

On the Consistency of Economic Growth with Corruption in Nigeria

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ABSTRACT Corruption in Nigeria arises out of policy inconsistencies that create avenues for illegal accumulation of wealth while to a greater extent affects its development. Using the ordinary least square (OLS) technique, the study reveals a limited relationship between corruption and economic growth. That notwithstanding, it apparently distorts the country's prosperity through gross infrastructural decay, continuous and high rate of unemployment, high incidence of robberies and other social vices. This study thus suggests multiple approaches to solving the problems of pervasive corruption in Nigeria.

INTRODUCTION

The pervasiveness of corruption in most parts of the world has remained a global concern to various governmental and non-governmental organizations due to its impacts on economic stability and the degree of national development. In particular, it is rampant among the developing countries since the limited available states' resources as revealed are always diverted into private use by the public officials. Several sources of corrupt enrichment have been identified with those countries that are faced with lack of proper accountability through over-invoicing and inflation of contracts' fees. Many at times, these are perpetrated through provision of unwarranted and economically unreasonable projects as witnessed in Nigeria. It is disgusting to the extent that corruption has become a way of life which various administrations neither wish to, nor can control especially under the disguise of privatizing the public corporations. Corruption in Nigeria is so complex that identifying its sources neither guarantees

substantial reduction nor its elimination. In fact, it is such a hopeless situation of 'the more you look, the less you see'. Hence, combating corruption from one end spurs incremental corruption from another end.

Corruption in Nigeria has thus continued to affect the entire fabric of the economy through low productivity and high incidence of poverty. In fact, it has continued to impoverish the masses more than expected through diversion of social benefits from the poor, non-execution of projects and consequently reducing the rate of investments and employment.

It is against this background that this study focuses on the actual causes of corruption in Nigeria in order to proffer specific solutions to specific causes. The paper thus presents the theoretical framework starting with the introduction in section One. Section Two discusses the methodology while Section Three discussed the results with Section Four providing the recommendations.

By evolution, corruption in Nigeria has gradually metamorphosed from gratification to large scale theft such that bribe is almost being substituted for prices to secure government properties or services. On several occasions, mobilization fees for government projects are paid all for the contractors to abandon the projects half way or shoddily execute same. Sometimes full payments for public projects are paid without executing them at all. All these have been contributing to the unproductive effects of corrup-

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tion in Nigeria. To a greater extent corruption seems to have been institutionalized and its effects have continued to haunt the country's growth and development. Several of its effects are more pronounced in the power, health, education, transportation, communication and construction sectors of the economy.

Conceptualizing corruption is not enough to explain its menace except by experiencing its consequences. Several people in developing countries are groaning under poverty because they have been made by their corrupt leaders to reason beyond their experiences as a result of stagnation, malnourishment and political repression. Irrespective of these effects, several justifications have been put forward to support the need for corruption. It is to this extent that it is nothing but a problem of multiple phases that influences all spheres of human activities. Therefore corruption is a virus that can be resisted but once not resisted it spreads and contaminates all fabrics of any system. This is attributed to its economic, social and political consequences on the society. Corruption can equally be described as a lubricant to all societies' ills, though some authors like Leff (1964), Rose-Arkerman (1994) and White (2006) argue that it is still desirable in some economies since it accelerates the acquisition of public goods and assists entrepreneurs to subvert complex regulations. Hence, corruption can be inferred to evolve from bribery often dubbed as *lagay* in Philippines, *speed money* in Russia, *grease money* in United States and *egunje* in south west Nigeria. On the other hand, corruption is viewed to be detrimental to development as espoused by Gould and Amaro-Reyes (1983), UN (1989), Klitgaard (1991), Bardhan (1997), Ott (2004) and White (2006). However one fact that remains uncontested is that its negative impacts are greater than its positive contribution to any economy in the long run. This is why it has been regarded as nothing but illicit or immoral transactions that distort economic prosperity and consequently imposes a greater cost on the society.

Corruption continues to be a complex problem since it impedes economic development, distorts growth, disproportionately burdens the poor and undermines the effectiveness of investment and aid. As such it is convenient to squander state resources due to:

Impossibility (of) not (tasting) the honey that finds itself at the tip of the tongue, so as it is

impossible for a government servant not to eat up, at least a bit of the king's revenue. Just as fish moving under water cannot possibly be found out either as drinking water, so government servants employed in government work cannot be found out (even if they are stealing) money (Kangle 1972).

In furtherance of its perennial effects, corruption has also penetrated the private sector (for example, a professor who accepts money or other favours in return for higher grades and recommendation of academic imbeciles for promotion; employees of organizations demanding money for doing their primary duties) but for Sheleifer and Vishny (1993), Akkihal et al. (2002) as well as White (2006), corruption is more pervasive in the public sector.

Specifically World Bank (1997) defines corruption as the "abuse of public office for private gain" while Ott (2004) states that corruption is manifested whenever "bureaucrat maximizes its own utility at the (expense) of the utility of individuals". This to a certain degree limits corruption to public administration but continues its onslaught on the private sector as observed by Bardhan (1997) where a private seller creates artificial scarcity in order to receive bribes and sell above the market price. Such is the situation of petroleum products' distribution in Nigeria where consumer surplus arises since the consumers prefer to pay over and above the market price rather than do away with these products. This is more so created by price control that often generates underground economy. Implicitly, the market equilibrium is disturbed whenever private capital accumulation increases disproportionately relative to scarce inputs as a result of corruption. Therefore the negative externality of capital accumulation according to Ott (2004) arises as a result of "congestion". Whenever this problem occurs, there arises an imbalance in the economy's rate of investment.

Causes of Corruption in Nigeria

Several factors responsible for incessant increase in corruption have been derived from its various definitions among which include a practice that violates specified legal codes or administrative regulations. Its causes are thus outlined based on the type and rate in question. To this extent, corruption is traced to socio-economic, political and religious factors but with economic

factors in the fore front. These factors are briefly discussed below:

Institutional Motivation

Of this the researcher is sure an individual is motivated by one reason or the other in wanting to be corrupt. The kind of system the individual finds himself plays a major role because if the institution survives on bribery, it will be difficult for such a person to do otherwise. The institutional set up is thus an energizer and most at times it is a top-bottom arrangement. In this situation the lower cadre staff serves as the conduit through which the largesse is moved most especially in the government establishments. Bardhan (1997) for instance asserts that the requirements for business licenses and permits give the public officials the leverage to being corrupt most especially at the local governments, corporate affairs commission and the inland revenues department to mention but few. But for Bertrand et al. (2007) using issuance of driver's license in India as a test case, blame the agents for providing licenses to individuals that could not drive. Hence the channel of corruption in the system is attributed to these agents and not the public officers as these officers strictly operate by the regulations. In addition, lack of genuine commitments to implementation of some state policies like removal of state control, decentralization, privatization, openness and economic liberalization sometimes give room for institutional corruption.

Nepotism and Favouritism

As part of the sources of corruption, Akkihal et al. (2002) note that as long as the "marginal utility $\{U'_{wg}\}$ from psychic income the official derives by doing additional unit of favour $\{W\}$ to members of group $\{G\}$ (and whereas he belongs to) group $\{H\}$ ", then $U'_{wh} < 0$ amounts to hatred / malice. But if the reverse is the case, $U'_{wg} > 0$, this amounts to nepotism and where prices: $P_h > 0$ or $P_g > 0$, then corruption is generated¹. All these cases often breed the nonsense dictum- 'if you cannot beat them, you join them' thus perpetuating corruption. Perhaps law in Nigeria is meant for the poor as the public officials are immunized from prosecution even if found culpable of corrupt enrichment. For examples, the immunity clause in the country's

constitution provides protection for state governors and president while still in office from being prosecuted. In the military era, decree No. 11 of 1976 (Public Officers Protection Against False Accusation) for example, was a ploy to prevent alleged fraud against Late General Muritala Muhammad. By implication these categories of public officials are not answerable for their misdeeds as they are favoured and protected by law.

Systemic Demand and Supply Paradigm

In some occasions the system indirectly demands for corruption most especially where the state fails in providing adequate social and economic infrastructures. In return, the state supplies corruption by devoting resources to white elephant projects, defense and importation of advanced and inaccurate technology rather than invest in education and health since large infrastructure projects easily accommodate bribes. Examples are Ajaokuta Steel Complex, Iwopin Paper Mill and the various incinerators that were erected but turned to sources of raw material to iron smelters. All these projects involved huge amount of wasted funds without any production or service rendered. This according to Tanzi and Davoodi (1997) as well as Tanzi (1998) generates corruption due to increasing roles of government in economic activities such as execution of capital project and public investment. Also contributing to the systemic demand is low wage rate that is not commensurate and realistic with the cost of living. This often influences employees to receive bribes in other to augment their low incomes. Furthermore, lack of post service arrangement for social security and insurance benefits also motivates public officials to use their offices to dubiously accumulate wealth. This makes these public officers to collude in looting the treasury else they are rebuked, resented and labeled by their kinsmen. Sometimes these officers are honoured with '*Bose wa lo Balo (BLB)*'².

Rate of Risk

The minimal risk involved often makes corruption almost an accepted norm since those previously involved were never or thoroughly prosecuted. Waziri (2009) claims that though the impacts of corruption are felt but its "face

remains elusive as its perpetrators profit from obscurity and lack of transparency". This is an indictment that the system is not prepared to fight corruption in all its ramifications. Those involved are known and they are working freely, honored and highly referred in the society. Perhaps they are in the corridor of power dictating the tune. Hence as long as the possibility of being caught is remote, a public officer is motivated to steal and divert state resources into personal use at will. Since the risk of being caught and prosecuted is very low, the officer virtually incurs no cost at all in perpetrating his acts.

Weak Institutional Accounting System

The weaknesses in the accounting system prevent easy detection that makes public officers escape arrests, prosecuted and consequently sentenced. For Shleifer and Vishny (1993), corruption depends on the risk of being caught and consequential penalty involved. If the probability of detection and penalty are independent, corruption begets corruption and the process continues without interruption.

Overlapping Generation Problem

Corruption is also reinforced by its accumulation from the past and present serving officers from whom the acts have been emulated by the new generation of officers. This is thus an overlapping generation framework of corruption. The need for government continuity often encourages an overlapping system that makes it possible for corrupt officers to pass the legacies to the new officers and the spate of corruption continues with impunity.

Political Instability

The political instability in most of the developing countries has been another avenue for established corruption. Constant military incursions and outbreaks of various rebel groups often necessitated the need to negotiate the state resources at the expense of society's welfare. This negotiation takes the form of resources' diversion or non-accountability for the state money spent under the pretence of emergency. Osoba (1996) claims that the Nigerian civil war "provided sensational opportunities for unlawful enrichment : for example, the misappropriation

of the salaries and allowances of soldiers killed in action for several months by their commanders; the gross inflation of military procurement contracts; the payment of inflated contract fees several times for the same goods or services, or none at all; looting of public and private properties in occupied territories by both the Nigerian and Biafran armies. The classic case was the looting of millions of pounds sterling from the Central Bank of Benin in 1968, a crime which both armies blamed on each other". Sometimes mineral resources are illegally mined and cornered by different rebel groups and sold to the MNCs and the West at ridiculous prices as found in the inter war years of Liberia. The illegally mined diamonds were exchanged for arms and ammunitions with large sum of dollars deposited in the foreign accounts of the war lords.

Impacts of Globalization

The need to integrate a system into the world economy increases the probability that the effect of corruption will spill over and resonate throughout the world, thus making globalization contributes to corruption problem. Furthermore, the sophistication in the electronic financial transactions all over the world coupled with increases in the number of cooperative strategic alliances both within countries and across borders makes control difficult and thus enhances corruption.

From a priori, all these causes of corruption could generate those effects bothering on the productive capacity of any economy and consequently influence investment, employment and income.

Corruption-Economy Interactions

Corruption from economics perspective arises as a result of economic policy distortions and weak state institutions which undermines the state capacity to fulfill its distributive, redistributive and regulatory functions. Plethora of studies emphasizes the possible effects of corruption on development. But since development encapsulates consumption, production and allocation efficiencies, any deviation in any of these activities complicates the problem of corruption. Among those studies that approach corruption from microeconomic perspective based

on series of assumptions are Shleifer and Vishny (1993), Akkihal et al. (2002), and Ott (2006). It is assumed by Shleifer and Vishny (1993) that goods produced by government is fixed and homogenous thus necessitating the existence of a demand curve for such goods in question. Furthermore the agent strives towards maximizing his bribe values despite his not incurring any cost of production as identified in the principal-agent model of corruption by Becker and Stigler (1974), Banfield (1975), Rose-Ackerman (1975, 1978) and Klitgaard (1988, 1991) while Akkihal et al. (2002) assumed that public official rather maximizes his utility function based on his money and psychic incomes.

In addition, the psychic income is derived by practicing nepotism while additional money income is derived through corruption. Based on these set of assumptions, corruption is viewed from corruption with and without theft. Corruption without theft occurs whenever the price paid for government good is remitted to government account. Hence, price is equal to marginal cost $\{P = MC\}$ for the official as against when the official paid nothing (corruption with theft) despite that the good is provided by government. The official will break even if he cannot price discriminates among the buyers when his marginal cost is to equal marginal revenue $\{MC = MR\}$. In this situation, there will be a competition between the public officials and the consumers. However, integrated system of corruption arises when the looting of treasury is concentrated in the hands of the power that be. At this point, corruption is monopolized by the state apparatus. This is a typical feature of corruption in Nigeria.

Realizing that some of these assumptions may not hold after all in Nigeria, it is imperative to discard away with some of them in order to identify the key issues involved in the country's spate of corruption. For this same reason, assessing the actual relationship that exists between corruption and aggregate economic activities significantly makes the study more focused and reliable. Prominent among the macroeconomic variables related to corruption are: gross domestic product, inflation, foreign direct investment, interest rate, terms of trade and fiscal balance to mention but few. But germane to the relationship is growth that encapsulates all these aforementioned variables. This is evident in the studies of corruption from mac-

roeconomic perspective by Andvig (1991), Mauro (1995, 2004), Abed and Davoodi (2000), Al-Marhubi (2000), Braum and Di Tella (2000), Treisman (2000), Zemanovicova (2002), Robertson and Watson (2004) as well as Lim Ghee (2006).

According to Mauro (1995), there is an inverse relationship between corruption and growth most especially when the degree of corruption is high. The author upholds that those countries with "higher corruption have lower ratio of (gross fixed capital formation) to gross domestic product" due to the extent to which business transactions involve questionable payments. Most times, scrupulous payments as revealed are added to actual payments for goods and services purchased by government under the pretence of 'public relations' in Nigeria. Subsequently the actual resources committed to these transactions are overblown and these substantially enrich the public officers. Furthermore some of these questionable payments by businesses are in the form of bribes used to grease public officers' palms in order to secure operational licenses. Hence the willingness to invest as a result of high cost of investment emanating from these bribes reduces because of decreasing profit (Bardhan 1997).

In the extensive study of Mauro (1995), a significant but inverse relationship exists between the level of corruption and rate of investment because any change in investment results in multiplier effects on income and thus growth. Therefore, the negative relationship between corruption and investment leads to a third party effect on growth. Corruption thus affects growth through resources' diversion from productive enhancing infrastructure to politicians' private consumption and restriction of entry to new goods and technology attributable to ex post tax on profits. Since the cost of capital plays major role in what is invested especially when the interest rate on loanable funds is fixed, the rate of corruption escalates. In most cases the rationing of credits by the bureaucrats during inflationary periods tends to enrich the public officials because only those borrowers who could afford to pay over and above the fixed interest rate would have access to credit and vice-versa. By so doing, investment and growth decline as a result of these 'questionable payments'. Furthermore, Bardhan (1997) emphasizes on corruption-growth nexus such that during transi-

tion from poor to rich economy, corruption positively rises with income and later reduces as income increases. This occurrence is attributed to new technology and possibly lower cost of production. Precisely, the corruption-growth curve indicates that corruption declines as economic growth increases in some of the developed and developing economies. This situation is not the case in Nigeria, even with the little growth attained, corruption geometrically increases.

As earlier posited, investment is also disturbed by incessant smuggling apart from questionable payments that often increase cost of production. Smuggling as an illegal trade transaction carries with it negative impacts on home industries through dumping and eventual reduction in profit. The collusion between the smugglers and some officers of Nigerian Customs makes cheaper but inferior commodities flood Nigerian markets. Contributing significantly to this problem is the weak border controls arising out of collective bribery arrangements between security operatives from Nigeria and those of her neighbouring countries. To a greater extent, smuggling apart from hampering investment is also harmful to welfare due to low quality of commodities involved and reduction in employment and income.

But going by the second best option, Bardhan (1997) claims that the "pre-existing policy induced distortions, (including) black marketeering, (and) smuggling may actually improve welfare even when some resources have to be spent in each activity". The foreign exchange black market in Nigeria only succeeds in generating high inflation often tied to capital flight encouraged by banks' engagement in round tripping. Hence, foreign exchange remains elusive to those businesses that rely on imported inputs for their existence except those that could play the game. Such businesses according to Al-Marhubi (2000) may thus respond to corruption by going underground thereby increasing reliance on inflation tax. Thus higher corruption engenders higher inflation.

METHODOLOGY

This study concentrates on Nigeria because of her past and present antecedents in corruption. Corruption in the country dates back to the colonial period when British and other Eu-

ropean firms monopolized the exploitation of the country's mineral and other resources. Even after decolonization, Osoba (1996) claims that the British succeeded in imposing their surrogate bourgeoisie on the country such that "their acquiescence in the retaining, even consolidating and enhancing....the existing structures of accumulation under which foreign monopoly capital dominated all the key sectors of the economy-export-import trade, extractive and manufacturing industries, banking, insurance and shipping" gave the colonial running dogs opportunities to loot the treasury at will until the military intervention in 1966. The military incursions further worsened the situation by introducing "ten per cent kickbacks" prepaid to the public officials by the public in order to be favoured in the award of contracts and scholarship and in securing licenses and employment. This has continued up to date to the extent that the other names for Nigeria are frauds, scams and all sorts of vices to the outside world.

Data Requirement and Sources

Based on the country's history of corruption, the study had employed annual time series data to examine the relationship between corruption and macroeconomic performance taking into consideration the data on economic growth rate, per capita income, human capital index, ratio of fiscal balance to gross domestic product, inflation rate, foreign direct investment, wealth of natural resources, output of mineral resources, aggregate government expenditures and ratio of import to gross domestic product so as to capture the existence of potential links between series.

The data on corruption represented by corruption perceptions index was extracted from Transparency International Website (<http://www.transparency.org>). On the other hand, data on all the macroeconomic variables hitherto mentioned above were extracted from the Statistical Bulletin (2008) of the country's Central Bank and the Annual Abstracts of Statistics of the National Bureau of Statistics. All these variables are from 1998-2007.

Model Specifications

Three structural equations were formulated as follows:

$$GDP_t = f(CPI_t, PCI_t, HCI_t, FB_t/GDP_t, INF_t) \dots \dots \dots \text{eq. (1)}$$

But technically, equation (1) can be specified as:

$$GDP_t = \alpha_0 + \alpha_1 CPI_t + \alpha_2 PCI_t + \alpha_3 HCI_t + \alpha_4 FB_t/GDP_t + \alpha_5 INF_t + \mu_t \dots \dots \dots \text{eq. (2)}$$

$$CPI_t = f(PCI_t, FDI_t, WRS_t, GEX_t, MP_t/GDP_t) \dots \dots \dots \text{eq. (3)}$$

Technically too, equation (3) is specified as:

$$CPI_t = b_0 + b_1 PCI_t + b_2 FDI_t + b_3 WRS_t + b_4 GEX_t + b_5 MP_t/GDP_t + e_t \dots \dots \dots \text{eq. (4)}$$

$$CPI_t = f(MRS_t) \dots \dots \dots \text{eq. (5)}$$

Technically, equation (5) is also specified as:

$$CPI_t = \delta_0 + \delta_1 MRS_t + v_t \dots \dots \dots \text{eq. (6)}$$

Where:

CPI_t = Corruption Perceptions Index

GDP_t = Gross Domestic Product

PCI_t = Per Capita Income

HCI_t = Human Capital Index

FB_t/GDP_t = Ratio of Fiscal Balance to Gross Domestic Product

INF_t = Rate of Inflation

FDI_t = Foreign Direct Investment

WRS_t = Wealth of Natural Resources

GEX_t = Aggregate Government Expenditures

MP_t/GDP_t = Ratio of Import to Gross Domestic Product

MRS_t = Mineral Resources' Output

$\alpha_0, \dots, \alpha_5; \beta_0, \dots, \beta_5; \delta_0, \dots, \delta_1$ = Technical coefficients

μ_t, e_t, v_t = Error Specifications

Theoretical Expectations

The theoretical expectations about the technical coefficients of all the equations are as follows:

For equation 2: $\alpha_1 < 0$; $\alpha_2 > 0$; $\alpha_3 > 0$; $\alpha_4 > 0$; $\alpha_5 < 0$. The rates of corruption and inflation are expected to be negatively related to growth rate. The higher rate of corruption tends to generate higher level of inflation due to capital flight and tax evasion. This will according to Al-Marhubi (2000) shrink the tax base, thereby increasing government's desire to result to seigniorage and consequently reduces economic growth. But the coefficients of PCI_t , HCI_t , FB_t/GDP_t are all expected to have positive signs, thus implying that the higher these variables are, the higher the growth rate.

For equation 4: $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 > 0$; $\beta_4 > 0$; $\beta_5 > 0$. This implies that the rate of corruption escalates along with the country's fortune most especially the inflow of foreign direct investment and wealth of natural resources. Hence, all the technical coefficients are expected to be posi-

tive, thereby generating incremental rate of corruption.

For equation 6: $\delta_1 > 0$. The mineral resources' output is also expected to have positive relationship with corruption which means as the output increases, so also is the degree of corruption.

Techniques of Data Analysis

The estimation technique adopted in this study is the ordinary least square going by the time frame. This study thus focused on determining whether corruption is beneficial or detrimental to Nigeria's economic performance by first establishing the impacts of corruption on all the macroeconomic variables mentioned above on one hand. While on the other hand, the study examined the influence these macroeconomic variables could also have on corruption.

This study also used a two-year moving averages to smoothen out the fluctuations in the trends. Given a set of numbers representing the years: $X_1, X_2, X_3, \dots, X_n$, the moving average is given by the sequence: $\{X_1 + X_2\}/2, \{X_2 + X_3\}/2, \dots, \{X_{n-1} + X_n\}/2$. All these were summed together to get the moving totals. In addition some other tools like percentages and mean were also used to check for the accuracy of the analysis.

RESULTS

Since most of the studies earlier conducted could not identify unique directional relationship between corruption and economic performance, it was imperative to consider the impacts of each other in turns simultaneously. In fact there was a mutual interdependence among these variables as presented in the results generated. It is therefore imperative to cross examine the extent to which fluctuations occurred in the series.

The corruption perceptions index ranges between 0 and 10, with 0 indicating the highest level of corruption while 10 indicates inexistence of corruption. Hence, the higher value indicates lower level of corruption and vice versa. From Table 1 the trend showed that between the periods of 1999/2000 – 2000/2001, when corruption situation got worsened, PCI_t and FDI_t increased by 12% and 7% respectively. All other variables for this same period however

reacted negatively. The same experience was witnessed for the periods of 2001/2002 – 2002/2003. The worsened spate of corruption was trailed by 1.8% and 29% increases in PCI_t and FDI_t respectively but with negative increase in MP/GDP_t . However, INF_t , WRS_t and MRS_t also witnessed phenomenal increase within the same period. The periods of 2005/2006 – 2006/2007 however conformed to the premise that all things being the same, a decrease in corruption would stimulate growth. Since growth is also manifested by increase in PCI_t and FDI_t , the reduction in CPI_t increased their values by 0.86% and 29%. This thus buttressed the axiom that corruption can increase growth in the short run but not in the long run.

DISCUSSION

Oil among other mineral resources plays very significant role in the Nigerian economy due to foreign exchange earnings earned and employment generated by the sector. The sector however has contributed to large scale stealing of government funds with total disregard for its consequences. To many individuals, the sector has remained a pain in the ass because there is nothing to show for it despite the environmental pollution being created by its exploitation.

Rather the proceeds are diverted into private use at the expense of providing basic amenities while poverty persists in the midst of plenty.

Corruption actually attained its peak in the oil boom era when there was a fourfold increase in international petroleum prices. Simultaneously, Nigeria's treasury according to Osoba (1996) was so enormous with petro-dollars that Gowon's Governor of the Central Bank openly declared that money was not Nigeria's problem, but how to spend it. These huge cash resources

thus generated high incidence of corruption among various levels of government officials including Gowon himself accused of receiving 1Nigerian kobo on every barrel of the country's oil sold. Subsequently and because of dictatorial tendencies of Gowon administration and other military regimes, there was lack of budgetary control and financial accountability. The situation was so bad to the extent that Obasanjo administration indiscriminately borrowed from euro-dollar market at extremely high interest rate first at the very time when oil production was in excess of two million barrels per day in 1977.

Based on government financial transactions, sales revenue from oil netted over US\$20 billion annually with consequent effect of inflating Nigeria's external debt stock from the modest level of US\$560 million in 1975 to US\$6.8 billion in 1979 (Okigbo 1986). In fact caution was thrown into the wind during Babangida administration to the extent that he could not account for US\$12.4 billion oil wind fall from the Iraq-American war. Following these series of corruption antecedents, large scale corruption was initiated, nurtured and sustained by the military as shown in Table 2.

It is a puzzle that the country is still able to function despite its persistent drifting towards being classified as a failed state. With this trend of looting, it would be catastrophic if all the information about other looted funds were provided. For instance it is yet to be confirmed the total amount of the country's fund mismanaged under Obasanjo-led civilian administration. But it was confirmed that as a military head of states, he was unable to account for =N=2.8 billion crude oil proceeds with all subsequent administrations following same trend except for Buhari government. Obasanjo's role in Trade Fair Com-

Table 1: Moving trends of selected macroeconomic variables

<i>Yrs</i>	CPI_t	PCI_t	MP/GDP_t	INF_t	WRS_t	MRS_t	FDI_t
1998/1999	n/a	-6.09	-1.00	15.0	3.03	1.72	-36.79
1999/2000	1.9	15.42	-19.23	-51.5	0.30	-7.94	12.98
2000/2001	1.6	27.86	-23.81	4.35	5.56	90.09	19.97
2001/2002	1.3	10.63	16.0	63.49	4.34	5.33	12.48
2002/2003	1.0	12.42	-4.17	-46.51	0.43	-5.93	41.18
2003/2004	1.6	-7.37	29.41	7.86	11.32	19.08	12.88
2004/2005	1.4	45.80	0.0	6.67	4.36	3.30	-4.09
2005/2006	1.6	17.84	-17.65	16.26	2.95	0.65	18.01
2006/2007	1.9	18.70	n/a	-118.29	n/a	n/a	47.24

Sources: Author's calculations, based on Statistical Bulletin of CBN, National Bureau of Statistics and Transparency International Tables. All variables except CPI_t were expressed in percentages.

Table 2: Classified looting of Nigerian funds

<i>Names</i>	<i>Amount in London (£b)</i>	<i>Amount in Swiss (\$b)</i>	<i>Deposit in USA (\$b)</i>	<i>Deposit in Germany (DMb)</i>	<i>Total Naira Equivalents* (=N=tr)</i>
General Ibrahim Babangida	6.256	7.416	2.00	9.00	2.4635
General Abubakar	1.131	2.33	0.800	16.00	0.4938
Navy C/d Mike Akhigbe	1.24	2.426	0.671	9.00	0.8059
General Jerry Useni	3.04	2.01	1.03	0.900	0.8059
General Sanni Abacha	5.01	4.09	0.800	3.01	1.2107
General Garba Wushishi	2.3	1.00	0.161	1.43	0.55549
General T. Y. Danjuma	1.36	1.02	0.300	0.190	0.3427
General Ishaya Bamaïyi	0.120	0.800	n/a	n/a	0.94
Ismaila Gowon	1.03	2.00	1.03	0.700	0.50176
Umaru Dikko	4.40	1.46	0.700	0.345	0.89465
Paul Ogwuma	0.300	1.42	0.200	0.500	0.035
Mohammed Abacha	0.300	1.20	0.150	0.535	0.2107
Abdullahi Abacha	0.700	1.21	0.900	0.417	0.3384
Wada Nas	0.300	1.32	n/a	0.300	0.2374
Tom Ikimi	0.400	1.39	0.153	0.371	0.2553
Dan Etete	1.12	1.03	0.400	1.72	0.032743
Don Etiebet	2.5	1.06	0.700	0.361	0.56747
Major Al- Mustapha	0.600	1.001	n/a	0.210	0.1999793
Bashiru Dalhatu	2.90	1.09	0.360	1.66	0.68895
Hassan Adamu	0.300	0.200	0.700	n/a	0.1305

Source: Financial Times of London 1999

plex contract No.13/1731 left much to be desired. It was revealed that the contract was initially awarded for =N=45.27 million by Muritala Muhammad but was later reviewed upward twice by Obasanjo to =N=95.82 million and subsequently =N=116,253.90 million.

From all indications it is doubtful whether these public officials could ever be good managers and be able to run their private businesses successfully. Perhaps, it showed that they were only feeding fat on government resources. The various Ministries also played significant role in perpetrating corruption as revealed in Table 3. This is a re-confirmation that corruption is more prevalent in the Nigeria government than in the private sector.

The total amount misappropriated by these various Ministries stood at =N=23,860,732,145.20 billion with Power and Steel topping the chart followed by the Works and Housing Ministries. This is one of the reasons why there has been epileptic electricity supply and shortage of accommodation in the country.

Extension and Robustness

The degree of damage inflicted on Nigeria economic growth by corruption is further enunciated by the estimated results of the models.

In the first model, there was a negative relationship between GDP_t , HCI_t and FB_t/GDP_t

Table 3: Misappropriated funds by various ministries in Nigeria

<i>Ministry</i>	<i>Total amount (=N=million)</i>
Co-operation and Integration in Africa	10,453,241.81
Power and Steel	4,394,649,602.19
Works and Housing	2,262,797,737.01
Defense	1,785,877,023.15
Education	1,265,272,388.99
Police Affair	1,209,216,325.05
Information	664,124,321.46
Commerce	640,053,177.72
Health	465,103,959.12
Industry	356,064,369.12

Source: Office of the Accountant General (2001) Audited Report

while CPI_t , PCI_t , and INF_t had positive relationship with GDP_t as shown below:

$$GDP_t = -2.725 + 5.442CPI_t + 0.011PCI_t - 1.558HCI_t - 324.158FB_t/GDP_t + 0.445INF_t \dots \dots \dots \text{eq. (7)}$$

$$S.E \quad (29.59) \quad (16.66) \quad (0.16) \quad (0.68) \quad (263.86) \quad (1.04)$$

$$t \quad (-0.09) \quad (0.33) \quad (0.07) \quad (-2.28) \quad (-1.23) \quad (0.43)$$

$$Pr \quad (0.93) \quad (0.76) \quad (0.95) \quad (0.11) \quad (0.30) \quad (0.70)$$

$$R^2 = 0.70 \text{ adj. } R^2 = 0.19 \text{ D.W} = 2.22 \text{ F-statistic} = 1.37$$

$$Pr \text{ (F-statistic)} = 0.422$$

The coefficient of corruption was positive as against its a priori expectation implying that higher rate of corruption would generate more growth. This conformed to the submissions of Leff (1964) and Rose-Arkerman (1994) even though this situation would not last long. It also confirmed that corruption had also generated

growth in Nigeria at least in the short run while the country is now facing the negative consequences of it through infrastructural decay that virtually brings the country to its knee. Furthermore the negative relationship between GDP_t , HCI_t and FB_t/GDP_t caused by fiscal indiscipline engendered inadequate provision for education, training and research that ultimately reduced capacity utilization. Using the adjusted coefficient of determination {adj. R^2 }, the extent of the variation in the GDP_t due to changes in all the explanatory variables is very limited going by the t- statistics. The second model established a negative relationship between CPI_t , PCI_t , GEX_t and MP_t/GDP_t while FDI_t and WRS_t had positive relationship with the CPI_t . By implication, corruption to some extent had been stimulated by foreign direct investment and wealth of natural resources. There had been insinuations that later confirmed that most of the mineral resources illegally mined in Nigeria were sold to the MNCs in which past and present leaders have business interests. Perhaps most of these MNCs are used as means of transferring stolen funds abroad. As indicated below decrease in per capita income, aggregate government expenditure, ratio of import to gross domestic product and increase in foreign direct investment as well as wealth of natural resources contributed to the increasing rate of corruption in Nigeria.

$$CPI_t = -5.288 - 0.069PCI_t + 0.413FDI_t + 0.168WRS_t - 0.082GEX_t - 0.288MP_t/GDP_t \dots\dots\dots \text{eq. (8)}$$

S.E	(33.33)	(1.23)	(0.33)	(2.79)	(0.03)	(0.90)
t	(-0.16)	(-0.06)	(1.25)	(0.06)	(-2.53)	(0.21)
Pr	(0.88)	(0.95)	(0.30)	(0.96)	(0.09)	(0.77)

$R^2 = 0.83$ adj. $R^2 = 0.54$ D.W = 3.26 F- statistic = 2.86
Pr (F- statistic) = 0.21

In all the coefficient of determination { R^2 } showed that 83% of variation in CPI_t was caused by the estimated variables in equation (8). In the overall context, there are other variables that were not captured in this study but yet responsible for the large scale corruption in the country and subsequently affect the economy's growth rate. Lastly, the value of the output of mineral resources also to some extent enhanced the degree of corruption in Nigeria. The more available the resources, the higher the rate of corruption, hence model three estimation provided a positive relationship between CPI_t and MRS_t .

$$CPI_t = -4.644 + 0.436MRS_t \dots\dots\dots \text{eq. (9)}$$

S.E	(7.43)	(0.64)
t	(-0.63)	(0.69)
Pr	(0.55)	(0.51)

$$R^2 = 0.063 \text{ adj. } R^2 = -0.07 \text{ D.W} = 1.29 \text{ F-statistic} = 0.47$$

Pr (F-statistic) = 0.51

The coefficient of determination { R^2 } implies that 6.3% of the variation in CPI_t was accounted for by the value of mineral resources' output.

CONCLUSION

The degree of corruption differs from country to country depending on its consequences at that point in time. This has been attributed to so many factors, but some of these factors are invariant to Nigeria situation. Corruption in Nigeria is rampant because corrupt officials are celebrated coupled with inadequate post service benefits. Most at times, the honest retirees who were not corrupt while in office are stressed before getting their pensions and some of them died in the process. Sometimes they are owed several months of arrears that often are peanuts. They also face health and accommodation problems that sometimes turn them to destitute. Furthermore minimal risk of being caught, prosecuted and sentenced accordingly tends to increase the spate of corruption. For instance, there have been several cases of corrupt officials like state governors released on plea bargain. The high profile corruption in the country has also engenders a formidable corruption cartel that turns the anti graft bodies into rubber stamp institutions.

Other factors that have contributed to incessant corruption in the country are fear of unknowns, immunity clause *ala* public officers' protection acts, intimidation, demotion, termination or assassination of public officials that seek to prevent corruption in low and high places. Significantly, lower remunerations in the public service have impoverished the workers with high level of poverty and inability to cope with the harsh economic conditions. Perhaps this makes them vulnerable to bribery and always ready to compromise government interests. In most of these government offices, there exists superior-subordinate collusion that often encourages corruption with impunity. Based on these factors, combating corruption in the country is a herculean task that deserves serious attention in other to minimize the persistent large scale misallocation of resources.

RECOMMENDATIONS

Several empirical studies have confirmed the negative impacts of corruption on growth and

productivity but they are of little use in designing and executing anticorruption strategies. Corruption-free society can therefore be achieved by initially identifying the nature of corruption in relation to the country of study. Corruption in Nigeria is a vicious cycle that poses multidimensional problems that eliminating or reducing it to the barest minimum, demands for the extinction of favoritism and nepotism for other measures to be effective. It is thus essential to tackle corruption from all angles- ranging from economic to political, socio-cultural and religious measures. Some of these measures are discussed below:

Fiscal Discipline and Rationalization

First among equal is the institutional measures of ensuring financial probity and accountability through strict adherence to budgetary allocations. Experiences have shown that extra-budgetary expenses especially through consolidation revenue account tolerated weird and extravagant spending most especially during military administrations. In order to make this effective, public office holders should declare their assets prior to being engaged and after disengagement from office. This should be followed up by establishing independent/autonomous public auditing office with all supporting facilities to ensure its efficiency. Furthermore, it is essential to avoid duplications in government establishments since this often creates avenues for pilferage of public resources.

Improved Welfare Packages

Arising from above is the provision of better conditions of service including impressive salary packages. In terms of welfare packages, bonuses and allowances should be granted to deserving officers frequently. The provision for credit facilities, insurance benefits and various post service opportunities should be extended to all public officers in accordance with their grades. Also the time lag between pay periods in the country should be reviewed downward to bi-weekly as against the monthly payment system. This will reduce the time lag between the pay periods, cash crunch and possibly reduce the thirst for bribery and outright stealing of government resources.

Adequate Provisions for Social and Economic Services

It is essential that provisions should be made for improved infrastructures especially electricity and transportation for the system to function effectively. In line with this, affordable accommodation, qualitative education and adequate health accessibility must be provided. These are the most expensive amenities and services that consume the meager salaries of an average Nigerian worker. Once these are provided at affordable prices or free of charge as the occasion demands, it will reduce their cost of living and possibly have positive impact on reducing their corruption tendencies.

Deregulation of Selected Activities

Another measure towards mitigating corruption among public officers is to legalize the previously prohibited or controlled activities. Though for some reasons in Nigeria, the import duty free for example, created another source of extortion for customs through their agents at various ports in the country. Where an importer refuses to accede to their demands, the 'port rats' are engaged to pilfer or destroy such importer's merchandise. Be as it may, it would reduce the monopoly power of bureaucrats in the allocation of scarce public resources especially in the area of issuance of licenses and permits and consequently reduce corruption.

Discouragement of Monetized Politics

This include limiting the contribution to campaigns during election most especially the 'money bag' politicians. Politicians find culpable should be disqualified by the electoral commission. Other measures related to this measure are autonomous investigating agencies, establishment of local ombudsman, citizen's watch dog committee, independent press and protection, independent judiciary devoid of any executive control, protection of anti corruption crew members and holding supervisors responsible for their subordinates' corruption activities. Furthermore, individuals should be encouraged to lodge complaints against any public official involved in corruption by way of ensuring their protection and anonymity. This should be supported by an independent civil service structure in

place. In addition public officials can be discouraged from corrupt enrichment by providing adequate equipment to government agencies, monetary inducements, post-service housing benefits, adequate pension and security allowances.

Imposition of Death Penalty

A complex problem deserves a drastic solution. Any corrupt public officer or individual should be subjected to the same treatment meted out to an armed robber. There is nothing wrong if a death sentence is imposed on any corrupt individual since his action is of greater negative consequences on the whole society. No matter the status of the person involved, adopting this measure will serve as deterrents to others.

Constitutional Amendment

There is a need to review that section of the country's constitution that provides for immunity clause and other protection laws in favour of public officials. The abolition of these provisions will strengthen the anti corruption agencies so that corrupt officials can be dealt with immediately the offence is committed. A typical example is Governor Blagojevic of Illinois State in United States accused of offering President Obama's senate relinquished seat for sale. He was impeached the following month after the burble busted. This implies that nobody should be placed above the law for the war against corruption to be effective in Nigeria.

NOTES

¹ For further details on the utility concept of corruption, see Akkihal, Smith and Adkins 43-44.

² This implies that a public official retires a pauper except while in office he received bribes and engaged in outright theft of government resources.

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