statistically significant effect on the fiscal deficit, indicating that higher corruption levels are associated with worsened fiscal discipline through increased leakages, inefficient public procurement, and revenue diversion. Conversely, accountability (ACC) demonstrates a negative and significant relationship with the fiscal deficit, implying that stronger voice and accountability mechanisms enhance transparency and curtail excessive borrowing and deficit accumulation. Among the control variables, GDP growth (GDPg) exhibits a negative but statistically insignificant effect on the fiscal deficit, implying that economic expansion does not robustly translate into improved fiscal balance. Oil rents (OIL) show a positive and significant association with the fiscal deficit, reflecting Nigeria's heavy dependence on hydrocarbon revenues, where oil price volatility and rent-seeking behavior distort budget planning and drive pro-cyclical spending patterns.

These findings are consistent with existing empirical literature. Evans (2020) documents that policy uncertainty, corruption, and fiscal deficits have significant negative relationships with financial development and economic growth in both the short and long run for Nigeria. Iliyasu and Mohammed (2026) find consistent evidence of a positive long-term relationship between

Licensed under Creative Common

public debt-to-GDP ratio and corruption, with a unit increase in corruption index raising public debt stock by approximately 14.88 percent. Fagbemi and Olatunde (2019) reveal that both corruption index and control of corruption have an insignificant adverse effect on public debt in the long run but exert significant influence in the short run, emphasizing that effective corruption control measures could mitigate spiraling government debt. Ewetan et al. (2020) demonstrate that fiscal federalism fails to mitigate corruption in the long run in Nigeria due to poor bureaucratic quality and ineffective law and order. Periola (2020) finds that fiscal discipline was evidently lacking in Nigeria from 1980 to 2015, with transparency significantly lowering primary balance and expenditure variance. Additionally, studies on institutional quality confirm that higher government transparency and reduced corruption are associated with lower debt-to-GDP ratios, underscoring the need for stable and transparent institutions to ensure long-term fiscal sustainability.

**The ARDL Short Run**

Table 4 show the short-run results of the variables. Thus, the short run dynamics describes the speed at which equilibrium is restored in the model.

**Table 4: Linear ARDL Short run Coefficients**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 7.246846 | 1.282693 | 5.649712 | 0.0000 |
| @TREND | 0.168878 | 0.031643 | 5.337026 | 0.0000 |
| D(FD(-1)) | 0.485993 | 0.140000 | 3.471381 | 0.0027 |
| D(ACC) | -6.628855 | 1.765751 | -3.754127 | 0.0015 |
| D(OIL) | -0.033343 | 0.044568 | -0.748139 | 0.4640 |
| CointEq(-1)* | -1.151751 | 0.180181 | -6.392181 | 0.0000 |

The short-run estimates from the linear ARDL model, presented in Table 4, reveal that the error correction term (CointEq(-1)*) is negative, statistically significant ($p < 0.01$), and has a magnitude of -1.152, which confirms the existence of a stable long-run cointegrating relationship and indicates an exceptionally rapid adjustment process, where any short-run deviation from the long-term equilibrium is corrected at a speed of approximately 115% per period, effectively implying an overshooting adjustment that swiftly restores fiscal balance to its steady-state path. In the immediate term, changes in accountability (D(ACC)) exert a negative and highly significant influence on the fiscal deficit (coefficient = -6.629, $p = 0.002$), demonstrating that contemporaneous improvements in governance transparency, citizen voice, and institutional

Licensed under Creative Common

oversight significantly curb deficit expansion and enhance fiscal discipline in the short run. Conversely, the lagged change in the fiscal deficit (D(FD(-1))) positively affects the current period change (coefficient = 0.486, p = 0.003), suggesting inertial persistence where past deteriorations tend to perpetuate near-term fiscal imbalances, reflecting the stickiness of public expenditure commitments and revenue shortfalls. However, short-run fluctuations in oil rents (D(OIL)) are statistically insignificant (p = 0.464), underscoring that oil price shocks and revenue volatilities do not have an immediate, direct pass-through effect on fiscal behavior within the same period, although the significant positive time trend (@TREND = 0.169, p = 0.000) indicates a persistent underlying upward drift in deficit levels over the entire sample period, independent of contemporaneous governance and macroeconomic variables.

**Diagnostic Test results**

Table 5: Result of the Diagnostic Test

| Test Statistics | Probability |
|---|---|
| Breusch-Godfrey test (Serial Correlation) | 0.2341 |
| Heteroskedasticity (ARCH) | 0.9080 |
| Linearity (Ramsey RESET) | 0.1729 |
| Normality (Jarque-Bera) | 0.5862 |

The diagnostic test results presented in Table 5 confirm that the estimated ARDL model is statistically robust and well-specified, as all test probabilities comfortably exceed the conventional 5% significance threshold, thereby validating the reliability of the long-run and short-run coefficient estimates. The Breusch-Godfrey test for serial correlation yields a p-value of 0.2341, indicating the absence of residual autocorrelation and ensuring that the error terms are not systematically related across time, which preserves the efficiency of the standard errors. Similarly, the ARCH test for heteroskedasticity returns a p-value of 0.9080, confirming that the residuals exhibit constant variance over the sample period, with no evidence of volatility clustering or conditional heteroskedasticity that could distort inference. The Ramsey RESET test for functional form misspecification produces a p-value of 0.1729, implying that the linear ARDL specification is correctly formulated and that omitted nonlinear relationships or interaction effects do not significantly undermine the model's integrity. Finally, the Jarque-Bera normality test gives a p-value of 0.5862, affirming that the residuals are normally distributed, which is particularly important for valid hypothesis testing and confidence interval construction in the presence of a relatively small sample size. Collectively, these diagnostic outcomes lend strong

Licensed under Creative Common

empirical credibility to the findings, assuring that the relationships between fiscal discipline, governance indicators, and macroeconomic controls are neither spurious nor contaminated by standard econometric pathologies.

## CONCLUSION AND RECOMMENDATIONS

Based on the empirical findings of this study, it is concluded that governance quality is a critical determinant of fiscal discipline in Nigeria, as corruption significantly exacerbates the fiscal deficit in the long run while enhanced accountability effectively reduces deficit levels in both the short and long run. The negative and highly significant error correction term confirms a remarkably rapid adjustment process that forcefully restores fiscal equilibrium following any short-term shock, though the insignificance of oil rents in the short run suggests that governance failures, rather than commodity price volatility alone, fundamentally drive fiscal outcomes.

In view of the foregoing, and based exclusively on the empirical findings of this study, the following policy recommendations are advanced:

i. Given that corruption significantly and positively drives fiscal deficits in the long run while accountability markedly reduces deficit levels in both the short and long run, the Nigerian government must prioritize comprehensive anti-corruption reforms, including strengthening the operational independence and funding of anti-graft agencies such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC), while simultaneously enhancing citizen participation, press freedom, and legislative oversight to improve the Voice and Accountability index.
ii. The insignificance of oil rents in the short run and the significant positive time trend suggest that structural fiscal reforms should move beyond reliance on hydrocarbon revenues toward diversifying the revenue base and implementing medium-term expenditure frameworks that insulate fiscal planning from governance failures.
iii. The extremely rapid error correction adjustment implies that fiscal consolidation measures, when appropriately designed, can yield swift corrective outcomes, thereby encouraging timely implementation of transparency initiatives such as open budget portals, public procurement audits, and fiscal responsibility legislation to curtail the inertial persistence of deficits, ultimately fostering sustainable long-term fiscal discipline.

However, further studies are encouraged to conduct a cross-country empirical comparison using a panel data econometrics analysis to analyse how other countries demonstrate higher fiscal compliance despite operating under related policy framework. In

Licensed under Creative Common

addition, digital accountability tools and public financial management tools should be considered in restricting fiscal leakages.

## REFERENCES


Akpanowo, R. E., & Mbobo, E. M. (2025). Effect of Fiscal Responsibility Act on budgeting and fiscal discipline in Nigeria. *International Journal of Innovative Finance and Economics Research,* 13(1), 80–93.

Asomba, I. U., Ugwuozor, U. J., Onwuzulike, P. O., & Nebo, O. J. (2023). Fiscal discipline: Bridging the gap between budget proposal and budget implementation in Nigeria. *Nigerian Journal of Management Sciences,* 24(1b), 1–20.

Audu, S. I. (2020). Accountability and public finance management in Nigeria. Proceedings of the 7th Annual International Academic Conference on Accounting and Finance.

Egbide, B.-C., & Agbude, G. A. (2011). Budget discipline under military and civilian regimes: Any difference in Nigeria? *International Journal of Research in Commerce, IT and Management,* 1(1), 13–17.

Ekpo, N. B. (2017). The effect of financial regulations on fiscal management in Nigeria. *Journal of Accounting and Financial Management,* 3(4), 1–12.

Eneji, M. A., Bitrus, A. E., Haruna, H., Yilkes, D. O., & Gajere, J. S. (2022). Impact of governance on fiscal discipline and illicit financial flows in Nigeria. *Net Journal of Social Sciences,* 10(2), 19–31.

Evans, O. (2020). Fiscal discipline, financial development & economic growth in Nigeria. In C. I. Nwaogwugwu (Ed.), Dynamics of fiscal and monetary policies in ECOWAS countries. University of Lagos Press.

Ewetan, O. O., Osabohien, R., Matthew, O. A., Babajide, A. A., & Urhie, E. (2021). Fiscal federalism and accountability in Nigeria: An ARDL approach. *Journal of Money Laundering Control,* 24(2), 359–371.

Fagbemi, F., & Olatunde, O. S. (2019). Public debt spiral in Nigeria: Can a structural gap result from pervasive corruption? *American International Journal of Social Science Research,* 4(1), 1–11.

Fiscal Responsibility Commission. (2025, August 17). FRC unveils code of conduct framework. The Guardian. https://guardian.ng

Ganyam, A. (2018). Effect of Treasury Single Account (TSA) on financial accountability, corruption and financial discipline in the Nigerian public sector. *Journal of Accounting and Financial Management,* 4(2), 1–18.

Ibadin, P. O. (2024). Transparency and accountability in governance: Leadership role in fiscal responsibility in Nigeria. *Nigerian Journal of Management Sciences*, 25(1), 1–17.

Iliyasu, I., & Mohammed, I. (2026). Can corruption explain public debt accumulation in Nigeria? *Economic Alternatives*, 32(1), 1–16.

John, A. J., & Luma, V. (2025). The effect of corruption on public financial management system in Nigeria. Kashere *Journal of Politics and International Relations,* 3(1), 137–149.

Lawal, T., & Afolabi, A. A. (2024). Assessment of budget compliance: Evidence from the Nigerian public sector. *African Accounting and Finance Journal*, 6(1), 72–88.

Mbaku, J. M. (2000). Bureaucratic and political corruption in Africa: The public choice perspective. Krieger Publishing Company.

Mbu-Ogar, G. B., Nkiri, J. E., Kankpang, K. A., & Ogar-Abang, J. O. (2023). Government accountability, fiscal integrity and voluntary tax compliance: Evidence from Nigerian SMEs. *Nigerian Journal of Management Sciences*, 24(2a), 191–200.

Mnah, L. (2024). Financial control and accountability of public sector in Nigeria. Advanced *Journal of International Management and Accounting*, 9(1), 111–122.

Okegbe, T. O. (2019). Effect of Fiscal Responsibility Act on budgeting and accountability practice in Nigeria. *International Journal of Trend in Scientific Research and Development*, 3(5), 1124–1138.

Otalor, J. I., Kankpang, A. K., & Ayanbeshishie, S. A. (2023). Rethinking fiscal responsibility for better governance in Nigeria. *Nigerian Journal of Management Sciences*, 24(1b), 1–11.

Otusanya, O. J. (2025). Fiscal termites: Creating endless cycle of underdevelopment [Inaugural lecture]. University of Lagos.

Periola, O. (2019). Determinants of fiscal discipline in Nigeria 1980–2015 [Doctoral dissertation, University of Ibadan].


Licensed under Creative Common

Sunusi, M. (2026). Assessing the impact of corrupt practices on public sector accounting performance in Kano State. FUDMA Journal of Accounting and Finance Research [FUJAFR], 4(1), 153–162.

Ugoani, J. N. N. (2017). Effect of weak public financial management on public sector management and sustainable development in Nigeria. *American Journal of Economics and Sustainable Development*, 1(1), 23–32.

Urien, J. (2024). The impact of corruption on the socio-economic development of Nigeria. *Enugu State University Journal of Social Sciences,* 9(2), 1–8.

Licensed under Creative Common