

THE IMPLICATIONS OF CORRUPTION ON GOVERNANCE IN NIGERIA

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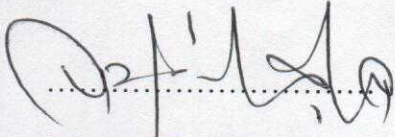
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CERTIFICATION

This is to certify that this research work was carried out by Olatuyi Anuoluwapo Blessing (matriculation number: EDS/11/0188) of the department of economics and development studies, faculty of humanities and social science, federal University Oye ekiti.

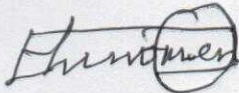


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DEDICATION

This research work is dedicated to Almighty God the builder of destiny, who in his mercy saw me through all the years I stayed in the university, and to the entire members of my family for their endurance and encouragement throughout the course.

ACKNOWLEDGEMENT

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ABSTRACT

The study examines the implications of corruption on governance in Nigeria and it focuses on the Nigeria's fourth republic due to the fact that corruption index started from this period. The estimating technique adopted for this research work is the Ordinary Least Square, precisely; the multiple regression version was employed to capture the influence of corruption index, regime of government, labour, capital, government expenditure and government revenue on per capita income. Also, descriptive analysis was used to determine the summary of statistics which include the mean and standard deviation of the data, correlation of the variables was examined to ascertain the pattern of distribution of the data, line graph was also used to compare the trends of the variables.

The result revealed a negative relationship between corruption index and per capital income, the result also revealed that government revenue and government expenditure have adverse effect on the citizen as it showed a negative relationship with per capital income. Expectedly, the result showed political instability to be negatively correlated with per capital income a proxy for governance; however the impact of capital and labour were positive but not significant as indicated by the regression analysis. While the R square of the model is high, the R square of about 0.61 shows that, the systemic variation in per-capita income is explained to the tune of 61% by all the independent variables. The test of overall significance, that is, the conducted F test shows that the model passed the test. The implication is that corruption index and other variables included in the model can jointly influence governance in Nigeria significantly and the decision rule specified that H1 is accepted while HO is rejected; the acceptance of H1 implies that corruption has significant impact on governance in Nigeria.

The study recommends that the government should be ready to take a bold step to serve as an example by practicing good governance, transparency, accountability with economic issues so that Nigerians will begin to believe in the system of government. Unnecessary government spending on duplications of offices and bureaucracies should be reduced to its barest minimum.

Keywords: Corruption, Governance and Good governance

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CHAPTER ONE

1.0 Background to the study

Corruption is a major problem hindering development in several developing countries, especially in Africa. Although there is also corruption in the developed world such as Britain, USA, France and Australia, the level of corruption in these countries cannot be compared with the level of corruption in African countries such as Nigeria. Corruption is the biggest among the challenges facing Nigeria. It is clear to every citizen of the country that the level of corruption is unacceptably high. Corruption in the country is found in all the entire sectors of the country. Be it a small or big sector, there is every possibility of observing corrupt practices when critically examined. According to Morris (1991), corruption is dishonest or fraudulent conduct by those in power typically involving bribery. Morris also asserts that corruption is illegitimate use of power to benefit a private interest. Corruption is also the giving of bribe by a person to an official so that the truth will not be told. This involves the embezzlement of public fund for personal use. Corruption is arguably involving in any act which is considered to be criminal act according to the Law of the particular society. Nigeria, which is the most populated country in Africa, has been ranked high in corruption by Transparency International Index and other notable organizations that checkmate the level of corrupt practices in any country. This high corruption ranking has been affecting almost all Nigerians that migrated to foreign countries as foreigners have the perception that since the country is marked corrupt, almost all of them shear in the practice.

Nigeria became an independent nation on the 1st of October 1960 and it is one of the largest countries in Africa. This is because of its natural endowment with many resources such as mineral, coal, food, crude oil. However, in spite of these obvious resources, Nigeria remains a poor and underdeveloped nation. One clearly identifiable reason for these shortcomings is corruption which has been problematic since 1960 when the country gained political independence from Britain. Corruption endangers good governance and reduces the effectiveness of foreign aid-funded projects (Doig and McIvor, 1999; IMF, 1995; Isham et al., 1995). Johnston (1998) also argues that corruption is particularly problematic for developing and transition economies and has become the order of the day in public institutions. This is essentially because

government business is regarded as nobody's business and the more reason why the country continues to suffer (Nzemeke and Ernagbe, 2002).

Good governance, on the other hand, is an indeterminate term used in international development literature to describe how public institutions conduct public affairs and manage resources. Government is the process of decision making and the process by which decisions are implemented (UNESCAP, 2009). Good governance can also be assessed on the basis of its level of responsiveness to the needs of its citizens by formulating and implementing policies that have positive effects on political as well as socio economic welfare of the citizens. However, the reverse is always the case when the administrative machinery is corrupt with serious implications for the citizens and the development of the nation. Corruption is also described as the abuse of public power for private gains which undermines the legitimacy and effectiveness of government. According to Ades and Di Tella (1994); Knack and Keefer (1995); Mauro (1995, 1997); Wei (1997); World Bank (1997), it discourages investment, reduces tax revenues, limits economic growth, and lowers the quality of infrastructure and public services. Due to the nature of corruption in Nigeria, projects are abandoned and no one is brought to book, public goods and resources are diverted to private use, official misuse of resources for personal enrichment whereby people in power take government money into their own personal accounts.

What the above suggests is that governance depends on the manner in which power is exercised in the management of a country's economic and social resources for development. Not surprisingly, the World Bank (2006) identified three distinct aspects of governance, namely: the form of political regime, the process by which authority is exercised in the management of a country's economic and social resources for development, and the capacity of governments to design, formulate and implement policies and discharge functions. This is why corruption has become a cankerworm in the political system in Nigeria. To this end, accountability is typically weak in the country because of corruption.

Familoni (2005) argues that becoming corrupt in Nigeria is avoidable, as morality is lacking because to survive, people have to make money. Independent Nigeria has been grappling with corruption against good governance. This situation is not peculiar to Nigeria alone, but also to other less developed countries and even the developed ones. Academic discourse, journals, newspapers, magazines and monographs are full of articles on corruption and governance. Since 1996, the World Bank has supported more than six hundred anti-corruption programmes and governance initiative developed by its member countries. According to the World Bank (1997), corruption thrives when economic policies are poorly designed, education levels or standard of

living are low, civil society participation is weak, public sector management is poor, and accountability of public institutions are weak.

Corruption has been cited as one of the major reasons why developmental prescription, aids and policies imposed on Nigeria by international financial organizations such as the World Bank and IMF, have failed. This is because policies are not well implemented. The government collects short term loans to finance long term projects which lead to debt servicing and consequently abandoned projects. Massive Corruption, injustice, political and religious intolerance brought about the demise of the First Republic and was cited as one of the prominent reasons for Nigeria's first military take-over in 1966 (Nwankwo 1984)

1.1 Statement of the Problem

Driven by the topic, it is said that the deficiencies of development in developing countries are due to the crisis of poor governance. It is conceivable that in the euphoria and optimism, one may forget that democracy, though un-arguably the best form of government for any nation, is also perhaps the most difficult to manage. Over the years, the Nigerian state as a whole has undergone a monumental development in all ramifications beyond mention. However, observation shows that there are some areas that are yet underdeveloped. The public's speculation is that funds allocated to these areas had either been misappropriated or embezzled. These communities suffered lack of amenities for good living such as electricity, good water supply, good road networks and other development infrastructures which are all the outcome of corruption. Moreover, observation has shown that government policies regarding the economy are poorly designed, education standards are low, participation of the citizen is weak, public sector management is poor, and accountability of public institutions are weak, these allow for corruption to thrive and the more reason why this study is necessary.

1.2 Objectives of the study

The main objective of this study is to investigate the implications of corruption on governance in Nigeria. The specific objectives are;

- i To identify the major characteristics and effects of corruption on good governance.
- ii. To examine the effects of corruption on the development of the society.
- iii. To appraise the practice of good governance in Nigeria.
- iv. To proffer solution to poor governance and how good governance can be consolidated and practiced in Nigeria.

1.3 Research Questions

In order to achieve the objective of this study the following research questions must be answered.

- i What is the major characteristic and effect of corruption on governance?
- ii What are the effects of corruption on the development of the society and good governance?
- iii What are the lacking areas of good governance and how can good governance achieved in Nigeria?

1.4 Research Hypotheses

For the purpose of analyzing the data that will be generated in the course of the study, the following hypotheses will be tested:

HO: There is no significant relationship between corruption and governance.

H1: There is significant relationship between corruption and governance.

1.5 SIGNIFICANCE OF THE STUDY

Ihonvbare (1998) once noted that the tragedy of Africa's experience of the third wave of democratization lies in the fact its "non-transition of democracy". This assertion is premised upon the challenges facing the current civilian dispensation which is how to put in place governance that is profoundly transformative in the sense of changing the character of the Nigerian state, the disposition of government to the people and disposition of the political elite to democracy and good governance. The findings of this study will be useful to both government and non-governmental agencies.

1.6 Scope and Limitation of the study

The study focuses on the Nigeria's fourth republic from 1999 to 2012 and will rely on secondary data from the Central Bank of Nigeria – Statistical bulletin (2012) edition and other relevant Journals/Publications. The World Bank data table will also be of immense advantage in sourcing for the needed data. The basic limitation of this study is inadequate access to all the necessary information needed for absolute analysis. Time and financial resources also are of constraint. However, the study shall be carried out with the limited resources available while at the same time efforts shall be made to ensure that reliable and dependable result is achieved.

1.7 Organization of the study

This study is divided into five chapters. Chapter One focuses on the background to the study, statement of the problem, objectives of the study, the research question and hypothesis, significance of the study, scope of the study, organization of the study and definition of terms while chapter Two reviews relevant literature. Chapter Three examines the methods utilized to gather the data requirements of the study and Chapter four presents the data and analysis. Finally, Chapter Five presents the summary, conclusion and recommendation to the study.

1.8 DEFINITION OF TERMS

Governance: it is the traditions and institution by which authority in a country is exercised (Kaufman et al), According to World Bank, it is the way power is exercised through a country's economic, political and social institutions

Democracy: The word democracy is derived from two Greek words "demo" which means the people and "kratein" which means "rule of or by". The term literally means "rule by the people". In the classical word of Abraham Lincoln, Democracy is a government of the people, by the people and for the people.

Good Governance: It is the act of exercising authority over the affairs of others or a country with justice and fairness. Also, it is to control authority in rightful manner and which must be within the tenets of democracy and must coincide with the interest of the majority in the society. It encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled. (OECD).

Developing Country: This is a country with low level of material wellbeing and wants to become more advance socially and economically. According to the UN, a developing country is a country with a relatively low standard of living, underdeveloped industrial base, and moderate to low human development index.

Developed Country: This term is used to describe countries that have a high level of development according to some criteria, which are economic stability, gross domestic product (GDP) per capital, industrialization; human development index (HDI), which combines an economic measure, national income, with other measures and indices of life expectancy and education has become prominent. A country with a lot of industrial activity and where people generally have high income (Cambridge English dictionary)

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the following subtopics are considered;

- (i) Conceptual issue
- (ii) Theoretical framework i.e. key relevant theories relating to the study
- (iii) Empirical review of previous work in the area of study.

2.1 Conceptual Issue

To enhance our understanding and appreciation of this paper, it is imperative to clearly define and explain the concepts of governance. Before defining good governance, it is important to define governance in order to fully understand good governance. But before defining governance too, it is also important to differentiate it from government. The words governance and government are sometimes used interchangeably but do not mean the same thing. Government is a collective body of elected and appointed institutions empowered to legislate and adjudicate for the good of the society (Natufe, 2006). While the concept of governance means different things to different people. The World Bank (1989) defines governance as the manner in which power is exercised in the management of a country's economic and social resources. Yaqub and Abubakar (2005) defined governance as the totality of the process of constituting a government as well as administering a political community. Similarly, Ninalowo (2005), defined governance as the totality of executive or administrative functions of the state, with a view of fulfilling terms of social contract or constitutional obligations to the citizenry. Igho Natufe (2006), defined governance as the process and system by which a government manages the resources of a society to address socio-economic and political challenges in the polity. For erstwhile governor of Lagos state, Bola Ahmed Tinubu (2008), governance is the process of decisions making and the process by which decisions are executed or not implemented. Therefore, governance is the sum total of ways by which the general affairs of the commonwealth is managed in the interest of all.

It is imperative at this juncture to define good governance. The concept of good governance has been extensively used within the international community in the last seventeen years and has

acquired “container concept” which incorporates a variety of principles and is as general as concepts such as globalization or global governance.

Good governance refers to competent management of a country’s resources or affairs in a manner that is open, transparent, accountable, equitable and responsive to the yearning and aspirations of the people. According to Tinubu (2008), good governance means participation, rule of law, transparency, responsiveness, consensus oriented, equity and inclusiveness, effectiveness and efficiency and accountability. Healy and Robinson defined good governance as “the use of legitimate authority exercised in the application of government power and in the management of public affairs” For Ekpu (2009), good governance means “respect for the rule of law, accountability, transparency, delivery on election promises, and creation of an atmosphere for the flowering of freedom and for the achievement of the greatest good for the greatest number of our people”.

2.2 The Role of Good Governance And Public Administration In Development

Good governance plays an important role in the advancement of sustainable development. It promotes accountability, transparency, efficiency and rule of law. Besides, it allows for sound and efficient management of human resources for equitable and sustainable development. According to former United Nations Secretary General, Kofi Annan (1998), “Good governance is perhaps the single most important factor in eradicating poverty and promoting development”. Good governance enhances human development and human development is the pivot around which other developmental activities revolve. Human development is the channel through which other forms of development are achieved. Similarly, Kayode, Oyejide and Soyode (1994), contend that a successful development effort requires good governance, managed by an enlightened political leadership operating in a stable political system that creates an enabling environment in which capable people have the incentive to work effectively.

In the same vein, Diamond (2004), contends that the root cause of development failure is not a lack of resources or international isolation. Rather, it is lack of good governance. Good governance promotes development by generating and defending broad commitment to the public welfare. Public administration lies at the heart of modern state. It is a recognized fact that it plays

crucial role in all societies- developed or developing. In modern state, public administration has become so important that our development, upliftment and progress depend mainly upon the efficient functioning of it. It serves as the basis of government. A government can exist without other arms of government such as legislature and judiciary. But no government can exist without administrative machinery. All countries irrespective of their system of government need some sort of administrative machinery for implementing public policies.

Public Administration is also responsible for implementing the law and policies of government. By implementing laws, it regulates the behavior of the people in the society. By executing policies and programmes, it delivers the promised goods and services to the intended beneficiaries. The importance of an efficient public administration is underscored by the fact that policies and programmes of government may not be realized without an efficient public administration. Put differently, the best policies and laws of government may remain as mere paper declaration of intent, if the administrative machinery does not function efficiently. An efficient public administration avoids waste, correct errors; limits the consequences of incompetence, while executing laws and public policies. In modern state, public administrators participate in policy making by giving advice to ministers and providing them with necessary information which will assist them in formulation of policies. It also acts as a great stabilizing force in the society. It settles social tension and conflicts and thus creates social unity and harmony in a country.

In addition, it provides continuity in government. In other words, it carries on government when rulers change every now and then owing to elections or coups. It protects the lives and property of the people by maintaining law and order. The survival and progress of the people depend on the proper enforcement of laws against violators. This is the primary responsibility of public administration. In the event of failure to perform this function effectively, the law of the jungle will prevail in a state (Dayil P.B)

2.2.1 Attributes of Good Governance and the Nexus Between Good Governance and Public Administration

The World Bank [1989] identified the following as the features of good governance.

- ❖ An efficient public service
- ❖ An independent judicial system and legal framework to enforce contract.
- ❖ The accountable administration of public funds.
- ❖ An independent public auditor, responsible to a representative legislature.
- ❖ Respect for the law and human rights at all levels of government.
- ❖ A pluralistic institutional structure and
- ❖ A free press

In the same vein Sir Kenneth Stove (Faradaus and Khan, 2006), identified the following as features of good governance:

- ❖ Political freedom including free speech and a freely elected parliament.
- ❖ Constitutional and judicial protection for the rights of the individual.
- ❖ Maintenance of the rule of law by an independent judiciary.
- ❖ Maintenance of stable currency.
- ❖ Development of a society as a whole by education and health care and
- ❖ Executive accountability to a freely elected legislature.

According to Faradaus and Khan [2006], good governance is characterized by the following:

Participation: This involves the participation of all and sundry in decision making either directly or through their elected representatives. Such broad participation is built on freedom of association and speech as well as capacities to participate constructively.

Accountability: It requires not only government institutions but also both private sector and civil society organizations to be accountable to the public. Accountability is guaranteed by the process by which public decision-making processes and the results they produce are held up to public scrutiny and feedback.

Management Effectiveness and Efficiency: Effectiveness concerns the ability of public bureaucracies to skillfully and efficiently transform public resources into services and infrastructure that correspond to public determined priorities. The concept of efficiency covers the sustainable use of natural resources and the protection of environment.

Equity and inclusiveness: This attribute requires all groups particularly the less privileged ones to have opportunities to improve or maintain their wellbeing. All human beings are born free and equal in dignity and rights.

Transparency: This built on the free flow of information, process, institutions and information are directly accessible to those concerned with them and enough information is provided to understand and monitor them.

Consensus Orientation: It requires mediation of different interests in society to reach a broad consensus on what is in the best interest of the country and the way this can be achieved.

Responsiveness: It requires that institutions and processes serve all stakeholders within a reasonable time frame.

Having examined the attributes of good governance, it is important to examine the relationship between good governance and public administration. As we all know, public administration does not exist in a vacuum, it is influenced by a number of factors among which is the political values (Adeosun, 1999). By political values, it means basic beliefs and assumptions not only about politics and the political system but also about appropriate government relationship to private activity, especially economic activity (Gordon, 1992). Good governance and administration demand that citizens be able to contribute their views on issues of importance to them. Put differently, good governance and public administration ensure citizen participation in governance. Another element of good governance is responsiveness. The public officials are expected to be responsive to the yearning and aspirations of the people. Their ability to do this depends on several factors present in governmental processes. The first is the people assumption of what is and what should be the conduct of government and public policy making; secondly, responsiveness requires access to right decision makers and a legitimate opportunity to be heard; government and its agencies have to be able to respond to policy and programme demand.

Holding government official, accountable for their actions is crucial to good governance, more so, when responsibility is entrusted to non-elected personnel. Governmental openness to public scrutiny is a key to accountability for official conduct.

In the same vein, Adamolekun (2002) contends that a public administrative system that functions in an environment of transparency, with officials fully aware that they would be held accountable for their actions, is likely to perform more efficiently and effectively than one that operates in an opaque environment where the rulers are not accountable to the ruled.

2.2.2 State of Governance in Nigeria

This segment will focus on state of governance from the time that democratic civil rule was restored to date. After over three decades of military rule, from 1966-1999 (with the exception of 1979-1983 and eighty-two (82) days in 1993 when the Interim National Government held sway), Nigeria transitioned to democratic civil regime on May, 29, 1999. Unfortunately, since restoration of democratic rule, Nigerians is nowhere near the realization of the ideals of good governance. In the area of the rule of law, Nigeria is replete with abuse of rule of law. The judicial arm of government which is the one saddled with the responsibility of protecting the rights of the people has either assisted or impeded course of good governance in areas such as revenue allocation, status of local government, intrigues associated with impeachment of certain political office holders, human rights, etc (Ayodele,2008). The issue of “absentee executives” also characterized governance in the period under review. The Obasanjo’s administration was guilty of this. According to late Gani Fawehinmi (Agbaje and Adebani,2005), Obasanjo travelled out of the country 93 times spending 340 days abroad in his first-three years. This did not include the 354 days he spent visiting and touring the 36 states of the federation. Also, two governors –one in the South-South and the other in the North-West were more or less governing their states from Western capitals. The National Assembly has failed to utilize its enormous power to ease the economic and social hardship confronting the people of this country. It is impossible to pin-point any concrete achievement of this body. When its members have not fought themselves over leadership positions, they have been busy devising ways for their pecuniary benefits. At a time, when most Nigerians could not afford three square meals, the legislators were growing fat allocating to themselves juicy salary and retirement benefits.

In the area of security, the country has not fared well. The country is in the state of insecurity and this can be seen in the increase in crime rate, the emergence and spread of politically motivated violence and assassinations, increased importation of arms and ammunition, an upsurge in ethnic, communal and conflicts; proliferation of ethnic and sectional militias and the deteriorating standard of living of the people (Tyoden,2005). Only recently, kidnapping and bombing are the new dimensions of crime in the country.

There has not been any significant improvement in the living standard of Nigerians since restoration of democratic rule. Presently, 70% of Nigerians earn below one dollar a day, with 66-

70% living below the poverty line. Thus, poverty provides the main catalyst for heightened conflicts and communal unrest in the country.

Nevertheless, some authors such as Joseph, Osunyikanmi (2009), Tolu Ogunro(2012), Adewale(2011) among others have examined the issue of corruption, provided some definitions of corruption, and have also analyzed the determinants and implications of corruption. 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 all categories of civil servants leads to corruption and misappropriation of public funds. Akindele (2005) sees corruption as behavior, which deviates 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 corruption perception parlance became a euphemism for bribery in Nigeria during the Babangida administration in 1989. Supporting the view of Osunyinkanmi is Abbas, in his response to Dr. Antonio Maria Costa's submission that Chief Olusegun Obasanjo former president from 1999–2007 must be commended for championing the cause of corruption fight in the country, Dikko (2011) opined that Report so far, indicated from May 1999–mid 2006, the monies stolen within the period under review, was more than what our past leaders stole put together from independence to before handing over to his democratically elected government.

Adewale (2011) explained that corruption is an act of diverting the resources that should have been used for developmental purposes of the society to private or personal use. This accumulation of the nation's economic resources for personal benefits had variously contributed to the leakage of capital from Nigeria for illegal deposits abroad. He further stated that corruption has a crowding out effect on the growth and development of the country. It's contributing effects on poverty and poor infrastructural development is more worrying. Some schools of thought have also highlighted the factors that are responsible for corrupt practices in a society. For example in 1995, USA secretary of state sees corruption from the cultural perspective. According to this school of thought, it is in the Nigerian culture to be corrupt. This argument is however disputed. For instance in the former USSR states of Kazakhstan, Uzbekistan, Russia, Ukraine and Azerbaijan, corruption is not a cultural phenomenon but rather a practice that supersedes culture and custom. They see corruption as a universal phenomenon.

This view was corroborated by Akindele (1990) who stated that corruption exists everywhere, which means that corruption has no racial or regional boundary. Adewale (2011) further exerts that the most plausible arguments in this area would seem to be that corruption is intractably determined by the stage of development and the type of government that exists in a society or nation. In most of the highly corrupt countries like Nigeria, government bureaucracies create conducive atmosphere for corrupt practices.

Authors like Rose (1990), Tanzi et al (2006) and Obadan (2001), have noted that governments of certain countries for political or other reasons create incentives for bribery and corruption and are sometimes directly involve in the corrupt practices. In some extreme cases, the government itself practices corruption in order to have their way through the legislative arms.

This practice is quite common in Nigeria. Several authors who studied corruption have concluded that corruption has negative impacts on the growth and development of any nation. According to Ekpo and Egenedo (1985), Obadan (2001) and Adewale (2011), corrupt practices inherently introduce distortions in the economic system; it impairs hard work, diligence and efficiency. It is capable of diverting resources meant for the development of the society to private or personal use. They maintain that corruption does not give room for honest selection processes and also distort prices

2.2.3 Types of Corruption

Corrupt practices can take many dimensions. Tolu and ogunro (2012) identified four types of corruptions as follows:

1. **Moral Corruption:** This is exhibited in sexual pervasiveness, greed especially in interpersonal relationships, loose tongue i.e. uncontrollable tongue such that leaks secrets or Slanders or busy-body, indecent dressing or appearance etc.
2. **Economic Corruption** e.g. manufacturing fake drugs, adulteration of drinks, piracy i.e. copying another person's intellectual work to illegally enrich oneself (Plagiarism), 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 of private or personal profit.

4. Electoral Corruption: This has to do with electoral frauds such as election rigging, manipulations, ballot stuffing, registration of under age, and many others.

The above mentioned types of corruption does not exhaust what is in literature, there are still other types of corruptions such as educational corruption, religious corruption, family corruption, etc.

2.3 Why Corruption Thrives in Nigeria?

It is widely acknowledged that the past 45 years of Nigeria's existence has essentially been that of wasted development chances. Nigeria is suffering from some deep seated economic problems arising from the pervasive level of corruption. Official corruption and abuse of office are twin monsters widely blamed for Nigeria's long-term economic decaying and under development since independence, specifically since the 1980s up till the present dispensation. While no country in the world is corrupt free. Nigeria has been placed among the most corrupt nations in the world. Several factors have been advanced for the high rate of corruption in Nigeria. Bello Haliru Mohammed identified some of these as negative personal behavioral traits, tribalism, cultural differences or heterogeneity, sectionalism, rapid urbanization, illiteracy, poverty, get rich-quick mania or greed, wrong attitude to public property, undue exposure to foreign influences, ignorance, double standards and low level of patriotism. While all the enumerated factors are important, poverty or depreciation in our living standards remains the most crucial factor. Poverty in Nigeria is widespread and all encompassing. Nigeria, which had attained an enviable position as one of the middle-income oil producing countries in the late 1970s and early 1980s slipped gradually to one of the lowest income countries in the early 1990s and 2000s. The United Nations Development Programmes i.e. the UNDP's Human Development Index succinctly place Nigeria in the 151st position based on Human Development Index recently. Nigeria has consistently over the years, failed to harness its potential to invest in massive flow of oil rents which had accrued to successive governments.

2.3.1 Effects of Corruption

Given its prevalence, corruption contributes no positive benefits to economic development, political institutions and social value. Corruption comes in innumerable shapes, forms and sizes. David H. Bayley, in his analysis on the effects of corruption in developing nations, identifies two major effects of corruption as (a) the direct or unmediated effects and (b) the indirect or

meditated effects.⁵⁷ Peter Eighers (Chairman, Transparency International) report in 2004 that “corruption leaves ordinary people without essential services, such as life-serving medicine, and deprives them of access to sanitation and housing. In short corruption cost lives”.

Fraudulent acts of corruption and abuse of office have been identified for Nigeria’s long-term economic retrogression and decay. These have fundamentally led to the underdevelopment of the Nigeria state since independence especially from the 1980s. The effect of corruption is too severe in Nigeria. No meaningful development can be alluded to. The Nigeria state has continued to grapple with the lamentable state of infrastructure, mass unemployment, urban vagrancies, homelessness increased deterioration of the standard of living, regrettable diminished access to good and qualitative necessity of life such as food, good nutrition, health care facilities and educational facilities. Poverty is widespread and crudely exposes our bad economic policies and inefficient leadership structure to utilize resources for development.

2.3.2 The Spate of Corruption in Nigeria as Hindrance to Good Governance

The current democratic government’s anticorruption drive under Chief Olusegun Obasanjo was more than any other reasons propelled by an unprecedented disclosure of evidences of corruption perpetrated by his immediate predecessors, especially the late General Sani Abacha, who ruled Nigeria from 1993 to 1998. After his death in 1998, his successor, General Abdusalami Abubakar, launched a probe into his financial dealings. These investigations uncovered large evidences showing that Abacha and his collaborators had diverted billions of dollars in public funds into several local and overseas bank accounts, while also corruptly acquiring choice properties in many locations within and outside the country. Public call for a strong anticorruption stance by the newly elected civilian government was further fuelled by the caution with which General Abubakar treated those indicted by his probe (Azeez, 2006). At the global level, the war against corruption was motivated by a genuine desire to correct Nigeria’s frequent appearance at the top of the table of the world’s most corrupt nations. The 2008 Corruption Perception Index (CPI) released by the Transparency International showed that the country is rated 121 out of 180 countries surveyed. On a scale of 10.0, Nigeria scored 1.6 in 1999; 1.2 in 2000; 1.0 in 2001; 1.6 in 2002; 1.4 in 2003; 1.6 in 2004; 1.9 in 2005; 2.2 in 2006; 2.2 in 2007 and 2.7 in 2008 (TI, 2008). This became not only a source of personal embarrassment to Nigerian officials travelling overseas, especially President Olusegun Obasanjo who was himself one of the founding members of Transparency International, but also an obstacle to the

government's much desired goal of reconciling Nigeria with the international community, after many years of diplomatic isolation, of securing debt forgiveness, and much needed foreign investments. To make matters worse, negative international publicity against Nigeria coincided with a time when the international community became increasingly concerned about lack of good governance and its consequences in developing countries. As a result, the Obasanjo government was placed under international pressure and threats of sanctions, to implement measures against corruption and other forms of financial crimes. The Nigerian government was also promised some benefits if reforms were implemented. This included a possible debt write-off, which materialised when the Paris Club wrote off \$18 billion, representing 60 percent of Nigeria's debt, in early 2005. As a result of these, the government started and within a jiffy, cases of corrupt practices, some of which were clearly beyond comprehension were prevalent. For instance, there were cases which involved colossal sums of money, perpetrated by top government officials including Ministers, Legislators, former Inspector General of Police (IGP) Tafa Balogun and Governors.

For example, former Delta State Governor, James Ibori, was slammed with a 129-count charge by the EFCC of laundering over ₦9.1 billion. Another notable case of alleged corruption by a former governor was that of ex-Abia Chief Executive, Orji Uzor Kalu who was accused of using his loot of ₦3.1 billion to fund SLOK Airline and two banks in the Gambia and Sierra Leone, in addition to owning houses in London and the US.

Another ex-governor, Saminu Turaki of Jigawa State, who is now a senator, was accused of spending ₦36 million of public funds to acquire oil blocks from the Federal Government. Ex-governor Rev. Jolly Nyame of Taraba State was charged with stealing ₦1.6 billion belonging to the state. Other former governors charged for various financial crimes include Edo State's Lucky Igbinedion, Ekiti's Ayo Fayose, River's Peter Odili and Chimaroke Nnamani of Enugu State. Nnamani is standing trial for his alleged illegal diversion of public funds totalling ₦5.6 billion, alongside two of his former commissioners, Peter Mba and Sam Ejiofor and some companies linked to him (Kofarmata, 2005). The former president's daughter, Iyabo Obasanjo-Bello, a Senator of the Federal Republic was enmeshed in two different financial scandals. In December 2007, Iyabo Obasanjo- Bello, was involved in a contract scandal amounting to ₦3.5 billion involving her and an Austrian firm. According to the EFCC, the Senator used her mother's maiden name, Akinlawon to conceal her identity in the contract. (The Punch March 19, 2008).

Senator Obasanjo was back in the financial crimes news again in a scandal of mismanaged fund in the Ministry of Health. The scandal led to the resignation of Mrs. Adenike Grange and her deputy, Gabriel Aduku. After a series of hide and seek with the EFCC, Obasanjo, Chairman, Senate Committee on Health, was eventually arraigned in court over ₦300 million unspent budget scam (This Day, Aug. 6, 2008:9).

Similarly, the resignation of Dr. Ngozi Okonjo-Iweala barely 24 hours after she was sworn in as the Finance Minister was an indictment on the government's efforts at eradicating corruption. Report had it that, she had a sharp disagreement with the leadership style of the President (The Sunday Sun July 20, 2003). Apart from the removal of the budgeting function to the Presidency, she was not comfortable with the clearing regime at Nigerian Ports – a place known to be the soup pot of Nigerian leaders (EFCC's report on Chief Bode George and the NPA 2003). Still the same year precisely in August, the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) called for explanation from the Presidency about what happened to ₦35 billion meant for Local Government monthly in addition to repeated allegations that several billions of Naira of oil revenues that were missing from the Federation Account. Giving a graphic detail of the "misrule and mismanagement" that had battered Nigeria and plunged the nation's citizens into economic misery, Mallam Nuhu Ribadu, the then EFCC Chairman said the over \$400 billion that had been looted from the Commonwealth by the leaders is "six times the total value of resources committed to rebuilding Western Europe after the Second World War."

To explain more of the corrupt practices in Nigeria that had hindered good governance, some corruption incidences in the first eight years of the fourth republic are highlighted below;

- ❖ June 1999 – In a special closed session, the National Assembly debates whether to increase their housing allowances to 18 million Naira (US\$140,000) per year. The debate comes shortly after a divisive campaign by teachers and civil servants to institute a 4,000 naira (US\$30)-per-month minimum wage.
- ❖ July 1999 – Ibrahim Salisu Buhari, the first speaker of the House under Obasanjo resigned when it was discovered that he lied about his academic backgrounds and age. Buhari pleaded guilty to forgery and perjury and was fined 2,500 Naira (US\$20) but was pardoned the following year.

- ❖ June 2000 – The National Assembly passes legislation to create the Independent Corrupt Practices and Other Related Offences Commission (ICPC), which was inaugurated in September.
- ❖ July 2000 – A government investigation finds evidence of inflated procurement contracts in the National Assembly, some awarded to companies in which legislators had a financial interest. High-level officials were implicated, including Senate President Chuba Okadigbo and Senate Deputy President Alhaji Haruna Abubakar.
- ❖ August 2000 – Okadigbo was impeached for corruption and misappropriation of funds. After his impeachment, Okadigbo was indicted for spending public money on cars and car furnishings and resigned in October. The indictment was eventually dropped.
- ❖ October 2000 – President Obasanjo was accused by eight House members of bribing them to help oust Speaker of the House Ghali Na'Abba, who Obasanjo accused of corruption. The legislators dramatically discharge the alleged bribes on the House floor.
- ❖ October 2000 – Construction begins on one of Obasanjo's pet projects — a modern sports stadium in Abuja. The estimated cost of 49 billion naira (US\$380 million) eventually goes hundreds of millions over budget.
- ❖ February 2002 – A government anti-corruption commission issues its first indictment of a high-level official, accusing Justice Garba Abdullahi of demanding a 1.2 million Naira (US\$9,000) bribe from a businessman to reverse an adverse ruling.
- ❖ April 2002 – The House unanimously strikes down a measure signed into law that would have outlawed the formation of new political parties ahead of the 2003 presidential election, claiming Obasanjo had inserted new language into the bill after it was submitted to him.
- ❖ August 2002 – The National Assembly accuses Obasanjo of 17 separate indictable offenses including incompetence, disregard for the rule of law and corruption.
- ❖ September 2002 – The ICPC obtains its first conviction, sentencing local government chairman Emmanuel Egwuba to three years in prison for awarding a contract without budgetary approval.
- ❖ January 2003 – Auditor-General Vincent Azie's report covering the 2001 financial year chronicles corruption, including a number of suspicious payments and honoraria to politicians, and criticizes all branches of government. Obasanjo fires Azie in February.

- ❖ February 2003 – The National Assembly passes a bill replacing the ICPC with a less powerful anticorruption entity, which Obasanjo subsequently vetoes. The Assembly's attempt to override the veto in May is ruled illegal by the Federal High Court.
- ❖ April 2003 – Obasanjo wins re-election in the first civilian-run presidential elections since the end of military rule. International observers note serious irregularities during balloting. November 2003 – A government report details the systematic looting of the once-prosperous Nigeria Airways airline and implicates 90 people in its downfall. The report recommends prosecution of several individuals and pursuing the 51 billion nairas (US\$400 million) looted by companies and government officials. Including also the trial of one Makanjuola who was in the dock for stealing ₦500 million as Permanent Secretary in the ministry of Defense.
- ❖ September 2003 – Nasir El-Rufai the Minister for the Federal Capital Territory alleged that two Senators close to the President, Deputy Senate President, Ibrahim Mantu and Majority Leader, Jonathan Zwingina, asked him for a bribe of N54 million (US \$418,000) to secure senate approval for his appointment.
- ❖ December 2003 – After the ICPC announces it is probing a bribery scandal involving French firm Sagem SA, Obasanjo fires Labor Minister Hussaini Zannuwa Akwanga. Sagem won a 27 billion nairas (US\$214 million) contract to produce national identity cards. At month's end, prosecutors charge five people, including Akwanga and two other former ministers, with taking up to 128 million naira (US\$1 million) in bribes from Sagem.
- ❖ June 2004 – Shell, one of the largest oil contractors in Nigeria, admits it has inadvertently contributed to the country's poverty, environmental degradation, violence and corruption through its business activities but spurns calls for the company to leave. As a good faith gesture, Shell contributes millions of dollars to support various community development projects and formulates "13 big rules" to make sure those contributions are not misappropriated. It also claims to have fired 29 employees in 2003 for corruption.
- ❖ March 2005 – Education Minister Fabian Osuji is fired for allegedly bribing the National Assembly to secure more funds for his ministry. He formally protests that such behavior is common at all levels of government. In April, Senate Speaker Adolphus Wabara

resigns after President Obasanjo accuses him of accepting Osuji's 51 million naira (US\$400,000) bribe.

- ❖ April 2005 – President Obasanjo fires housing minister Alice Mobolaji Osomo after it is alleged hundreds of properties were sold below market value to top officials instead of going on public sale.
- ❖ November 2005 – The European Commission approved €24.7 million (US\$31 million) to support the Economic and Financial Crimes Commission (EFCC) and other anti-corruption agencies. By August 2006, the EFCC in its three years of operation will have arrested and investigated more than 5,000 people, secured 82 convictions and recovered 641 billion naira (US\$5 billion) in looted assets.
- ❖ November 2005 – Former chief of police Tafa Balogun is convicted and sentenced to six months in jail for extorting more than 13 billion naira (US\$100 million) during his three-year tenure.
- ❖ December 2005 – Environment Minister Iyorchia Ayu resigns after lawmakers raise concerns about various procurement deals he handled.
- ❖ December 2005 – Diepreye Alamieyeseigha, governor of the oil-rich Bayelsa state, is arrested on 40 counts of corruption and money laundering. In July 2006, British authorities return about £1 million (US\$1.9 million) of the allegedly illicit gains that he stashed in British banks. Six months later, the EFCC proclaims that at least 24 state governors will face corruption charges at the end of their tenures in May 2007 when their constitutional immunity from prosecution expires.
- ❖ April 2006 – Record high oil prices enable Nigeria to be the first African country to pay off its debt to the Paris Club, an informal group of financial officials from the world's richest countries.
- ❖ May 2006 – The Senate rejects a proposed constitutional amendment that would have allowed President Obasanjo to run for a third term in 2007.
- ❖ August 2006 – Switzerland's ambassador to Nigeria announces the 90 billion naira (US\$700 million) looted by former president Sani Abacha and deposited in Swiss banks has almost completely been repatriated to Nigeria. A remaining 900 million naira (US\$7 million) is still being held in the account of an unnamed Nigerian who seeks to prove that the money was honestly earned by Abacha. (This Day, March 19, 2007; The Punch,

March 19, 2009). Other cases like the Siemens \$1.6billion settlement scandal, Willbros Inc's \$32million, Panalpina's case in the Nigeria's national identity card scheme with Sagem going to about \$200 million as bribe to senior government officials cannot but be mentioned. These cases equally draw concern about the unremitting level of official corruption in Nigeria, despite the claims of successive governments that they show "zero-tolerance" for corruption (The New York Times Dec. 15, 2008, see also, EFCC Magazine, 2008:48 and ICPC Monitor, 2008:34).

2.4 Theoretical Framework

In ethics, it is understood that corrupt behavior is one that privatizes moral life, which is public in its nature. It refers to a domination of social relations by self-interest and to the perception of fellow citizens as instruments, obstacles and competitors. "In the morally corrupt society, civic virtue and social responsibility are displaced and discarded in favour of an intense competition for spoils." (Williams, 1999). In modern social science, however, the term is narrowly defined referring to the misuse of public office for private gain by public servant. "How corruption is defined depends on the context in which it is located, the perspectives of the definers and their purpose in defining it." (Williams, 1999) The drastic shift in the emphasis in defining the term after the 1980s following the restructuration of state-society relations is worth examining. While the state was supposed to produce public interest and common good before then, the emphasis shifted in the neoliberal era to the opportunities that public power provided for individual rent-seeking. This is harmonious with the assumptions of governance approach that deal with the state as an economic entity.

Corruption is an age-old problem, but only recently has it started attracting the global attention of policy makers and development practitioners. A growing volume of empirical analysis, demonstrates that corruption hinders growth and investment, aggravates poverty and inequality, and thus hurts the overall wellbeing of people. Since there is no universally accepted indicator that measures corrupt practices, it is less clear how adequately empirical models can capture corruption. While there is no agreement in the literature on how to define the phenomenon of corruption, one thing is clear: corruption is a governance problem. Corruption is a result of weak state management and exists when individuals or organizations have monopoly power over a good or service, discretion over making decisions, limited or no accountability, and low levels of

income (Klitgaard, 1998). The frequently cited World Bank definition of corruption is the abuse of public office for private gain. This does not necessarily mean that corruption exists only in the public sector. Rather that corruption in the public sector is more important for the purposes of public policy in developing economies and the public sector should take the lead in establishing high standards of integrity and accountability.

2.4.1 Leadership and Governance in Nigeria

Since Nigeria attained independence in 1960, the leadership question has become a recurring decimal in the extent literature. The character, quality and nature of our national leaders have been characterized by poor visionary leaders whose interests in state power are inextricably and inexplicable linked with self-conceitedness, personalist peculiarities, parochial cleavages and corrupt tendencies in the management of state affairs. The governing class has been subjected to severe qualification and outright condemnation. The years of failed leadership, in nation building project have continued unabated. The disillusion of political discontinuities, frequent leadership change, harsh policies, lack of clear-cut ideological base and inherent weak institutional base remain the hallmark of our leadership over the years. The socio-economic fronts have been manned by excessive external debt overhang, disinvestments, food crisis and insecurity, over devalued naira, capital flight, obnoxious and repressive economic policies, deteriorating social infrastructure, stratification, high unemployment and over dependence, irreconcilable spate of homelessness and underdevelopment. The socio-political domain, has witnessed unprecedented level of kleptocracy, disturbing levels of political corruption, frequent transition crises, politically manipulated electoral process, political instability, weak political institutions and structures. The intrusion of the military juntas into our polity created contradictions and bastardized the process of leadership in Nigeria. The activities of this military junta almost rend completely the already battered Nigerian state. Comparative studies of other countries reveal that visionary leaders have played strategic roles in the socio-economic, political and ideological transformation of their countries through converted coherent policies which has transformed their societies. There are well documented literatures on the roles of leaders such as Otto Von Bismarck (Germany). Abraham Lincoln and J. F. Kennedy (USA), Mao Tse Tung (China), De Gaulle (France), John Macdonald and Charles Tupper (Canada), Sir Charles Fitzroy and Charles G. Duffy (Australia), Winston Churchill (Britain), Ho Chi Minh (Vietnam), Stalin and Lenin

(Soviet Union), Kwame Nkrumah (Ghana), Julius Nyerere (Tanzania), Abdul Nasser (Egypt), Kenneth Kaunda (Zambia), Patrice Lumumba (Congo DR), Ghadafi (Libya), Leopold Senghor (Guinea), etc, who initiated the process of national developments which fundamentally transformed their various countries. Regrettably, same cannot be said of Nigeria. Though leaders such as Dr. Nnamdi Azikwe, Chief Obafemi Awolowo, Alhaji Tafawa Balewa, Sir Ahmadu Bello, Anthony Enahoro and a host of others, have provided the foundations for astute leadership, consolidating their achievements has remained a Herculean task.

Therefore, a historical analysis of the leadership and governance in Nigeria is imperative. In pursuit of national unity and development, post-independence Nigerian leaders secured political power within the context of peripheralization and dependency. The political, administrative structure was neo-colonial to state the least and was patterned along the British parliamentary system. The administration of policy was regionally structured within the framework of federal system which allowed the regions to pursue policies and programmes hinged on their historical specifics and peculiarities. The emerging three regions – North, West and East and their leaders depicted their ethnic origins and ideological industries which informed their political and economic governance that was marred by the incidences of 1962 and 1965 western regional crisis, 1962 and 1963 census crisis and the 1964 General Elections Crisis which culminated in the demise of the First Republic and ushered in protracted years of military misadventure in Nigeria's polity.

2.4.2 Corruption and the Nigerian State

In Nigeria, corruption has remained a pervasive social phenomenon. It is a universal practice found in all spheres of life. Five major types of corruption are identified: political, economic, bureaucratic, judicial and moral corruption. Corruption is secretive in nature and should be identified in terms of ingredients, scope and character. The problem of identification, informs Professor Adeyemi's assertion that "you can only measure what you can express in numbers. Otherwise your knowledge can be conveniently described as unsatisfactory". Illicit misappropriation of privileges and opportunities in public and private sectors for personal overstatement particularly those in position of authority is *sine qua-non* to Nigeria. Both military and civilian governments have plundered the national treasury making the economy unattractive

to both local and foreign investors. Today, the economy is bereaved of any significant improvement essentially because of a booming capital flight which is a reflection of the pervasive corruption in the polity. Corruption has continued to blossom not because of absence of relevant legislations to tackle the problem, but essentially due to the weakness of key public institutions and lack of political will to enforce the laws. Nigeria continues to feature prominently amongst the most corrupt nations in the past thirty years. According to a survey result on corruption index, conducted by the United Nations Development Programme (UNDP) and Transparency International (IT), Nigeria is constantly listed as one of the five most corrupt countries in the world by these anti-corruption agencies. Nigeria is ranked 1.9 same as Tanzania, only slightly better than Honduras 1.7, Paraguay 1.5 and Cameroon 1.437, out of possible 10.0 (occupied by Denmark), the world's No. 1 ranked less corrupt country.

Foreign nationals, banking institutions, criminal collaborators and accomplices of government functionaries engaged in corrupt practices. Huge sums of money in various hard currencies such as US dollars, British pounds sterling, German Deutsch Mark, Suisse Franc and French Mark are stashed away in secret international bank accounts in various locations in Europe and the United States of America. The implication of corruption in Nigeria has led to a state of crises of underdevelopment, low technological development, debt peonage, endemic balance of payments crises, decaying infrastructure, decaying cities, continuously deteriorating capacity of managing external and internal conditions, continuous declines in living standards as well as crimes.³⁸ Corruption has equally affected our productive capacity. Not only are we not developing things (industries, infrastructure, utilities etc), we are also not developing people (nutrition, shelter, environment, education, health, etc).

2.5 Empirical Evidence

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

employed. He founds that all the econometric test applied in the study show statistically significant relationship between the model, thus, he concluded that corruption retards economic growth in Nigeria, that is corruption has a crowding-out effect on growth.

Fabayo *et al* (2011), in their study analyzed the consequences of corruption on investment in Nigeria using the Ordinary Least Square technique. They use the annual corruption perception index between the period 1996 and 2010. Their study revealed that low Corruption Perception Index ranking on Nigeria, which implies high level of corruption, leads to low investment and thus low economic growth in Nigeria.

In another related study which focuses on the relationship between corruption and development Akindele (2005), undertook an empirical investigation of the relationship between a numbers of key variables in Nigeria. Estimating a modified production function capital and political instability, corruption index is negative implying that corruption retards growth. He found that there exist a strong significant negative relationship between corruption and development. He concludes that, corruption in whatever form is inimical to the development of any society.

CHAPTER THREE

RESEARCH MEHODOLOGY

3.0 Introduction

This chapter elucidates the procedures employed in carrying out the research and the technique adopted in carrying out the empirical analysis of the research. It is the basic plan which guides the data collection analysis phase of the research work. It refers to the process of gathering, analyzing and interpreting data for effective policy recommendation purposes. This is a core aspect of the research work as it addresses issues relating to data sources, estimating and analytical techniques to be used in investigating the impact of corruption on governance in Nigeria.

3.1 Sources of Data

The data used for this study are secondary data sourced from Central Bank of Nigeria – Statistical bulletin (2012) edition, World Bank database and other relevant Journals/Publications.

3.2 Model Specification

Considering the Lucas model of growth with human capital formation where growth is expressed as a function capital (K), labour (L) and human capital (H) in literature, human capital has been linked with corruption being a major factor that affects human capital. Consequently, the model is modified to include corruption index $Y = f(L, K, H, C)$. However, to examine the impact of corruption on governance, other variables that are linked with corruption are also included as independent variables in the model. Such variables are regimes of administration (military or civilian regime), political instability indicator, government expenditure, government revenue. The growth of Nigerian economy which is captured by per-capital income is used as the dependent variable. The model is expressed thus:

$$PCI_t = f(L_t, K_t, Curptn_t, DUMR_t, PO_t, Gexp_t, Grev_t) \dots \dots \dots (1)$$

The linear form of the model is expressed as follows:

$$PCI_t = \beta_0 + \beta_1 L_t + \beta_2 K_t + \beta_3 Curptn_t + \beta_4 DUMR_t + \beta_5 PO_t + \beta_6 Gexp_t + \beta_7 Grev_t + u_i \dots \dots \dots (2)$$

3.3 Identification of Variables.

PCI_t is the per-capita income and proxy for governance

L_t is labour and it is measure by the total labour force in Nigeria

K_t is capital and measured by gross fixed capital formation in Nigeria

$Curptn_t$ is corruption and measured by corruption index at a particular period.

$DUMR_t$ is the dummy for regime of administration at a particular period. This might be military or civilian regime. 0 is entered for civilian regime and 1 is entered for military regime depending on the year under consideration.

PO_t is political instability and is proxy by Political Stability/No Violence (standard error).

$Gexp_t$ is government expenditure (both recurrent and capital expenditure)

$Grev_t$ is the government revenue (total government revenue)

U = Error term

3.4 Estimation Techniques

This study adopts both descriptive and linear regression analysis.

Descriptive Analysis: Summary of statistics which include the mean, and standard deviation of the data will be explored. Again the correlation matrix will also be examined to enable us ascertain the pattern of distribution of the data. Finally, Line graph will be used to compare the trend of corruption index, government expenditure, government revenue (independent variables) and per capita income (dependent variable)

Regression Analysis: The estimating technique adopted for this research work is the Ordinary Least Square Estimating technique, precisely the multiple regression version. The ordinary least square (OLS) method of multiple regression was adopted because the OLS appears appropriate

as it yields estimator which are best linear, un-biased and efficient. The following are the reasons for employing the OLS method.

1. The mechanisms of OLS are easy to understand
2. The OLS interpretation procedure is fairly simple.
3. The OLS has been used in a wide range of economic relationship with fairly satisfactory results and
4. The OLS is an essential component of most other econometric techniques.

Following the model in equation 2 where all the variables are as previously defined, a number of standard assumptions are made about the error term or the stochastic variable, some of which are stated thus:

(i) The error term is a random variable whose summation equal to Zero i.e. $U_t = 0$ that is to say that the value which it may assume in any one period depends on chance, this could be normality: thus implies that the error term (U_t) is normally and systematically distributed around its mean.

(ii) Heteroschedasticity: this implies that the variances of the error term are a constant with an unknown value, i.e. the parameter estimates which is β_1 to β_7 are estimated using the stata 11 econometric software. The standard error R square value and the t statistics value and their P values are also computed by the same software stata 11.

The R square shows the variation in exchange rate that is explained by the identified determinants. The R^2 which is the square of correlation co-efficient or as it popularly known as the co-efficient of determination will show the percentage of the total variation of the dependent variable being explained by the changes in the explanatory variables. It measures the goodness of fit of the model i.e., it measures the extent to which the explanatory variables are responsible for the changes in the dependent variable. The standard error test which is a measure of the dispersion of the estimates around the true parameter will be carried out, this judges the reliability or significance of the estimates, of the regression co-efficient i.e. the parameter

estimates. The standard "t" ration performs the same function with the standard error test but given due consideration to the level of significance which are traditionally 95% and 99% level.

Again the validity of the model used in this study can be tested by conducting the 'F' test, which describes the overall significance of the model; it would also be used in this study. Tests shall basically be econometric in nature, which also extends to the test for presence of multicollinearity. This is the consideration of the co-efficient of determination "R" and correlation co-efficient 'r' if $r > R^2$, it means there is problem of multicollinearity which means that the explanatory variables are correlated.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents the analysis of data, empirical result, interpretation of results and discussion of findings are made. However, basic inferences are also drawn from the findings of the analysis. The main objective of this study is to investigate the implications of corruption on governance in Nigeria. Consequently, The chapter starts with the descriptive analysis.

4.1 Descriptive Statistics

The descriptive analysis employed in this study is presented in the form of a summary of statistics in table 1. This includes the mean and the standard deviation of the distribution as well as their limit. Also the correlation matrix of the variables is generated.

Table 1 Summary of Statistics of the variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Year	15	2005	4.472136	1998	2012
Curptn	15	3.576622	6.499428	1	27
Pci	15	3.271272	2.788143	-1.244182	7.897959
Grev	15	4.82e+12	3.15e+12	4.58e+11	1.02e+13
Gexp	15	1.61e+12	1.26e+12	1.21e+11	3.41e+12
L	15	4.44e+07	4814009	3.75e+0	5.17e+07
Po	15	.2737992	.0426919	.2359937	.3639948
K	15	381017	178988.6	114476.3	623811
Dumr	15	.8666667	.3518658	0	1

Source: Authors Computation

Table 1 shows the descriptive analysis in terms of the summary of the statistics for all the variables. The means and the standard deviations of the variables are computed as well as their various limits. Firstly when the values of the mean and standard deviation of corruption index are compared, it is discovered that it has higher standard deviation (variance) than it's mean. The

implication of this is that corruption index in Nigeria has been mostly unstable during the periods under consideration. This can be attributed to various administrations and incessant changes in power or political instability that characterized the Nigerian economy over the years. Again, the per-capita income which is a proxy for effect of governance on Nigeria economy appears to be very low on the average during the period. This same distribution is shared by other variables.

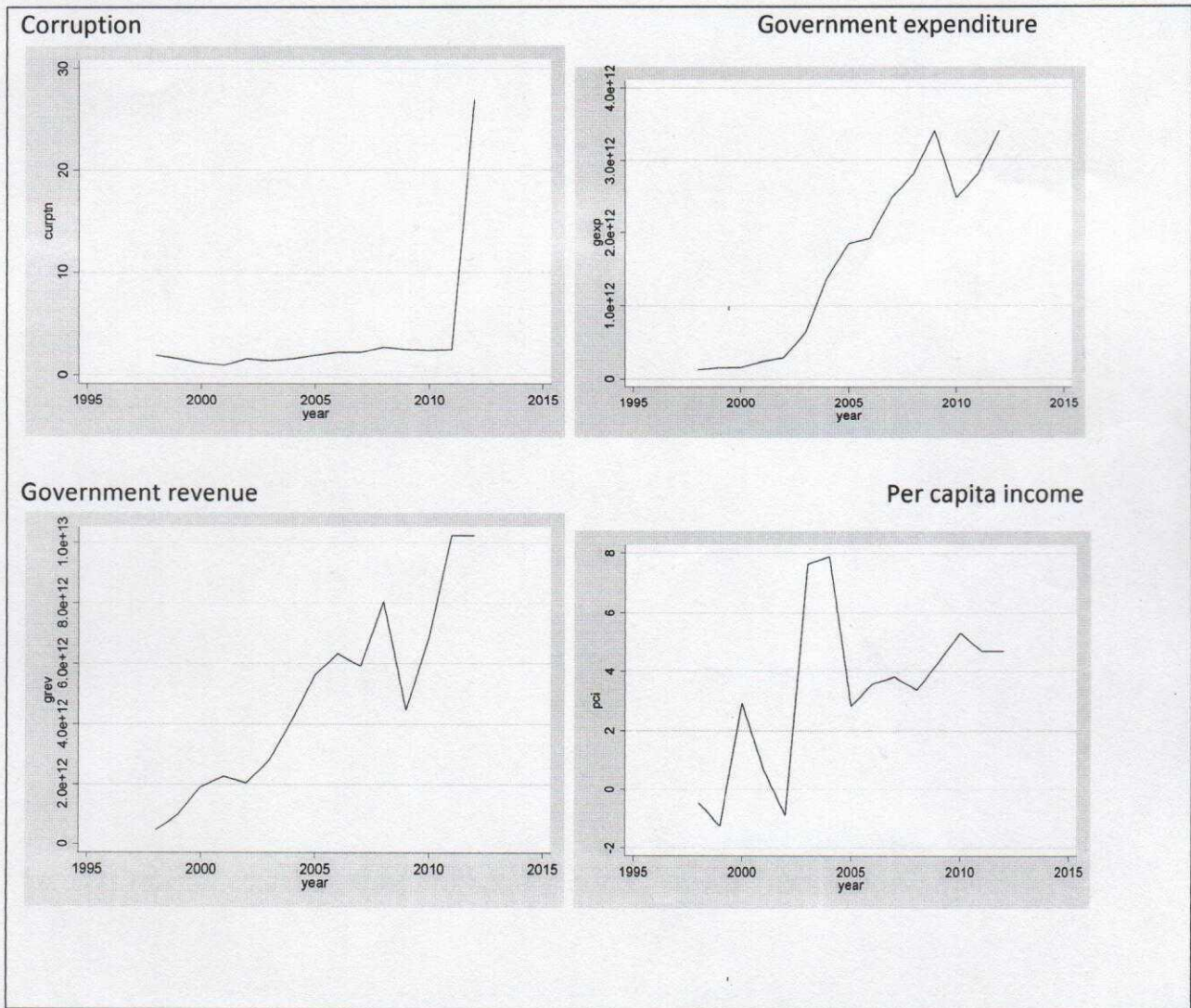
4.3 Table 2 Correlation Matrix of the Distribution

	Curptn	Pci	Grev	Gexp	L	Po	K	dumr
Curptn	1.0000							
Pci	-0.1568	1.0000						
Grev	0.5253	0.4974	1.0000					
Gexp	0.4580	0.5070	0.8766	1.0000				
L	0.4752	0.5281	0.9286	0.9470	1.0000			
Po	-0.2511	-0.5526	-0.8446	-0.8821	-0.8746	1.0000		
K	0.4328	0.5879	0.9142	0.9792	0.9721	-0.9031	1.0000	
Dumr	0.1141	0.6008	0.5291	0.4763	0.5415	-0.7206	0.5404	1.0000

Source: Authors Computation

Table 2 shows the correlation and covariance nature of the variables used in the model. On the whole there appears to be more of positive correlation among all the variables than negative correlations. Notwithstanding, there are some negative relationships noticed in the table. For instance, corruption index and per-capita income show a negative relationship. This implies that there appears to be inverse relationship between corruption and governance. Another negative relationship is seen between political instability and per capital income. The implication again here is that political instability might be inversely related to governance. However, all other variables show expected positive relationship with per-capita income.

4.4 Figure 1 Trends of corruption index, government expenditure, government revenue and per capita income in Nigeria



Sources: Authors computation

The trend in the figure above shows that corruption index in Nigeria has been following a rising trend. The rising trend became more pronounced during the civilian regime, the trend shows that there was an unprecedented rise in the Nigerian corruption index around 2008 which is about eight years into democracy. The figure also indicates that both government expenditure and revenue has been following a rising trend as well government revenue appears to be more dynamic during the period under review. The reason for this might not be unconnected with the

dwindling or fluctuation oil revenue since oil contributes more than 80% of total government revenue in Nigeria. The implication of these findings is that corruption index of Nigeria continues to rise even as government revenue and expenditure are also on the rise.

The per capita income which is a proxy for governance appears to be following a rising trend at the beginning of the period but it fell sharply during the civilian regime. This is an implication that the rise in the corruption index is greeted with a sharp fall in the standard of living in Nigeria, which implies that the rise in corruption reduces the effect of governance in promoting the standard of living of the people as shown by the per capita income.

4.5 The Regression Results

Table 3 Regression equation for per-capita income

Source	SS	df	MS
Model	66.8475982	7	9.54965689
Residual	41.9847913	7	5.99782733
Total	108.83239	14	7.77374211

Number of obs = 15
 F(7, 7) = 3.59
 Prob > F = 0.0272
 R-squared = 0.6142
 Adj R-squared = 0.2285
 Root MSE = 2.449

Pci	Coef.	Std. Err.	T	P> t	[95% Conf. Interval]
Curptn	-0.06671	.1450421	0.05	0.965	-.3362991 .3496411
Grev	-1.94e-13	6.56e-13	-0.30	0.776	-1.75e-12 1.36e-12
Gexp	-2.79e-12	3.10e-12	-0.90	0.398	-1.01e-11 4.54e-12
L	5.43e-07	6.49e-07	-0.84	0.430	-2.08e-06 9.91e-07
Po	-34.53422	55.69007	0.62	0.555	-97.15186 166.2203
K	.0000487	.0000279	1.75	0.124	-.0000172 .0001146
Dumr	4.07779	3.255943	1.25	0.251	-3.621291 11.77687
_cons	1.244803	28.46984	0.04	0.966	-66.07567 68.56528

Source: Authors Computation

Table 3 shows the result of the regression, which is showing the magnitude of the relationship between per capita income and each of the independent variables. However, the correlation matrix might not be able to explain in details the relationship but from the regression result the relationship appears to be clearer.

Firstly, corruption index and per-capita income has a negative or inverse relationship. This is the same with what is obtained under the correlation matrix. The implication of this is that if corruption index rises by one unit, it will reduce per-capita income by about 0.06 unit. This further shows that corruption might be inimical to governance in Nigeria. It reduced the effect of governance in promoting the standard of living of the people as indicated by the fall in per-capital income.

Secondly, both government revenue and expenditure show a negative relationship with per-capita income. The implication is that the activities of government in Nigeria in terms of finance have not positively influence the per-capita income of the people. In other words, it has not in any way raised the standard of living of Nigerians.

Notwithstanding, both labour and capital show a positive relationship with per-capital income as expected. But yet there effects are not significant. This is an indication that despite the large labour force or the huge investment noticed in some sectors of the economy the effect is still not significant in improving the standard of living of the people.

Political instability coefficient is negative also. This corroborates what is noticed under the correlation matrix. This simply implies that political instability will influence adversely governance in Nigeria. This is shown by its inverse relationship with per-capita income which is a proxy for governance. It should be noted that per-capita income shows the standard of living of people in a particular economy'

Finally, the R square of the model is high. The R square of about 0.61 shows that systemic variation in per-capita income is explained to the tune of 61% by all the independent variables. The test of overall significance that is F test shows that the model passed the test. The

implication is that corruption index and other variables included in the model can jointly and significantly influence governance in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.0 Introduction

This study investigated the implications of corruption on governance in Nigeria. The study started with the background to the study, statement of the problem, objectives of the study, research questions, research hypotheses, significance of the study, scope and limitation of the study and the definition of terms. Review of past literature of different researchers on corruption as the sources of governance and adjustment strategies were undertaken to provide a basis for the research work. Based on the available data, analysis was also conducted as to how far corruption has affected governance. A secondary data sourced from the Central Bank of Nigeria (CBN) statistical bulletin, World Bank data and other relevant journals/publications were used for analysis.

Moreover, per capita income of the citizens was used as a proxy for governance. In order to be able to fully capture the effect of corruption on governance in Nigeria, some variables that are linked with corruption index such as regimes of administration (military or civilian regime), political instability, labour, capital, government revenue and expenditure were included in the model and the regression analysis was conducted using the Ordinary least square econometric technique, with per capita income as proxy for governance the dependent variable.

5.1 Summary of Findings

The result of the analysis revealed that corruption has a negative impact on the per capita income of Nigerians. This was expected as corruption has been known to be an antithesis to good governance. It also showed that government revenue and government expenditures have adverse effects on the citizens as it showed a negative relationship with per capita income, an indication that government revenue and expenditures have not been managed to the benefits of the people. Expectedly, the result showed political instability to be negatively correlated with per capita

income a proxy for good governance. However, the impact of capital and labour on per capita income were positive but not significant as indicated by the result of the regression analysis. While the R square of the model is high, the R square of about 0.61 shows that systemic variation in per-capita income is explained to the tune of 61% by all the independent variables. The test of overall significance, that is, the conducted F test shows that the model passed the test. The implication is that corruption index and other variables included in the model can jointly influence governance in Nigeria significantly and the decision rule specified that H1 is accepted while HO is rejected, The acceptance of H1 implies that corruption has significant impact on governance in Nigeria.

5.2 Conclusion

Based on the results and findings from of this research study, we conclude that corruption is highly inimical to good governance in Nigeria; it also adversely affects the per capita income and standard of living of the populace. We also infer that corruption thrives in the area of management of government finances, this is implied in the result of the analysis; as the inability of government revenue and its expenditure to impact positively on the per capita incomes of the people means that government resources are not directed at expenditures that enhances the welfare of the citizens, rather it's been hijacked for personal gains. Also the fact that capital resources did not have a significant impact on per capita income points to the fact that governments resources have not been efficiently invested in the productive sectors of the economy, like the power and industrial sectors which have the potential to accelerate the nation's economic growth and hence per capita income of the citizens. This Can be attributed to the fact that a large proportion of the capital resources are been channeled to private pockets rather than investing them fully in the economy.

Finally it is expected that political instability will impact negatively on per capita income, a proxy for good governance in this study, this thus validates the fact that political instability is antagonistic to good governance in any country.

5.3 Recommendation

Based on the analysis carried out during the research work and the conclusion drawn from it, the following recommendation are made regarding the findings to the Nigerian government

- I. Without good governance, there can be no accountability; good governance plays a critical role in ensuring collaborative, peaceful, coexistence and progressive process of democratic culture and socialization. There is therefore, a critical link between corruption and governance. In this case the leaders have an enormous role to play in shunning corruption so that the junior officer too can avoid this culture
- II. Good governance also attracts investment to a country, improving productivity and competitiveness, promoting political stability and enhances rapid socio-economic development, so the government should be ready to make bold step to serve as an example by practicing good governance, transparency, accountability with economic issues so that Nigerians will begin to believe in the system of government. Unnecessary government spending on duplications of offices and bureaucracies should be reduced to its barest minimum.
- III. The public should be educated about the problems that corrupt practices create for the economy and the society at large, and be discouraged from participating in corrupt practices. The media and civil society groups have an important role to play here; the government should encourage full freedom of press and information and not do this by simply signing laws but put it into practice.
- IV. There is a need for a strong political will to deal with corruption in the Nigerian society.
- V. Religious organizations, non-governmental organizations and entire citizenry must complement government efforts in corruption crusade
- VI. Finally, the government should strengthen the ability of the anti-graft agencies and at best make them independent from influence of political elites and the government so that these agencies will be able to perform their functions without the influence of government

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<http://www.stata.com> did not respond or is not a valid update site

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```
. save "C:\Users\hp\Desktop\Stata13\blessing.dta"
```

```
file C:\Users\hp\Desktop\Stata13\blessing.dta saved
```

```
. tsset year, yearly
```

```
time variable: year, 1998 to 2012
```

```
delta: 1 year
```

```
. Table 1
```

Variable	Obs	Mean	Std. Dev.	Min	Max
year	15	2005	4.472136	1998	2012
curptn	15	3.576622	6.499428	1	27
pci	15	3.271272	2.788143	-1.244182	7.897959
grev	15	4.82e+12	3.15e+12	4.58e+11	1.02e+13
gexp	15	1.61e+12	1.26e+12	1.21e+11	3.41e+12
l	15	4.44e+07	4814009	3.75e+07	5.17e+07
po	15	.2737992	.0426919	.2359937	.3639948
k	15	381017	178988.6	114476.3	623811
dumr	15	.8666667	.3518658	0	1

Table 2

	curptn	pci	grev	gexp	l	po	k
curptn	1.0000						
pci	-0.1568	1.0000					
grev	0.5253	0.4974	1.0000				
gexp	0.4580	0.5070	0.8766	1.0000			
l	0.4752	0.5281	0.9286	0.9470	1.0000		
po	-0.2511	-0.5526	-0.8446	-0.8821	-0.8746	1.0000	
k	0.4328	0.5879	0.9142	0.9792	0.9721	-0.9031	1.0000
dumr	0.1141	0.6008	0.5291	0.4763	0.5415	-0.7206	0.5404

	dumr
dumr	1.0000

Table 3

Source	SS	df	MS	Number of obs =	15
				F(7, 7) =	3.59
Model	66.8475982	7	9.54965689	Prob > F =	0.0272
Residual	41.9847913	7	5.99782733	R-squared =	0.6142

-----+-----
Adj R-squared = 0.2285

Total | 108.83239 14 7.77374211 Root MSE = 2.449

pci | Coef. Std. Err. t P>|t| [95% Conf. Interval]

-----+-----
curptn | -.006671 .1450421 0.05 0.965 -0.3362991 .3496411
grev | -1.94e-13 6.56e-13 -0.30 0.776 -1.75e-12 1.36e-12
gexp | -2.79e-12 3.10e-12 -0.90 0.398 -1.01e-11 4.54e-12
l | 5.43e-07 6.49e-07 -0.84 0.430 -2.08e-06 9.91e-07
po | -34.53422 55.69007 0.62 0.555 -97.15186 166.2203
k | .0000487 .0000279 1.75 0.124 -0.000172 .0001146
dumr | 4.07779 3.255943 1.25 0.251 -3.621291 11.77687
_cons | 1.244803 28.46984 0.04 0.966 -66.07567 68.56528
