

CORRUPTION AND NIGERIA ECONOMIC GROWTH

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ABSTRACT

The study examines corruption and the Nigeria economic growth. The study focused basically on the effect of corruption on Nigeria economic growth. A sample of 100 participants was selected from the public and private sector. The hypotheses were tested using the non-parametric statistical technique of IBM SPSS 21. The result shows that corruption has pervaded the Nigeria economy and it has eaten deep into the fabric of the society. The study recommends that the Nigerian government should muster the political will and genuinely set up the fight against corruption.

INTRODUCTION

Corruption is a global phenomenon which is affecting the social economic development of different societies. It is prevalent in developing countries as a result of the fact that the leaders in most developing nations have almost institutionalized corruption in their countries. The issue of corruption is not far fetch in Nigeria as it has become almost a daily activity as a result of the fact that it occur virtually all the time in the public and the private sectors of the economy. According to Ogbeidi (2012), it is an incontrovertible fact that corruption has been the bane of Nigeria development; the phenomenon has ravaged the country and destroyed most of what is held as cherished national value.

Adenike (2013) states that corruption attacks the foundation of democratic institutions by destroying electoral processes, perverting the rule of law and creating bureaucratic trap and also discouraging foreign direct investment. Nwankwo (2013) opine that corruption has become a major issue in foreign aid and that it an ancient practice that has been traced back to pre-biblical time and made itself known in the ancient civilization of develop and developing countries. From the foregoing, it appears that corruption is endemic and has led to what is known as stunted growth on the economy of developing nations, including Nigeria where people tend to see corruption as the order of the day and a way of life. Tolu and Ogunro (2012) argued that corruption has become a society induced activity in the sense that it now enjoys popular support from the people, invariably, corruption has been democratized. Obuah (2010) posited that corruption is a form of rent – seeking enterprise or activity, which is illegal or an unauthorized transfer of money from one person to another (or group to group) or an in-kind substitute.

Oghi (2013) opined that one area in which attempts in nation-building in Nigeria has become problematic is in the area of corruption, it is so much the worry among concern citizens, academic and non-academic that workshops, seminars and conferences have been organized at different fora to chart a way out of the quagmire. It is against this backdrop that this study wants to critically investigate the effect and attendance consequences of corruption to the development of Nigeria economy.

STATEMENT OF THE RESEARCH PROBLEM

Studies on the effect of corruption on economic development have attracted the attention of researchers both in developed and developing countries. The effect of corruption on economic development in Nigeria cannot be overemphasized, in that it has attendant consequences. Empirical studies on corruption and economic development by Nageri, Guru and Abdul (2013) indicated that corruption has a significant negative effect on economic growth and development. Adewale (2011) posits that although corruption is a universal phenomenon, its magnitude and effects are more severe and deep-seated in Nigeria.

Tolu and Ogunro (2012) argued that the futile attempt by the government to fight the cankerworm stems from the fact that the government itself is greatly infected with the virus and an average Nigeria is seen as corrupt in most part of the world. It appears that corruption has become deep-rooted in Nigeria as a result of the fact that, people from other countries now see it as part of the tradition of the Nigerian society. Very little study has been done in the area of evaluating the relationship between corruption and economic growth in Nigeria. It is against this background that this paper tends to fill the gap by addressing the following questions:

1. To what extent has corruption caused the reduction of foreign direct investment in Nigeria?
2. In what ways has corruption led to the production or acquisition of inferior public infrastructure?
3. How has corruption reduced tax revenue in Nigeria?
4. To what extent has corruption led to the poor maintenance of public infrastructure in Nigeria?

Objectives of the Study

The broad objective of the study is to ascertain the effect of corruption on the Nigeria economic growth. The specific objectives are to:

1. ascertain how corruption has caused the reduction of foreign direct investment.
2. examine the effect of corruption on the production or acquisition of inferior public infrastructure.
3. find out how corruption has reduce tax revenue in Nigeria.
4. examine the extent corruption has led to the poor maintenance of public infrastructure.

Statement of Research Hypotheses

H₀₁: Corruption has not led to the reduction of foreign direct investment.

H₀₂: Corruption has not led to the production or acquisition of inferior public infrastructure.

H₀₃: Corruption has not reduce tax revenue in Nigeria

H₀₄: Corruption has not led to the poor maintenance of public infrastructure.

LITERATURE REVIEW

The Concept of Corruption

According to Ogbu (2008) corruption is an abuse of position or inducement of an abuse of position for an undeserved benefit, advantage or relief. Transparency International (TI) (2008) as cited in Arinze and Chuka (2013) defined corruption as the misuse of entrusted power for private gains. Tanzi (1995a) as cited in Tanzi (1998) defined corruption as the intentional noncompliance with arm's length relationship aimed at deriving some advantage from this behaviour for oneself or for related individuals.

It appears that the kind of corruption that takes place in Nigeria is not far fetch from the definition given by Tanzi (1995a), as a result of the fact that most Nigerians does not comply with the relevant laws when indulging in administrative activities, whether in the public or in the private sector, although it is rampant and occurs frequently in the public sector. World Bank (1999) defined corruption as the misuse of public office for private gain. Danon (2010) posits that corruption is a phenomenon of the corrosion of the social materials; he further stated that this means it was a question of morality.

World Bank (1999) defined corruption as the misuse of public office for private gain. In other words, they involve a government official benefiting at the expense of the tax payer or at the expense of average person who come into contact with the government.

From the foregoing, it appears that the issue of corruption is mindboggling, alarming and highly devastating as a result of the fact that corruption causes a lot of setback to a nation. Corruption has made things to be perverted in Nigeria; it has caused a lot of setback on the nation's economy. The kind of corruption that takes place in Nigeria is similar to the definition given above by World Bank as a result of the kind of notorious activities that is perpetrated by the public officials.

According to Nwankwo (2014) corruption is a disease which eats into the cultural, political and economic growth of any country and as well as destroys the functioning of various organs of government. Adewale (2011) stated that where corruption exists, even a highly endowed nation in terms of natural and human resources may fail to develop in a beneficial way to a great majority of the citizens. Arinze and Chuka (2013) opined that the general global perception about graft in Nigeria is that it is generally acknowledged that corrupt practices are endemic and systematic in both public and private sectors in Nigeria.

CAUSES OF CORRUPTION

It seems that many reasons have been advanced as the causes of corruption by different scholars. The way some individuals flaunt their ill-gotten wealth in Nigeria is alarming, and they do it with so much impunity because nobody cares to carryout investigation about their ill-gotten wealth. The society has become one of the contributing factors, due to the fact that it asserts so much loyalty to the rich in the society.

Arinze and Chuka (2013) state that some of the causes of corruption ranges from non-conformity to religious tenets, imparted values and ideas alien to our culture, ethnicity which encourages favouritism and nepotism and a weak legal system which is honoured in the breach than observance. Khan (2004) posits that corruption can also results from a number of factors, such as: rapid economic and social change, strong kingship and ethnic ties, new institutions, overlapping and sometimes conflicting views about what is proper public behaviour, governmental monopoly over economic activities, political softness, widespread poverty and social economic inequalities.

Begovic (2005) argued that procedural legislation, which are rules regarding enforcement of rules and regulation is very important for corruption. The complicated and non-transparent specifying slow procedure (procedures with unspecified time limits or no binding deadlines) at the discretion of civil servants in the enforcement process creates a tremendous opportunity for corruption. Not only does such legislation create incentives for corruption, but it also decreases the probability of detection, making threats to corruptors and corrupted less credible.

EFFECT OF CORRUPTION ON NIGERIA ECONOMIC DEVELOPMENT

It seems corruption has become a bane on the societies to the extent that people in the places of authority now see it as part of the activities that would have to take place in the office for things to go on properly. Rotimi, Obasaju, Lawal and Iseolorunkanmi (2013) argued that corruption gives room for diversion of the limited public funds, undermines economic progress and impedes policy changes required for development. They further stated that on the whole, corruption impedes growth and also erodes the already established economic value systems in Nigeria. According to World Bank (1999), corruption reduces the overall wealth in a country since it can discourage business from operating in such a corrupt setting. Arinze and Chuka (2013) posits that economically, corruption has led to depletion on our national wealth, it has led to the use of scarce public resources to finance uneconomic high profile projects. They further assert that on the social ladder, the people have lost their trust in the political system, its institutions and leadership.

Tolu and Ogunro (2012) stated that corruption harms society by damaging economic development and reforms and hinders the growth of democratic institutions. It impedes the ability of developing countries to attract foreign investors and distorts capital allocation as well as impedes international trade. From the foregoing, it appears that corruption has a significant impact on the economic development of Nigeria, because it reduce the revenue that accrue to government the through taxation, as a result of the fact that foreign investors are scared to invest in a corrupt nation.

THE IMPACT OF CORRUPTION IN FOREIGN DIRECT INVESTMENT (FDI) IN THE NIGERIA ECONOMY

The growth of foreign direct investment is of utmost importance to the global economy as a result of its significant to the world economy. Contessi and Weinberger (2009) argued that FDI is an investor's acquisition of long term influence in the management of a firm in another country. Al-sadig (2009) posits that the level of corruption in the host country has been introduced as one factor as the determinant of foreign direct investment location, he further stated that paying bribes to corrupt government bureaucrats to get favour such as permits investment licenses, tax assessment and police protection is generally viewed as an additional cost of doing business or a tax on profits. As a result, corruption can be said to decrease the expected profitability of investment projects.

According to Castro and Numes (2013), more countries are expanding abroad through FDI, and most countries are seeking to attract it due to the positive effects on their economy. FDI promotes job opportunities, income, technology transfer, human capital development, management skills and even better governance. They further emphasized that to attract FDI, a host country has to promote favourable environment to investors such as transparent political institutions, such as low corruption in order not to increase business cost.

In a study conducted by Ogunmuyiwa (2012), the findings revealed that corruption is negatively related to FDI in Nigeria in line with the argument of efficiency reducing schools and this implies that investors are not eager to make FDI in the country since it experiences high level of corruption. Akinlabi, Babatunde and Awoniyi (2011) stated in the empirical work conducted by them that there is a significant positive relationship between FDI and economic growth in Nigeria, and that for Nigeria to attract a large volume of FDI inflow, corruption at all level of government must be drastically reduced and checkmated. Idowu and Awe (2014) posit that FDI in Nigeria have not been encouraging, as a result of major domestic flaws in the country such as high inflation, poor infrastructure, corruption and insecurity that reflect on the nominal growth of the country, low interest rate, unfavourable and unnecessary barrier to trade and inflows of capital that mainly come in the form of legal requirement, tariff barriers and duplicated tax system.

The Effect of Corruption on Tax Revenue

In order for government to discharge its function effectively, there have to be means of generating revenue, and one of the ways of generating revenue is through taxation. According to Abiola and Asiweh (2012), the stabilization of the economy, the redistribution of income and the provision of services in the form of public goods are among other functions or obligation government may owe her citizens. Ogbonna and Ebimobowei (2012) assert that political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that country. They further emphasized that for there to be appreciable progress in revenue generation, there should be accountability and transparency on the part of government officials in the management of that revenue for the benefit of the citizens and Nigeria in general.

Afubero and Okoye (2014) posit that due to poor rate of voluntary compliance, and low degree of honesty, most taxable persons hide from tax authorities and if possible would give fake address to conceal their identities. The tax collection mechanism used by the officials must be free from corruption and embezzlement, and that if this is not done the revenue collected may not reach the desired point.

Abiola and Asiweh (2012) argued that a carefully planned tax policy which is consciously and faithfully implemented can help to generate revenue that can transform a nation in totality, but where the reverse is the case, a selected few will divert the good intention of the government by enriching themselves with the public fund which was supposed to be used to better the life of the people through the provision and maintenance of social infrastructure.

The Impact of Corruption in Public Infrastructure

One of the ways in which citizens of any nation benefit from its government is through the provision of public infrastructure. Kayode, Adagba and Anyio (2013) state that the concomitant effect of corruption in the public service is the lack or inadequate provision of services that would enhance the standard of living of Nigerians. The deteriorating standard of living of majority of Nigerians is an evidence of lack of basic necessities of life. Rotimi et al (2013) Posit that decay infrastructure are notable and common features which are largely attributable to high incidence of corruption which has reached a prevalent level.

Uma and Eboh (2013) argued that corruption stifled industrialization and infrastructural provision. No meaningful development can be achieved without short, medium and long-term industrialization strategies. The problem of allocated resources not fully employed in certain establishments or targets as budgeted, due to corruption, retards

productivity and resources utilization, thereby tying Nigerians in the vicious cycle of poverty. Oghi (2013) opined that the collapse of public facilities in Nigeria has occasioned serious hardship on the people, as a result of the fact that the money meant for repairs of the country's refineries, electric power generation installation, hospitals, roads, schools have been diverted to private ends by public officials through direct misappropriation and the award of phony contracts to cronies.

Methodology

The survey method was selected for data collection and micro data was collected with the aid of a well structured questionnaire (in the appendix section) administered to one hundred (100) respondents in various professions both in public and private organizations in Edo State to solicit their view. Responses for the questions was keyed using likert 5 point scale with strongly agree-5, Agree-4, undecided-3, disagree-2 and strongly disagree-1. Micro data was collected and for the purpose of analyzing the collected data, the study employed the use of the nonparametric statistical technique of the IBM SPSS Statistics 21.

Presentation of results

Table 1. Descriptive Statistics

Item	N	Mean	Std. Deviation
1. The inflow of FDI to Nigeria could be reduced by corruption	100	3.90	.948
2. Expected benefits of FDI could be reduced by corruption	100	3.65	.730
3. Corruption increases the costs of doing business in Nigeria	100	3.55	.978
4. Production or acquisition of inferior public infrastructure in Nigeria is caused by corruption	100	3.80	.752
5. Infrastructural development in Nigeria is hampered by increasing level of corruption	100	3.75	.770
6. Corruption could cause tax revenue decline	90	4.06	.709
7. The level of compliance to tax payment in Nigeria is affected by corruption	100	3.90	.772
8. Noncompliance to the implementation of tax policy enhances the level of corruption in Nigeria	95	4.00	.799
9. Poor maintenance of public infrastructure is caused by high level corruption	95	3.63	.990
10. Diversion of public fund results in the decay of public infrastructure	95	3.26	1.122

Source: *The researcher's computation using SPSS 21*

The table 1 above shows the results of the descriptive statistics of individual item computed from the responses to the questionnaire items in appendix 1. As can be seen from the table, the mean and standard deviation responses of 3.90 and 0.948 for "The inflow of FDI to Nigeria could be reduced by corruption," and 3.65 and 0.730 for "Expected benefits of FDI could be reduced by corruption," 3.55 and 0.978 for "Corruption increases the costs of doing business in Nigeria" respectively suggests strong agreement among respondents on the negative effect of corruption on Foreign Direct Investment.

Also, the mean and standard deviation of responses of 3.80 and 0.752 for “Production or acquisition of inferior public infrastructure in Nigeria is caused by corruption,” and 3.75 and 0.770 for “Infrastructural development in Nigeria is hampered by increasing level of corruption” also suggests strong agreement among respondents on the effect of corruption on the production or acquisition of inferior public infrastructure.

In the same vein, the mean and standard deviation of responses of 4.06 and 0.709 for “Corruption could cause tax revenue decline,” 3.90 and 0.772 for “The level of compliance to tax payment in Nigeria is affected by corruption,” and 4.00 and 0.799 for “Noncompliance to the implementation of tax policy enhances the level of corruption in Nigeria” suggests strong agreement among respondents on the effect of corruption on tax revenue.

While, the mean and standard deviation of responses of 3.63 and 0.990 for “Poor maintenance of public infrastructure is caused by high level corruption” and 3.26 and 1.122 for “Diversion of public fund results in the decay of public infrastructure” suggests strong agreement among respondents on that corruption has led to poor maintenance of public infrastructure, there seem to be weak agreement amongst respondents on whether diversion of public fund would result in public infrastructure decay.

Table 2. Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of Corruption has not led to the reduction in foreign direct investment occur with equal probabilities.	One-Sample Chi-Square Test	.001	Reject the null hypothesis.
2	The categories of Corruption have not led to the production or acquisition inferior public infrastructure occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
3	The categories of Corruption and tax revenue occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
4	The categories of Corruption has not led to the poor maintenance of public infrastructure occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Source: The researcher’s computation using SPSS 21

In order to reinforce the descriptive statistics test results in table 1 above which shows that respondents’ response in all question scenarios almost unanimously suggests that corruption affects the inflow of foreign direct investment, production or acquisition of quality public infrastructure, tax revenue, as well as maintenance of public infrastructure, we conducted a one-sample chi-square to test the hypotheses of the study. The results of the test of hypothesis as shown in table 2 above (hypothesis test summary) indicate that corruption strongly affect the flow of foreign direct investment, production or acquisition of quality public infrastructure, tax revenue, as well as maintenance of public infrastructure. Consequently, all four Null Hypothesis are rejected given the individual hypothesis significance value compare with the 5% significance level.

Conclusion and Recommendations

Corruption is real and has pervaded the Nigerian economy, public and private sector alike. This canker worm which have eaten into the fabric of the foundation of Nigeria and threatening our existence as a people need to be arrested before it becomes too late. There is a

strong confirmation of the endemic posture corruption have assumed in the Nigerian economy as the found a significant agreement amongst stakeholders on the negative effect of corruption on the Nigerian economy as a whole. The Nigerian government is therefore advised to muster the political will and genuinely step up the fight against corruption.

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APPENDIX

Questionnaire

1. The inflow of Foreign Direct Investment to Nigeria could be reduced by corruption
(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree
(e) Strongly Disagree
2. Expected benefits of Foreign Direct Investment could be reduced by corruption. (a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
3. Corruption increases the costs of doing business in Nigeria.
(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
4. Production or acquisition of inferior public infrastructure in Nigeria is caused by corruption. (a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
5. Infrastructural development in Nigeria is hampered by increasing level of corruption. (a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
6. Corruption could cause tax revenue decline. (a) Strongly Agree
(b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
7. The level of compliance to tax payment in Nigeria is affected by corruption. (a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
8. Noncompliance to the implementation of tax policy enhances the level of corruption in Nigeria. (a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
9. Poor maintenance of public infrastructure is caused by high level corruption. (a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree
10. Diversion of public fund results in the decay of public infrastructure.
(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree