Statistical assessment of the impact of corruption on Nigeria's socio-economic development

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ABSTRACT

The most widely talked about parasite that negatively affects any society, nation or country is corruption. Corruption is a global practice; the attempt in this study is to examine how it has contributed to the underdevelopment of Nigeria as a nation and the challenge Nigerians have to meet in order to reduce its incidence. This study is to assess the impact of corruption on the socio-economic development in Nigeria. The assessment is based on data obtained for Corruption Perception Index (CPI), Real Gross Domestic Product (GDP), Literacy Rate (LR), Population Growth (PG), Trade TOness and percentage of Fuel Export to Total Export (EXF), from the Central Bank of Nigeria, World Bank, Nigeria Bureau of Statistics and Transparency International for the period 2000-2013. The original series were filtered using 3-point moving average and the data were analysed using Ordinary Least Squares (OLS). The results indicate that population growth increased steadily from 1.924 in 2000 to 4.204 in 2013. The original series were tested for stationarity using Augmented Dickey-Fuller (ADF) test. The test showed that all the series were stationary at first order integration except EXF. Further, EXF, real GDP and PG were significant. The R-squared of 0.9337 showed that about 93.4% of the total variation in corruption perception index is explained jointly by Population growth, literacy growth, real GDP, Trade TOness and percentage of fuel exports to total exports. The model developed was able to assess the effect of level of corruption in Nigeria on critical economic indicators.

INTRODUCTION

Corruption is as aged as the existence of man. It exists in the public and privates sectors, profit and nonprofits as well as charitable organizations. It subsists both in the development and also in the developed nations. It is a worldwide phenomenon which has been with societies throughout history; it has caused political and economic instability of societies, and depending on the scale.

At its core, corruption implies an abuse of power. Probably the easiest way to define it is as a transgression of rules that govern officials' custodianship of public resources. Jonathan (2005) suggests that: 'It involves the breach of laws or administrative rules governing the allocation of public resources for purposes of political or economic gain, or in order to gain coercive power over individuals or groups'. He suggests that it is important to distinguish corruption from patronage relationships and rent-seeking activities, which may or may not be corrupt. Patronage im-

plies exchanges between individuals in different positions of power or status. For example, a supervisor can recommend one of his or her subordinates for a promotion. Rent-seeking behaviour is involved in any activity that aims at increasing income; for example, asking for a pay rise.

Transparency International (TI) defines corruption as 'the abuse of entrusted power for private gain'. The distinction that TI draws is between what they refer to as: 'according to the rule corruption' and 'against the rule corruption'.

Corruption is deep-rooted in Nigeria and its manifestation is re-elected in the nation's score in Corruption Perception Index (CPI) published annually by the high rated Transparency International (TI). The highest Index point the nation has ever had is 2.7 out of 10 points which means that for the past sixteen year when the country has been appearing in the roll call she has always been among the nation cannot be

over emphasized. Studies by Sebastian (2007) and Bakare, (2011) have shown that corruption undermines economics development by creating inefficiencies that significantly reduce a country's welfare.

The impact of corruption on nations is not limited to economy as it also militates against social, environmental and political development. It is because of these effects on any nation that make World Bank (1997) to describe corruption as among the greatest obstacles to economics and social development. Economic crime and corruption are not necessarily synonymous or Siamese twin. Both are closely related. Economic crime may be traceable to some of the enumerated aspect of corruption, e.g.: embezzlement, theft from public funds, abuse of discretion and abuse of public power for extortion.

There are many unresolved problems in Nigeria, but the issue of the upsurge of corruption is troubling. The damages it has done to the policy are astronomical. The menace of corruption leads to slow movement of files in offices, police extortion tollgates and slow traffic on the highways, port congestion, queues at passport offices and gas stations, ghost workers syndrome, election irregularities among others. Even the mass people on the street recognize the havoc caused by corruption. The funds allocated for their welfare disappear into the thin air. Thus, it is believed by many in the society that corruption is the bane of Nigeria. Consequently, the issue keeps reoccurring in every academic and informal discussion in Nigeria. The issue will hardly go away (Nye, 2007)

The state of corruption in Nigeria has been categorized as endemic. Corruption has also been identified as one major obstacle to national growth and development of the Nigerian economy. Research has shown that corrupt practices have been perpetrated in governance, public and private places since the pre-colonial era to the colonial period and through independence to present. Achebe (2004) wrote that "the Nigerian problem is the unwillingness or inability of its leaders to rise to their responsibility, to the challenge of personal example, which is the hallmark of true leadership". In the same vein, Storey (1953) wrote that "before independence, there have been cases of official misuse of resources for personal enrichment". Ogbeidi (2012) opined that "widespread corruption, where government officials looted public fund with

impunity and flaunt their wealth with reckless abandon provided the pretext for a group of young middle-rank army officers to sack the Nigerian First Republic politicians from power through a coup d'état on 15th Jan. 2006". He further stated that the next thirteen years after Buhari's regime saw no serious attempt to stop corruption, that corruption reached an alarming rate and became institutionalized during Babangida regime, leaders found guilty by tribunals under Murtala Mohammed and Muhammadu Buhari regimes found their way back to public life and recovered their seized properties. The magnitude of corruption has been increasing over the years and this has led to retarded growth and development in Nigeria. Of course, there has been lots of anti-corruption crusade in Nigeria over the years targeted to stem the spread of corruption in the country. However, despite the establishment of anti-graft agencies, such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) in 2000, and Economic and Financial Crimes Commission (EFCC) in 2003 after the Financial Action Task Force on Money Laundering (FATF) named Nigeria amongst the twenty three non-cooperative countries frustrating the effort of international community to fight money laundering (EFCC (Establishment) Act, 2002). Corruption has continued to weaken institutions, discourages investment and retards economic development. Corruption has also led to diversion of developmental resources of the society to private or personal use. This has contributed to the leakage of capital from Nigeria for illegal deposits abroad. It is in this line that this paper critically assesses the impact of corruption on development in Nigeria. Specifically, the paper sought to: appraise the extent of efforts at combating corruption in Nigeria, develop some regression models on the influence of corruption on some notable development indices, evaluate the relative impact for now and the future of corruption on development for Nigeria.

This study considers the socio economic determinants of corruption in Nigeria and how it causes underdevelopment in Nigeria. The study period covers corruption and economic development in Nigeria from 2000 – 2014 which is a period of fifteen years. The choice of 2000 is that data for corruption proxy is only available from this period while the choice of end year of 2014 was

because data to be assessed were only available to this year.

MATERIALS AND METHOD

Sampling

Nigeria was purposely selected for the study.

Sampling treatment and analysis

Data on Transparency International (TI), Population Growth, Literacy Rate, GDP per capita, Trade Openness and Ratio of Fuel Exports to total Exports for 2000 to 2014 will be collected. The data for each variable will be will bewas subjected to moving average with a view to removing trend and seasonal effects. The resulting variables will be tested for stationarity using Dickey-Fuller test (ADF).

This was followed by the development of some regression models on corruption index and some socio-economic variables.

The model used for this study is given as:

$$CPI = \beta_0 + \beta_1 GDP + \beta_2 LR + \beta_3 TO + \beta_4 PG + \beta_5 EXF + u_t$$

Where;

$CPI =$ Corruption Perception Index,

$GDP =$ Gross Domestic Product,

$LR =$ Literacy Rate,

$TO =$ Trade Openesss,

$PG =$ Population Growth,

$EXF =$ percentage of Fuel Export to Total Export.

$\beta_0 =$ Constant,

$\beta_1 - \beta_5 =$ Partial Slope Coefficients

$u_t =$ Error term

These were analysed with the use of statistical software, Eviews, to obtain solution to the models.

RESULTS AND DISCUSSION

The above model proved a goodness for fit test as the calculated F-statistics shows that all the variables in the model are simultaneously significant at the 5% critical level (Table 1). The R-squared (regression coefficient) result reveals that 93.37% (represented by 0.9337) of the total variation in corruption perception index is accounted for by Population Growth, Literacy Rate, GDP per capita, Trade Openness and % of Fuel Exports to Total Exports with other variables in the stochastic term accounting for the remaining 6.63% of variations in corruption perception index. The adjusted R-squared valued at 0.8922 implies that even if other variables accounted for in the stochastic parameter were included in the model, Population Growth, Literacy Rate, GDP per capita, Trade Openness and % of Fuel Exports to Total Exports would still account for 93.3% of the variations in corruption perception index.

CONCLUSION AND RECOMMENDATIONS

Many laws are already on the book to fight corruption in Nigeria (including those crafted by the international organizations). But what is important now, as Peter Eigen, chairman of the watch dog group. Transparency international has noted, is the political will to fight corruption at home countries. As Robert McNamara remarked at the end of the second Global Forum of fighting corruption and safeguarding integrity at the Hague May 31, 2001.

Every country has to determine its own priorities on the war against corruption. But each society should focus on concrete action that can yield measurable results, and publicly report whether results are being achieved.

Above all, Nigeria cannot be seen as secure and free until the people's human rights are respected and protected by the government. As Mikhail Gorbacheu points out, "the world cannot be considered secure if human rights are being violated. More importantly, the world cannot be considered secure if many people lack the elementary condition for life worthy of man-similarly, Nigeria cannot be considered secure it millions of people go hungry, do not have roof over their heads and to be jobless and sick indefinitely, with the most basic human rights, the right to life is disregarded" (Morrison 1988).

Table 1. Regression results of the original series

	Coefficient	Std. Error	t-ratio	p-value
Const	-0.577519	1.21509	-0.4753	0.64729
RFE	0.0192445	0.0087129	2.2087	0.05820
real_GDP	5.27525e-07	2.51314e-07	2.0991	0.06904
LR	-0.0123188	0.0130538	-0.9437	0.37295
PG	0.926949	0.107341	8.6355	0.00003
TO	0.00155071	0.00774005	0.2003	0.84621

Table 1. Regression results of the original series (Continued)

Mean dependent var	2.021429	S.D. dependent var	0.568640
Sum squared resid	0.278626	S.E. of regression	0.186623
R-squared	0.933717	Adjusted R-squared	0.892290
F(5,8)	22.53887	P-value(F)	0.000161
Log-likelihood	7.553459	Akaike criterion	-3.106917
Schwarz criterion	0.727427	Hannan-Quinn	-3.461856
rho	0.229769	Durbin-Watson	1.464704

To tame corruption, Nigeria has to use words as well as actions a multifaceted approach. However, has Nigeria been monitoring the effectiveness of her many (but not serious) anti-corruption strategies.

Finally, good governance, transparency, accountability and the rule of law are keys to tackling corruption in the society, as corrupt leaders cannot wage an effective war against corruption. Based on the finding of this study and the foregoing implications the following recommendations are made: democratization of the anti-corruption agencies; the modus operation of the agencies should follow due process; there should be no sacred cow, government should not spear anybody; severe punishment should be meted to offenders or looters of our public treasury to serve as deterrent to others; EFCC and ICPC should be transparent in their activities and dealings;

Government should not interfere with the activities of the anti-corruption agencies.

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