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Amah Kalu Ogbonnaya

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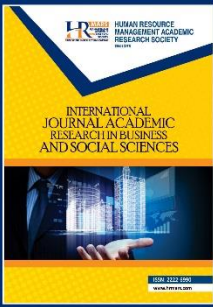
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Effect of Corruption in Nigeria Economy: A Critical View

Amah Kalu Ogbonnaya

Department of Accounting, College of Management Science, Michael Okpara University of Agriculture, Umudike, Abia State Nigeria.

Abstract

The study examined the effect of corruption in Nigeria Economy: A critical view. A cross survey research design was adopted and secondary data extracted from the World Bank, Transparency organization data. The statistical tool used was multi-regression analysis and t-test for the hypotheses testing and data analysis with the aid of SPSS version 20. The result of the study shows that corruption has significant impact on the economy of Nigeria, the study went further to recommend that, they should be awareness of the evil of corruption right from the home, that Government should also show example by trying their corrupt officials first and finally they should reintroduce firing squared for people found guilty of the crime.

Keywords: Corruption, World Bank, Transparency Organization, Nigeria Economy.

Introduction

Corruption is widely regarded as one of the biggest challenges of the 21st century; it is a complex social, political and economic phenomenon that affects all countries. The World Bank website cites corruption as the single most important obstacle to development, it is a subversive force that can topple the most entrenched regimes, it co- nodes currencies, markets and investments, Ademihe, 2013. It is one of the greatest challenges of the contemporary world. It undermines good government fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and development and particularly hurts the poor (transparency international).

Corruption has no uniform definition this is so because what is regarded as corruption depends on the actors, the profiteers, initiators, how and where it takes place, Ademihe (2013). Some countries defined corruption in the broadest form while others legislated on the narrow definition of the term, of how a nation perceives the definition of corruption in its economy, corruption is a deterrent to the economy hence a stumbling block. According to World Bank and IMF it is 'the abuse of public office for private gains'. According to Osoba (1996) he defined corruption as an anti-social behavior contemning improper benefits contrary to legal and normal norms and which undermines the authorities' capacity to secure the welfare of all citizens.

Sachs (2007) defines corruption as endemic as well as an enemy within. It had stunted growth in any sectors; it is the primary reasons behind country difficulties in development. This is the evident that transparency international rating of Nigeria as one of the top most corruption countries of the world Ribadu (2003).

The need to study corruption in Nigeria Economy –A critical view has continued to generate passionate commentaries and academic interest due to the level of corruption in the country and its effect on the Economy, corruption manifests itself in Nigeria inform of abuse of position and privileges', low level of transparency and accountability, inflection of contacts, bribery/kickbacks ,misappropriation or diversion of funds, under and over invoicing false declaration, advance free fraud know as 419, collection of illegal tolls, lilt smuggling of drugs and arms. With the present government on ground that promise that they will fight this ugly trend called corruption which they took some steps to forestall the reputation and entrenchment of corruption in Nigeria, which include establishment of anti- graft agencies such as independent corrupt practices and other Related Offences Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) and the Financial Action Task Force on money Laundering (FATF) and Public service reform. Such effort is yet to have a significant positive impact. It seems that corruption has defied all the necessary solutions. Therefore the main objective of the paper is to analyze the effect of corruption on the Nigeria Economy.

Objective of the Research

To examine the effect of Corruption in Nigeria Economy: A Critical view.

Research Question

To what extent does Corruption affect Nigeria Economy?

Research Hypothesis

H₀₁ Corruption has no significant effect on Nigerian Economy Using GDP.

Literature Review

Literatures in the issue of corruption are abounding because of its impact in the Economy. According to Ngouo (2000) and the World Bank, corruption is the exploitation of public positions for private benefits. She also stated that the lack of any civil spirit among any categories of civil servants leads to corruption and misappropriate of public funds.

Gray and Kaufmann (1998) define “acts of corruption to include bribery and extortion which necessarily involves at least two parties and other malfeasances that a public official can carry out alone including fraud and embezzlement”. For them it manifests in government activities through the appropriation of public assets for private use and embezzlement of public funds by politicians and high level officials. Akindele (2005) sees corruption as behavior, which derivates from the formal rules of governing the actions of someone in a position of authority. According to Osunyinkanmi (2009), the term corruption is synonymous to the terms fraud, bribery, settlement etc. In his explanation, the settlement in corrupt perception parlance became an euphemism for bribery in Nigeria.

Transparency International (2003) defined corruption as the misuse of entrusted power for private gain, they further differentiates between “according to rule” corruption and “against the

rule” corruption. Facilitate payments where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law, constitute the former. The latter, on the other hand is a bribe paid to oblation services to bribe receiver is prohibited from providing. In Asian Development Bank perspective of corruption as cited by Agbu (2001) corruption is defined as the behavior of public and private officers who improperly and unlawfully enrich themselves and/or those closely related to them, or induces others to do so, by measuring the position in which they are placed. According to Obayelu (2007) different vocabularies used to describe corruption and typology of corruption in Nigerian society includes bribery extortion (money and other resources extracted by the use of coercion, violence of threats; embezzlement (theft or public resources by public officials), financial malpractices, egunje, dash, gratifications, browns envelopes, trips emoluments, greasing, softening the ground, inducements, sub-payments, side payments irregular payments, payment under the table, undocumented extra payments, facilitation payments, mobilization fees ,revised estimate padded contracts over (under) invoicing, cash commission, Kickbacks payoffs covert, exchanges shading deals, cover-ups collusion, 10% rule, let keep our secrete secret.

From all the said definitions above corruption is a systematic vice is an individual, society or a nation which reflects favoritism, nepotism tribalism, sectionalism, undue enrichment, amazing of wealth, abuse of office, power, position and derivation of undue gains and benefits.

In the final analysis corruption can be described as the conscious attempt or deliberate diversion of resources from the satisfaction of the general interest to that of personal interest, Urien (2012).

Types of Corruption

Corrupt practices can take many farms Tiolu and Ogunro (2012) identified four types of corruption as follows:

1. **Moral Corruption:** This is exhibited in sexual pervasiveness, greed especially i.e. uncontrollable tongue such that leaks secrets or slanders in busy-body, indecent dressing or appearance etc.
2. **Economic Corruption** e.g. manufacturing fake drugs adulteration of drinks, piracy, and fraud at all levels etc.
3. **Political and Bureaucratic Corruption:** It is illegal unethical and unauthorized exploitation of one’s political or official position for personal gain. It has to do with public affairs- goods fortunes agencies and resources. It is therefore corruption against the state or its agencies by a person holding an official position in pursuit to private in personal profit.
4. **Electoral Corruption:** This has to do with electoral frauds such as election frauds such as election rigging manipulation, ballot stuffing registration of under age and many others. The above does not exhaust what lists of corruption we still have other types of corruptions such as educational, religious and family

Causes of Corruption

There cause of corruption have political and culture variable

- 1) Lipset and Lenze (2000) identify social diversity, ethno-linguistic fractionalization and the proportion of country population with different traditions.
- 2) Low civil service salaries and poor working condition with few incentive and reward.
- 3) Informal rules are found to supersede formal ones thereby making stringent legal principles and procedure to lose their authority.
- 4) The country is also a place in the world were a man's source of wealth is of no concern to his neighbor, the public or the government. The message is those who have not made it is clear just be rich the ways and means are irrelevant, Ubeku (1991).
- 5) Regulator and Authorizations are also identified as major causes of corruption, where the policeman will be using impounded cars from criminals and NDLEA are found to be using hard drugs that are seized.

Empirical Studies on Corruption

Adenihie (2013) carried out a research on an econometric analysis of the impact of corruption on economic growth in Nigeria, the study cover a period of 1980 -2009 using regression analysis, including granger causality test and impulse response function. The researcher concluded that corruption per worker exerts a negative influence on output per worker directly and indirectly on foreign private investment, expenditure in education and capital expenditure per worker.

Urine (2012) examined the impact of corruption in the social economic development of Nigeria and concluded that corruption has a very huge impact on the economic development of Nigeria despite huge economic resources in the country.

Ibraheem, Umar and Ajoke (2013) studied Corruption and Economic Development: Evidence from Nigeria, ex-post-facto was the research design adopted. The statistical tool used was the ordinary least square (OLS) regression techniques. The findings show that corruption has a significant negative effect on economic growth and development.

Sunkanni and Isola (2014) carried out a research on corruption and economic growth in Nigeria, the study adopted Johansen co-integration test, ADFs unit root test, Granger causality test and Ordinary least square, with time series data covering a period of 20 years. The result revealed that there was no significant relationship between corruption and the Economic growth determinates.

Mohammed and Audi (2014) carried out a study on effect of corruption on Economic Development in Nigeria. Data was draw from news stories and interviews of Nigeria. The result of the study show that there have being significant reduction in the level of corruption in the country.

Odi (2014) did a work on impact of corruption on Economic growth in Nigeria; the study used ganger causality and regression techniques. The study revealed that the level of corruption in Nigeria over the years has significant negative impact in economic growth in Nigeria.

Adewale (2011); Darwish (2016) investigate the crowding-out effect of corruption in Nigeria, covering the period from 1996- 2009 he uses simulation approach to investigate the economic implications of corruption in Nigeria, Error Correction Mechanisms (ECM) to overcome the problem of spurious regression to ascertain the degree of statuary of variables employed in the study and co-integrating properties of the data; the Augmented Dickey-Fuller (ADF) test was

employed. He finds that the entire econometric test applied in the study show statistically relationship between the model, thus he concluded that corruption retards economic growth in Nigeria.

Fabayo, Posu and Obisanya (2011) in their study analyzed the consequences of corruption on investment in Nigeria using Ordinary least square technique. They use the annual corruption perception index between the period 1996 – 2010. Their study revealed that low corruption perception index ranking in Nigeria which implies high level of corruption, leads to low investment and thus low economic growth in Nigeria.

Methodology

Research Design

Research design is defined as the blue print through which a study is conducted while ensuring maximum control over the factors that may influence on the validity of the findings (Burns and Grove 2003) Research design also refers to the schematic guideline that shows a step to step guide on how a given study is carried out. This current study utilized time series data to assess the effect of corruption in Nigeria Economy. The research design adopted in this study is a cross sectional survey which involves a survey of existing data(Secondary data) The cross sectional survey has been adopted to help sort out the existence and magnitude of causal effect of two or more explanatory variable upon a dependent variable of interest within a period of study.

Data Collection

The study made use of secondary source of data obtained from World Bank, Central Bank of Nigeria (CBN) annual report and Transparency international. The focus of the research is to determine the impact of corruption on Nigeria economy. Using SPSS software to find out how the variables affect the economy using GDP.

3.3 Model Specification.

The econometric regression analysis model used for this study is as follows:

$$RGDP = f(CPI, NCR) \dots \dots \dots (1)$$

The explicit form of equation (1) above is represented as follows:

$$Y = \alpha + X_1 + X_2 + \mu e.$$

Where:

RGDP = Real Gross Domestic Product using the annual growth rate in percentage.

CPI = Corruption Perception Index.

NCR = Nigerian Corruption Ranking.

μe = error term.

Result and Findings

TABLE 4.1: Model Summary Statistics.

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.525	.276	.195	6.13122	2.480
a. Predictors: (Constant), NCR, CPI					
b. Dependent Variable: RGDP					

Source: Research Findings

The table above shows the strength and the direction of the relationship that exists between the study variables. The regression analysis result revealed that there is a weak positive relationship between the study predictor variables (CPI and NCR) and the dependent variable. The CPI and the NCR command an influence equivalent to 27.6% only of the changes in the economic growth rate. This implies that there other factors that affect the Nigerian economic growth rate apart from corruption.

TABLE 2: Analysis of Variance.

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	257.536	2	128.768	3.425	.055 ^b
	Residual	676.654	18	37.592		
	Total	934.190	20			
a. Dependent Variable: RGDP						
b. Predictors: (Constant), NCR, CPI						

Source: Research Findings

The regression analysis obtained P-value test for significance equal to 0.055 (which is greater than 0.05) showing that the model between the economic growth rate using RGDP as proxy and the predictor variables is statistically insignificant. Therefore, the model between them is not a good fit.

TABLE 3: Model Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.868	5.681		.329	.746
	CPI	-6.507	2.918	-.587	-2.230	.039
	NCR	.147	.059	.654	2.488	.023
a. Dependent Variable: RGDP						

Source: Research Findings

The results of the analysis established that the relationship between the economic growth rate and the predictor variables can be expressed using the following regression model:

$$Y = 1.868 - 6.507X_1 + 0.147X_2 + \mu_e.$$

Where: Y is the RGDP growth rate, X_1 is the Corruption Perception Index and X_2 represents the Nigerian Corruption Ranking globally. Holding other factors constant, the regression model obtained above, shows that RGDP growth rate would be 1.868. A unit change in each of the

predictor variables would cause a change in RGDP growth rate by the rate equivalent to each predictor coefficient as expressed in the model above. From the table above, the result indicated that CPI has a significant negative impact on RGDP ($0.039 < 0.05$) while the NCR has a positive significant impact on RGDP ($0.023 < 0.05$). At this point, the null hypothesis that says that corruption does not affect the economy of Nigeria has been rejected and the alternative accepted because corruption in its totality affects the economy adversely and significantly.

Conclusion and Recommendation

From the findings of this study, corruption has a serious negative impact on Nigeria Economy; studies have shown that corruption is really a deadly disease as described by the World Bank. This trend may continue if the policy makers in the country do not harmonize and get it under control, this study is an eye opener to both the Government and the Governed in that despite the anti corruption agencies still corruption is still finding its way through. We therefore make the following recommendations

- ❖ The anti-corruption agencies in Nigeria such as Economic and Financial Crime Commission, Independents Corrupt Practices and Related Offences Commission (ICPC), the Nigeria Police and the Nigeria Drug Law and Enforcements Agency (NDLE) should be strengthened.
- ❖ The Judiciary should have special Court for trying corruption cases and time frame given to them.
- ❖ Awareness for corruption should be created starting from our Primary schools even the Nursery people should what corruption causes in our society.
- ❖ Government and Government official that have case should also be tried when the need arise.
- ❖ Government should create jobs and pay workers as at when due this will also go a long way in checking corruption.
- ❖ Government should reintroduce Firing squared for offenders of corrupt practices as seen on other part of the world.
- ❖ Government should have date base of every individual, knowing what you do as a living also be checking any excess as the case or need arises
- ❖ Government should not be temping people especially those that work for them, they should be paid as at when due and other allowances s given to them.
- ❖ Homes should also be very helpful in waging war against corruption, Father and Mother should be preaching the gospel of corruption from time to time during morning alters and dinner time.

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