

IMPACT OF CORRUPTION AND INSTITUTIONAL WEAKNESS ON NIGERIA ECONOMIC PERFORMANCE: THEORETICAL APPROACH

¹Melvin U. Eko-Raphaels & ²Alfred Mulade (Ph.D)

¹Email address: melvin60x@gmail.com; +2347036277780;

²Email address: alfredmulade@yahoo.co.uk; +2348035802255.

¹Department of Marine Economics and Finance, Faculty of Logistics and Transport Mgt.

²Registry, Nigeria Maritime University, Okerenkoko,

Abstract

Institutions are weak when they cannot regulate themselves effectively, thereby allowing for invasion – a floodgate of corruption. Institutional weakness, also likened to corruption bothers on personalizing public goods illegally. It is a dishonest behavior that impacts negatively on our social and economic wellbeing. Corruption vary from one economy to another, depending on the strength of its regulatory authority, which is poor in Nigeria. It undermines institutional power and essentially disrupt government's ability to meet the needs and aspirations of her citizenry. However empirical results over time have shown that corruption arising from institutional weakness has either negative or positive, inverse, or direct impacts which in turn has an effect on economic development. This study is a descriptive analysis, bringing to the fore the impact of weak institutions on the lives of ordinary citizens in Nigeria. Finding reveals that corruption slows economic growth through aggregate demand and savings decline, with a resultant effect in the fall of the country's absorptive capacity to production and Gross Domestic product (GDP).

Key words: Institutional weakness, Corruption, Productivity, Economic Development

1.0 Introduction

1.1 Background to the Study

Nigeria undoubtedly has all the potentials to be great and prosperous with her abundant natural and human resources. The prospects became better with the discovery of crude hydrocarbon in commercial quantity in 1956 with increasing reserves in the 1970s. With this discoveries, came various ambitious development plans aimed at rapid economic growth and development. The economic indicators shows impressive performance up till the 1970s. GDP for instance average about 8.9% between 1970-1974. This was made possible due to the foreign direct investment inflow from improved crude petroleum sales, industry, construction, and services. However, Agriculture which hitherto was a key contributor to the nations GDP suffered some setback resulting in its full in share to GDP to 35 percent in 1975 from 60 percent in the 1960s.

The country enjoyed a favorable balance of payment position from foreign trade during the 1970s, due to the substantial earnings from crude hydrocarbon sales, despite the neglect of the non-oil sector. The government virtually took over the economy through direct involvement in the production of basic and essential commodities, infrastructure, and services. Despite government incursion, the economic gains was not adequately capitalized to ensure a sustainable growth and development for lasting economic performance. With the global oil shock of the 1980s, with the resultant effect on fall in revenue, the economy began to shrink. Thereafter, it has been various policies attempting to salvage the economy. 1981 witnessed the introduction of an economic stabilization policy package, rounds of economic tightening measures (1982-1985) and structural reform programmes of 1986.

In the 1960s when non-oil sector was the major contributor to Gross Domestic Product (GDP), corruption was not as glaring as it appears today with falling rates in GDP.

Therefore, this study aims to identify and discuss the key economic factors of corruption, to what extent can one adduce that corruption is detrimental to growth and development, proffer solutions to the problem of corruption in the country and possible problems in the implementation of these policies.

1.2 Review of Related Literatures

1.2.1 Conceptual Issues and the Factors of Corruption in Nigeria

Institutions are weak when they cannot regulate themselves effectively, thereby allowing for invasion – a floodgate of corruption. Institutional weakness also likened to corruption, had been defined separately at different times and circumstances by scholars. Corruption allows the conversion of public goods to personal ownership by person (s) in authority illegally (Eko-Raphaels, 2019). The Independent Corruption Practices and Other Related Offences Act, 2000 defines corruption as “Bribery, Fraud and other related Offences”. Also (Wei, 2000) sees corruption as a dishonest and illegal behaviour especially of people empowered by law to act on behalf of the people. Accordingly, (Osoba, 2000) sees corruption as a form of anti-social behaviour by person (s) which arrogate unjust and fraudulent benefits on itself and against the existing legal norms and established moral standards of the land and is likely to undermine the capacity of legitimate authorities to cater fully for the human development needs of her people in a just and fair manner.

These definitions are adequate in scope as it goes beyond mere definitions by provoking the emotional aspect, social and moral consequences of corruption.

Having exposed what corruption means the following questions begs for attention:

- i. Do corrupt acts take one pattern always?
 - ii. Could corruption be categorized?
- Scholars had previously attempted to break corruption into classes. Heidenheimer (1978) for example, classifies corruption into three distinct categories;
- (a) The public interest-centered corruption. This bothers on the citizens those in authority ought to protect. It places emphasis on the abuse of public trust to serve communal, cliental cleavages and inordinate social interests. A good example is citing a project where economic and social benefits will not return, just because the person in authority comes from the area.
 - (b) The public office-centered corruption. This bothers on the outright abuse of official positions, public trust, and responsibilities for selfish objectives. According to him, this might not necessarily result in monetary rewards.
 - (c) The market-centered type. This form converts public office to an avenue for maximization of material gains. An example is the “ghost” workers syndrome, kick-backs on procurement contracts, illegal sales, cheap auctioning of government properties. In all these cases, grand and petty corruption are experienced.

At the grand corruption level which is often political and bureaucratic, the person in the position of trust factors in his/her interest from the onset of a project and monitors it to fruition. Example is a project that can be delivered at N2m offered at N5m with bogus trappings propelled by greed. Election rigging characterized by imposition of candidates. While the petty corruption type addresses poor salaries, delay in payment and smaller economic pressures aimed at survival. In all, institutional weakness permits these corruption.

The effects of corruption vary from one economy to another depending on the strength of the regulatory authority. Corruption downplay institutional strength, leads to poor economic performance, causes conflict and damage to lives. Also, it raises the cost of doing business. However, past studies had shown that corruption impact on the economy either negatively or positively, inversely, or directly. Also, the inverse effect of corruption affects the economic growth and the population at large.

The economic effects of corruption result in the allocation of public resources inappropriately at the expense of the population and this creates inequality and poverty. It destroys the economic environment, when economic activities are distorted and followed by embezzlement, extortion, and bribery. There are two main theoretical models that can describe the impact of corruption on the economy, namely; the “Grabbing Hand” and “helping Hand” theories of corruption. Firstly, the former supported by economists like Bliss and Tella (2014), Mathur (2007), Mauro (1995), Shera Adela, Dosti Bernard and Grabova, P. (2014). These views opine that corruption in an economy increases the cost of doing business (irregular tax), distorts fair flow of resources and followed by a reduction in the output generating capacity of aggregate demand. Thus, corruption is considered as a “Sandy the Wheels” approach. Secondly, the later views corruption rather than obstacles that deter economic performance, but as a catalyst efficiently and effectively diluting the rigidity of economic regulation thereby encouraging smooth economic performance. This view however suggest that as low quality of governance and corruption coincide, corruption can reduce the bottleneck by stimulating the processes of sluggish governance by providing incentive to badly compensated public officials. To this, bad governance can be compensated by corruption and improve economic performance. Thus, corruption is considered as a “grease the wheels” approach. This view was supported by scholars like Bellos (2010), Subasat and Bellos (2013) and Quazi (2014) and Lui (1983).

The classes of corruption in the interest of this paper are discussed. They are the Materialistic and non-materialistic corruption. Earlier definitions appropriately captures the former class, which bothers on the unjust and fraudulent benefit derived from inordinate acquisition. While the later is non-material, but is also a benefit unjustly received, such as “sex or certain amount of service for grades” by teachers at any level. This is morally despicable. These combinations (political and bureaucratic corruptions) are firmly rooted in the Nigeria economy, rubbing her of its honor and economic prosperity.

In retrospect, corruption is a global invention with impact at varying degrees from country to country. It has been greatly encouraged by the privatization of socio-economic interface. This becomes apt when the postulations of scholars like Lawal (2007), Price (1975) etc, that the pre-colonial era gave birth to two clear publics of the colonial and the colonized indigenous publics which were disjointed in status and any other measure. The average Nigerian is synonymous with corruption. Izibili (1996) and Osoba (2000), claims corruption is said to be rational as well as moral aftermath of the power, wealth and poverty distribution in a society. He asserts that

corruption is clear only in the total social, economic and by implication the moral context in which it is found. However, corruption is a global issue, but thrives more in where it is tolerated and possibility of detection and reprimand is slim. These are clear definitions of institutional weaknesses.

1.2.2 Problems of Corruption in Nigeria

About NGN675billion exchanged hands as cash bribes to public officials in Nigeria during the year 2019. This according to a survey conducted by The United Nations Office on Drugs and Crimes (UNODC). This figure is equivalent to 0.52 per cent of the entire Gross Domestic Product (GDP) of Nigeria. In the 2019 survey, it was noted that, “But of all Nigerians who had at least one contact with a public official in the 12month prior to the survey, 30.2 per cent paid a bribe to ensure service delivery. This implies that, although still relatively high, the frequency of bribery in the country has undergone a moderate, yet statistically significant reduction, when it stood at 32.3 percent during the first survey in 2016”. The survey indicates three out of the country’s six geopolitical zones (North-East, North-West and South-West) have recorded decrease in the prevalence of bribery since 2016, with the North West experiencing a considerable and statistically significant decline in the prevalence of bribery from 36 to 25 per cent, while the two other zones recorded smaller reduction. By contrast, the North-Central, South-East, and South-South zones recorded further increase in the prevalence of bribery from 2016 to 2019. The implication of this is that these zones have treated the issue of corruption with levity with the attendant effect on infrastructural deficits and a setback on economic development stride of the country.

Apart from bribe payments, the issues of embezzlements, advance fee fraud, kickbacks, cybercrimes and ‘Get rich quick syndrome’ is still on the increase unabated. The country has been rated poorly in morals and suspected not to be genuinely tackling the menace. Corruption in Nigeria arising from institutional weakness can be likened to the saying that, “Sermons don’t change evil doers, rather they are deterred by the appropriate sanctions that follow their actions”, this is lacking in the country. In the case of Africa and Nigeria in particular, tougher sanctions, maybe adopting the Chinese model of ‘Death penalty’ for offenders may suffice, if we are to reduce the scourge. A situation where public office holders see their positions as an avenue to partake in sharing the ‘National Cake’ that was collectively baked cannot be left unchecked.

1.2.3 Corruption as a threat to Economic Growth and Development

In general terms, economic growth is a change in per capita (negative or positive). It is the expectation for a positive change when real per capital income of an economy grows and sustained over time. While economic development entails a multi-faceted process involving improvement in structures, attitudes, expansion of freedom, human dignity, equality, equity, capabilities, self-esteem and institutions as well as the acceleration of economic growth, the reduction of poverty and inequality (Todaro& Smith, 2011). Described as a state of general wellbeing of a nation, which varies from country to country. But the Nigerian economy defies this theory as corruption stands as a setback.

1.3 Empirical Review

Directly, empirical evidence on the negative impact of corruption on the development efforts of Nigeria will be discussed. Several literatures abound that viewed corruption as a threat to economic development. Most of these literatures are in tandem with the “Grabbing Hand or Sandy the wheel” theory or corruption” Mauro (1995) study was in line with (wei, 2000; Habib

and Zurawicki, 2002). They investigated the relationship between corruption and investment with samples from 67 countries using the ordinary least Square (OLS) and two stage least square Models (2SLS). Index of corruption taken from Business Informational. Also, index of ethno linguistic fractionalization was used to control the problem of endogeneity and wine indicators of institutional efficiency. The estimated result indicates high level of corruption impedes investment to GDP in a country.

Al-Sadiq (2009), aimed to examine the empirical effects of corruption on foreign investment inflows over 117 sample economies between the periods of 1984-2004, employing panel data analytical mechanism as against cross-sectional analysis adopted in past studies which did not take into account country specific effect and heterogeneity of economies which corruption might be correlated with. Study reveals as corruption increases, investment decreases in proportion not favourable to investment.

Thus, investors consider institution quality over corruption level because weak political institutions lead to high corruption level.

Porters (2010) examined corruption and economic growth resulting from investment for the period 1995-2007. Transparency International Corruption Perception Index (TI/CPI) was used as a proxy for corruption level, variable like GDP, infatuate, Human Capital and trade openness were used in the analysis. The result shows that there is negative and significant impact of corruption on investment demand, meaning with less corruption, investments can be attracted.

2.0 Materials and Methods

This study employed case files and anti-graft proceedings as presented by the Economic and Financial Crimes Commission (EFCC) and the Independent and Corrupt Practices Commission (ICPC). Some of this outcomes on corruption and related graft offences against the Nigeria state are outlined below:

1. Former House of Representative Speaker (2009), Patricia OlubunmiEtteh used N680 million to refurbish a living quarter (Punch, Friday May 6, 2009). Eventual ouster from office.
2. Senator Chimaroke Nnamani, former Governor of Enugu State (1999-2007) and five others, defrauding the state to a tune of over N5.3 billion through roads contracts not executed. (Vanguard, Sunday, June 24, 2011). Eventually served in the Senate, while case is still pending.
3. Senator Orji Uzor Kalu, former Governor of Imo State (1999-2007) and others over N7.6 billion State funds diverted to slok Airlines a personal company. Indicted and prosecuted, December, 2019. (Guardian, Tuesday May 14, 2019). Judgment revised in June, 2020 for trail Judge who was elevated and lacking jurisdiction over matters at the High Court level. Currently a serving Senator of the Federal Republic of Nigeria.
4. Lucky Nosakhare Igbinedion, former Governor Edo State (1999-2007) over N1.3 billion false Ikpoba River dredging (for ships to harbor in Benin – Laughable). (Vanguard, Wednesday March 25, 2009). Indicted. Plea bargain.
5. Babacha Lawal, former Secretary to The Government of Nigeria (SGF) 2016 over N200m for the clearing of grass in Internal Displaced Persons camp (IDP) in Borno State. (The Nations, Monday August 16, 2016). Removed from office. Case still pending
6. James Onanefe Ibori, former Governor, Delta State (1999-2007), multiple charges of fraudulently enriching self. (Vanguard, Sunday June 19, 2011). Eventually secured seven years conviction in the UK.

7. Sani Abacha, former Military Head of State (1995-1998). Not convicted. Dead, but loots stash in foreign economies still being repatriated.
 8. Dieziani Allison Madueke, Former Petroleum Minister (2011-2015). Still on the run for unaccounted NNPC funds. Properties confiscated.
 9. Tafa Balogun, Former inspector General of police, (2001) Indicted and remove from office.
 10. Transcorp Plc (Torn/Seghohi, Muhammed Buba, Mike Okoli) Federal high Court Abuja, Suspects arranged (N156 billion). Pending (vanguard, Sunday, June 19, 2011).
 11. Dan Etete, former Petroleum Minister during the Abacha regime of 1993 over the Malabu OML245 oil deal. Still on the run, but private jet worth \$57m confiscated in Canada.
- The list is numerous including persons charged and indicted for cybercrimes, Banks fraud, Hydrocarbon oil theft and other economic crimes both at the centre and sub-national levels. Attempts to confront corruption by these agencies have been reactive rather than proactive. That means they react after the acts have been perpetrated, leaving room for corruption to fight back.

3.0 Results and Discussions

3.1 Policy Instrument for Control and reduction of Corruption in Nigeria

Corruption thrives where it is tolerated, institutions are weak and reprimands are abysmal. Corruption cannot be totally eradicated no matter how sophisticated the policy instrument may be. It is an expensive chase with a strong capacity to fight back.

Government in an effort to reduce this ugly trend, has set up several organizations such as the Code of Conduct Bureau (CCB), with branches in all states and supported by the 1979 and 1999 constitutions making it compulsory for all public officials to declare their assets before and after office tenure. In 1982, the civilian government of National Party of Nigeria (NPN) headed by Alhaji Shehu Shagari set up the Ethical Reorientation Committee (ERC) to investigate the sharp collapse of ethical and Moral Standards among Nigerians with a view to shift our ethical conformance positively. In 1999, the government created the Independent corrupt practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) to Combat Crimes. However, these agencies of government have limited their roles to mere recovery of looted funds rather ingenuity to stamp out corruption at gestation stage, leaving corrupt offenders with enough resources to resist the law.

Despite these attempts corruption is getting sophisticated and rising in the country. To discourage it at infancy the following suggestions may serve;

i. Inequality, wealth, and income equity

However difficult these may seem, there is need for a concerted effort to ensure equitable distribution of wealth and income. Inequality and poverty arising from a few having access to resources leave no option for those in the lower rung of economic ladder to be corrupt. Also, in an economy where labour is rewarded poorly, the pressure to meet up societal expectations such as educating ones ward, access to good health care, shelter, food and social acceptance becomes worrisome, which in often cases lead to looking at inordinate means of bridging these shortfalls. Generally speaking, income inadequacies is a key stimulant for corruption. The poorer a society the more corrupt it will be. Corruption and poverty is a two way causality. Poverty breeds corruption and corruption breeds poverty.

ii. Whistle blowing policy

The mere fact that so far corruption practice offenders unlike china, do not suffer death sentences is not enough to cover up or ignore corrupt persons. The need for such persons to be exposed is crucial for our overall wellbeing. People should take advantage of the whistle blowing policy of government in place.

iii. Strong Anti-Graft Policy

So far, existing Anti-graft agencies are more of loots recoveries, with element of corruption in their operations. Oftentimes, incidents of corruption reported are often thrown away on grounds of insufficient merits. In terms of strength and resources to stamp out corruption, Nigeria is grossly inadequate if we must reduce corruption. The need to tinker existing policy becomes imperative.

iv. Tenure of Office Holders

Prolong stay in a particular public office is another factor that encourages corruption. It takes a person who has mastery of policy to identify loopholes. These persons over time, like tax invaders, invade our porous policies to their advantage. Fixed term contract civil servants have not helped in this regard, as they usually guide flexible term contract appointees with authority to steal.

v. Mass Mobilization against corruption

Here all hands should be on deck from our primary schools to the highest levels, Religious place, offices, markets etc to accept that corruption is detrimental to economic performance. The ills and consequences of corruption should be exposed.

vi. Literacy level

It appears appropriate to think that the more an individual is educated, the more he/she is less tempted to be corrupt. However, this may be case of petty corruption. Sound education result in high ranking and placements leaving room for grand corruption. However, self-regulation through status consciousness, awareness of the consequences may check the temptation to get involved.

From the above analysis, corruption deters rapid economic growth, weaken our collective hopes and aspirations as a country, attract corrupt investors and deter genuine ones, breed conflicts, and hate among communities and lowers our human development index (Eko-Raphaels, 2019).

4.0 Summary and Conclusion

Nigeria is not lacking in policies, we have some of the best policies that are in line with global best practices. What works in most climes, often fail in Nigeria due to poor adherence to their dictates making their implementation difficult. Tribalism, Nepotism, and regional politics still very prominent amongst us. Corruption has become such a hydra-headed monster that fights back at Nigerians. Unarguably, corruption thrives where it is tolerated, not easily detected and reprimand not grievous. This makes the Nigerian situation at parallel with that of the developed nations. It becomes clear that to win the war against corruption, the people must be willing to change their orientation, rather than applauding corrupt practices. No good policy will succeed without the human element. We should be seen to be compassionate, self-disciplined, humble, and

ethically stable. For others to change, we must change ourselves first (Nkom, 1982). Our moral consciousness should be stable to provoke a change in the right direction.

Despite much rhetoric, corruption cannot be detached from governance and government economic policy. Certainly, corruption is still a perception and no evidence to demonstrate its practice unless proven in a court of legal jurisdiction. The much canvassed position to privatize or divest government interests in organizations does not necessarily mean a test of effectiveness, rather the addition of value to the nation's economy by the private concerns.

Evaluation of post privatization and deregulation performance and impact on the nation's economy that has been undermined by corruption both at the petty and grand levels, will now have to be viewed and restored (Mathur, 2007).

Contending corruption in a deregulated economy like Nigeria's will only be achievable if there is the political will. It is imperative for all to be accountable and transparent. The sooner Nigerians agree to the fact that we are all entrusted with the survival of the country, irrespective of positions, playing our roles collectively and reaping the accrued benefits and privileges, the better for us all. A just and better society will only come about when morals forms itself into autonomous science - *Auguste Comte* (1893), a positivist. In tandem to a practical art, the act of quality and accountable governance.

Since bad behaviors deserve reprimands, so should good behaviors be appreciated and rewarded. The need to truly embrace globalization in all its ramifications is imperative if she is to sustain her enviable position as the number one economy in Africa.

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