



## International Financial Management and the Nigerian Government Performance

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### ABSTRACT

The paper discussed an analytical assessment of how international finance management affects government performance by examining the theoretical underpinnings of international financial management, including the ideas of currency hedging, international financial markets, and foreign exchange risk management. Additionally, the empirical data demonstrating the connection between international financial management and the effectiveness of governments, such as studies on how foreign exchange rates affected government revenue, how currency fluctuations affected public budgets, and more. The paper emphasized the difficulties encountered by governments when handling global financial resources, such as the intricacies of foreign exchange markets, the dangers posed by currency swings, and the constraints placed on international financial institutions.

## **INTRODUCTION**

Governments throughout use a variety of tactics and methods to promote grassroots good governance. Local government refers to the government at the local level. Local governments are made possible by the democratization process and the full involvement of grassroots residents in decision-making. It was established with two goals in mind: first, to act as an administrative organization for the provision of goods and services to meet the needs of the local population (Adu and Ajigbotoso, 2024).

Second, as a democratic framework that ensures community people are fully represented in local government decision-making. In both rural and urban settings, local government is essential to the socioeconomic growth of the grassroots (OECD, 2019). By providing community-level governance and service delivery to citizens, it is the government that is closest to the people. It also helps the grassroots, which is the lowest level of society, to develop administratively and politically, socially, politically, and economically. This makes development relevant and real (Adu, 2024).

No country can be considered developed if its metropolis is becoming ultra-modern and its rural are falling behind. In order to implement public policies, the local government uses developmental programs to strike a balance between the needs of the metropolis and the villages. In order to improve local government performance in the areas of accountability, transparency, adherence to legal requirements, and service delivery to the community's general populace, governments around the world have adopted various forms of public financial management reforms (Adu, 2016).

### **Objective**

To examine the effect of international financial management on the Nigerian government performance

### **Research Question**

To what extent is the effect of international financial management on the Nigerian government performance?

### **Hypothesis**

There is no significant relationship between international financial management and the Nigerian government performance

## **LITERATURE REVIEW**

### **Financial Management**

The administration of finances to accomplish management goals is known as financial management. It encompasses all activities related to generating income and allocating such funds to meet the goals of the local government. Accounting expertise, economic models, mathematical principles, systems analysis, and behavioral science are all used in financial management to support management's financial planning, control, and management tasks (UNDP, 2019). Related fields including economics, law, quantitative methods, behavioral science, financial accounting, and management accounting are all incorporated within financial management. The planning and control of a company's or organization's financial resources is the managerial task known as financial management. Any organization's lifeblood is its finances, which must be managed for it to succeed (Adu, 2024).

## Concept Review

### 1. Foreign Exchange Risk Management

Foreign exchange risk management is a critical aspect of international financial management. Companies face exposure to exchange rate fluctuations, which can affect their profitability and cash flows. Researchers have proposed various techniques for managing foreign exchange risk, including hedging with derivatives (e.g., forwards, options), currency diversification, and hedging with cash management (Adu, Oke-Potefa, and Adeleke, 2023).

### 2. International Capital Budgeting

International capital budgeting involves evaluating investment opportunities across different countries and currencies. Researchers have proposed various methods for evaluating international investments, including the net present value (NPV) method and the internal rate of return (IRR) method (Adu and Ajigbotoso, 2024).

### 3. Currency Diversification

Currency diversification is a popular strategy for managing foreign exchange risk. Researchers have shown that currency diversification can reduce the volatility of returns and improve portfolio performance (Adu, Oke-Potefa, and Adeleke, 2023).

### 4. International Financial Markets

International financial markets play a crucial role in facilitating international trade and investment. Researchers have studied the structure and functioning of international financial markets, including the role of foreign exchange markets and international bond markets (Adu, 2024).

### 5. Multinational Corporation Strategy

Multinational corporations face unique challenges in managing their operations across different countries. Researchers have studied the strategies adopted by multinational corporations to manage their international operations, including the use of multinational company-specific factors (Adu, 2016).

## METHODOLOGY

### Challenges of International Financial Management

- i. **Currency Fluctuations:** Currency fluctuations can significantly impact a company's financial performance and profitability. A 10% change in exchange rates can result in a 10% change in profits.
- ii. **Global Economic Instability:** Global economic instability, such as recessions and depressions, can affect a company's financial performance and ability to access capital.
- iii. **Diverse Regulatory Environments:** Different countries have different regulatory environments, which can create challenges for multinational corporations.
- iv. **Cultural and Language Barriers:** Cultural and language barriers can create communication challenges and make it difficult to manage international operations.
- v. **Transaction Costs:** International transactions can involve higher costs due to the need to convert currencies, navigate different payment systems, and comply with regulations.

- vi. Risk Management: International financial management involves managing risks such as currency risk, country risk, and operational risk.
- vii. Taxation: Different countries have different tax laws and regulations, which can create challenges for multinational corporations.
- viii. Supply Chain Disruptions: Supply chain disruptions can occur due to natural disasters, political unrest, or other factors, which can impact a company's ability to deliver products and services.
- ix. Global Economic Sanctions: Economic sanctions imposed by governments can create challenges for multinational corporations operating in specific countries.
- x. Cybersecurity: Cybersecurity threats are increasingly becoming a concern for multinational corporations operating globally (CIFM,2020).

### **Challenges of International Financial Management in Governments Performance in Nigeria**

International financial management's effects on government performance Nigerian administrations deal with a variety of issues depending on their status and unique characteristics. Among the typical ones are: 1. Constitutional challenges: Section 162(6) of the 1999 constitution calls for the establishment of a joint account between the state and local governments. 2. Inadequate managerial and technical skills to offer high-quality public products and services. 3. Insufficient money to cover the rising expenses. 4. Absence of bylaws and other regulations. 5. Absence of functional means for collecting taxes and doing other administrative tasks 6. Traditional and political interference with revenue drives that results in revenue loss. 7. The state governor's excessive authority over local government finances and earnings. 8. Political instability and corruption. 9. Insufficient budgetary control 10. Financial independence is lacking (Adu, Uchehara, and Williams, 2024).

#### Potential linkages between International Financial Management and Government Performance

- i. Fiscal Sustainability: Effective international financial management can ensure that a government's fiscal policy is sustainable, which is critical for maintaining economic stability and achieving good government performance. A well-managed international financial system can help a government to balance its budget, reduce debt, and invest in essential public services.
- ii. Exchange Rate Management: A government's ability to manage its exchange rates can have a significant impact on its overall economic performance. Good exchange rate management can help to stabilize prices, promote exports, and attract foreign investment, which can contribute to good government performance.
- iii. International Investment: Attracting foreign investment can be critical for a government's economic development strategy. Effective international financial management can help to create an attractive investment climate, promote economic growth, and improve government performance.
- iv. Risk Management: Governments face various risks such as currency fluctuations, trade disputes, and natural disasters. Effective risk

management is critical for mitigating these risks and ensuring the stability of the economy, which is essential for good government performance.

- v. **Public Finance:** International financial management can have a significant impact on a government's public finance systems. Good financial management practices can help to ensure that public funds are used efficiently and effectively, which is critical for delivering high-quality public services and achieving good government performance.
- vi. **Economic Governance:** The quality of a country's economic governance is critical for attracting foreign investment, promoting economic growth, and improving government performance. International financial management can help to promote good governance by ensuring that economic policies are transparent, accountable, and responsive to the needs of citizens.
- vii. **Macroeconomic Stability:** A government's ability to manage its macroeconomic policies can have a significant impact on its overall economic performance. Effective international financial management can help to promote macroeconomic stability, reduce inflation, and promote economic growth, which are all critical for good government performance.
- viii. **Development Finance:** International financial management can play a critical role in promoting development finance by providing access to capital for developing countries. This can help to promote economic growth, reduce poverty, and improve government performance in these countries (World Bank, 2019).

Some of the key indicators that can be used to measure the linkages between international financial management and government performance include: fiscal sustainability, exchange rate volatility, foreign direct investment, economic growth, inflation rate, public sector efficiency, corruption perception index, human development index while some of the key challenges that governments face in managing their international finances include: Managing exchange rate volatility, attracting foreign investment, managing debt, promoting economic growth, addressing corruption, managing natural disasters and other external shocks (Adu, Oguntuase, and Williams, 2024).

## RESULTS AND DISCUSSION

### Government Performance

Government performance is a critical concept in the field of public administration and policy-making. It refers to the extent to which a government achieves its intended goals and objectives, and is often measured through various indicators such as economic growth, poverty reduction, education outcomes, and health outcomes. In recent years, there has been a growing interest in government performance due to the increasing complexity of governance challenges, the need for more effective public services, and the importance of accountability and transparency (Adu, Ajao and Orjime, 2024).

The literature on government performance is vast and diverse, with different perspectives and approaches to understanding what constitutes good performance. Some scholars argue that government performance can be measured through traditional indicators such as economic growth, fiscal

discipline, and institutional stability. Others propose more nuanced approaches that take into account factors such as citizen satisfaction, trust in government, and governance quality (Adu, 2024).

One of the most influential frameworks for understanding government performance is the "New Public Management" (NPM) approach, which emphasizes the importance of efficiency, effectiveness, and accountability in public administration (UNDP, 2019). NPM advocates for a more business-like approach to government, with a focus on outcomes-based management, decentralization, and privatization (Adu, 2012).

### **Stewardship Theory**

In 1991 and 1993, Donaldson and Davis created the stewardship hypothesis. The idea that the steward is safeguarded and that company performance is optimized to boost shareholder wealth while simultaneously expanding the steward's utility cut-off points is founded on psychology and sociological theories. According to their definitions, stewards are managers and leaders of the firm who work, protect, and make money for the company's shareholders. Stewardship, which sees the top executives as stewards who collaborate to accomplish a common goal, is a significant aspect of the organization's structure that differs from agency theory. According to this theory, stewards are persuaded and content if hierarchical success is attained. Regarding the idea of stewardship, the philosophy of stewardship places a strong emphasis on the necessity of setting up organizations that give workers and other stakeholders a feeling of autonomy and confidence. To guarantee that investors' earnings are maximized, more focus is placed on management positions or staff ranks (Sipos, 2020)

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

Government performance is heavily dependent on the efficient administration of foreign financial resources since it helps governments to accomplish their social and economic goals.

### **Recommendations**

A combination of institutional factors, context-specific conditions, and strategic approaches to public administration should be adopted by government to have effective performance.

### **FURTHER STUDY**

This study still has limitations so that further research is still needed on the topic of "International Financial Management and the Nigerian Government Performance".

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