

The Dynamics of Corruption and Its Challenges to Economic Growth in Nigeria

Ahmodu Alhassan

Department of Social Sciences and Humanities, The Federal Polytechnic Idah, Kogi State,
Nigeria

ahmodualhassan4@gmail.com

Abstract

Corruption remains a pervasive and persistent challenge in Nigeria, significantly constraining the country's economic growth and overall development. It has continuously undermined economic performance through public-sector inefficiencies, diversion of public resources, and the erosion of institutional capacity. This study examines the multidimensional effects of corruption on Nigeria's economic growth, with particular attention to how systemic rent-seeking behaviour, embezzlement of public funds, and bureaucratic corruption distort market mechanisms, weaken institutional effectiveness, and diminish investor confidence. The study adopts a qualitative research design, relying on secondary sources of data such as textbooks, academic journals, government reports, and newspapers, covering the period from 1999 to 2020. The analysis is theoretically anchored on the Policy-Oriented Theory of Corruption by Tveik, Albert, and Charles (1986), as well as Economic Growth theories advanced by Arrow (1962), Lucas (1988), and Romer (1990). Findings reveal that corruption has contributed to declining foreign direct investment, reduced government revenue, increased poverty levels, and widening income inequality. The study further identifies weak institutional frameworks, inadequate transparency, and poor governance practices as key factors sustaining the prevalence of corruption in Nigeria. Based on these findings, the study recommends strengthening anti-corruption institutions, enhancing transparency and accountability mechanisms, promoting good governance, and fostering greater citizen participation in decision-making processes as critical strategies for mitigating the adverse effects of corruption on Nigeria's economic growth and development.

Keywords: Corruption, Economic Growth, Governance, Transparency, Institutions.

Introduction

Nigeria, Africa's largest economy and most populous nation, has been grappling with the scourge of corruption for decades. Despite its vast natural resources, including oil, gas, and minerals, the country has failed to achieve significant economic growth and development, with a large proportion of its population living in poverty. Corruption has been identified as a major obstacle to Nigeria's economic progress, with Transparency International's Corruption Perception Index (CPI) consistently ranking the country among the most corrupt in the world.

The impact of corruption on Nigeria's economy is multifaceted. It has led to a decline in foreign investment, an increase in poverty and income inequality, and a decrease in government revenue. Corruption has also undermined the effectiveness of public institutions, distorted the economy, and created a culture of impunity. The consequences of corruption are far-reaching, affecting not only the economy but also the social and political fabric of the country.

Moreover, corruption is the single most critical impediment to achieving the Millennium Development Goals (MDGs), and, like a deadly virus, it attacks the vital structures and systems that underpin the progressive functioning of society. Like most developing countries, Nigeria is still grappling with the dilemma of corruption, which has largely retarded social development, undermined economic growth, discouraged foreign investment, and reduced the resources available

for infrastructure development, public services, and poverty-reduction programmes. Much more disturbing, the scourge of corruption leaves the poor perpetually disproportionately underprivileged, even as it renders the development of democracy and the building of a society of opportunity more problematic (Ribadu, 2007). Thus, by diverting assets away from their intended use, corruption can be said to be the single most important factor responsible for the failure of governance and lack of sustainable socio-economic development in Nigeria.

This study examines the dynamics of corruption and its challenges to economic growth in Nigeria, focusing on the period from 1999 to 2020. The study aims to contribute to the existing literature on corruption and economic growth in Nigeria by providing a comprehensive analysis of the relationship between corruption and economic outcomes. The study also seeks to identify the channels through which corruption affects economic growth and to recommend policies to mitigate its negative effects.

Conceptual Clarification

Corruption

Although there is no widespread or comprehensive definition as to what constitutes corrupt behaviour, the most prominent definitions share a common emphasis on the abuse of public power or position for personal advantage (McManus, 2016). A simple dictionary definition of the phenomenon refers to it as “an impairment of virtue and moral principles” (Lewis, 2006). According to the World Bank and Transparency International (TI), a leading global anti-corruption watchdog, corruption is the abuse of public office for private gain for the benefit of the holder of the office or some third party. Corruption is an unlawful use of public offices for personal gain, and it has been a problem that has hampered the growth of the Nigerian economy over the years. According to the Organization of Petroleum Exporting and Raimi et al., Corruption is as old as the creation of man. Man, by his selfish nature, struggles to meet his selfish desires and, in the process, engages in corrupt activities. Corruption exists in the public sector as well as the private sector of every economy, be it a developed economy or a developing economy. The evidence of the existence of corruption in Nigeria can be traced to the investigation into oil petroleum subsidy fraud, misuse of pension funds, and the recycling of items in previous budgets as a strategy to loot funds.

The history and existence of corruption in Nigeria dates back to the period before, during, and after colonization. Nigerian leaders and merchants during the pre-colonial period collected foreign products and gave able-bodied men to the whites in exchange. As far back as that time, Nigerians preferred personal gains over life, and so they could easily trade humans for foreign goods. Corruption has lived in Nigeria for this long because checking and curbing corruption is only possible through the use of corruption, a situation that further destroys the system.

Economic Growth

Economic growth is the process by which a nation's wealth increases over time. Although the term is often used in discussions of short-term economic performance, in the context of economic theory, it generally refers to an increase in wealth over an extended period.

Economic growth refers to the increase in the production of goods and services in an economy over time. It's often measured by:

1. **GDP (Gross Domestic Product) growth rate:** The rate at which the total value of goods and services produced in a country increases.

2. **Increase in productivity:** Improvements in efficiency, technology, and innovation lead to more output with the same resources.

3. **Rise in living standards:** As the economy grows, people tend to have access to more goods, services, and opportunities.

Key drivers of economic growth are:

- **Investment in human capital:** Education, skills, and healthcare improve workforce productivity.
- **Infrastructure development:** Better roads, energy, and tech infrastructure support businesses.
- **Innovation and entrepreneurship:** New ideas, products, and businesses drive growth.
- **Institutional quality:** Effective governance, rule of law, and policies shape the economic environment.

In Nigeria, economic growth is influenced by factors like oil prices, agriculture, infrastructure, and governance.

Governance

Governance refers to the system of rules, practices, and processes by which an organization or country is directed and controlled. It involves:

1. **Decision-making processes:** How decisions are made, implemented, and enforced.
2. **Accountability mechanisms:** How those in power are held responsible for their actions.
3. **Institutional framework:** Rules, laws, and organizations that shape governance.
4. **Stakeholder engagement:** How citizens, businesses, and others participate in decision-making.

Good governance involves:

- **Transparency:** Open and clear decision-making.
- **Accountability:** Leaders are responsible for their actions.
- **Rule of law:** Fair and enforced laws apply to all.
- **Participation:** Stakeholders have a voice in decisions.

In Nigeria, governance challenges include corruption, insecurity, and institutional weaknesses.

Transparency

Transparency means being open, clear, and honest in what you do. In governance or business, it involves:

1. **Sharing information:** Making relevant info available to stakeholders.
2. **Clear communication:** Info is communicated in a way that's easy to understand.

3. Open decision-making: Decisions are made in a visible and accountable way.

Transparency helps build trust, reduce corruption, and improve accountability. Strengthening institutions like the judiciary, anti-corruption agencies, and regulatory bodies can support development and reduce the incidence of corruption in Nigeria.

Theoretical Framework.

The following theories have been used to examine the effects of corruption on economic growth.

A Policy-Oriented Theory of Corruption

This theory was developed by Teveik, Albert, and Charles in 1986. In explaining the role of government in fighting corruption, they state that despite the frequent occurrence, government involvement in corruption has undergone a surprising change in its effect on the growth of the economy, which needs serious investigation. The theory opines that the high level of corruption in any country, whether developed or developing, will not allow the country's economy to grow, and that if the field of administrative corruption is to become more theoretical and less descriptive, it must develop a framework and methodology that will help to measure its effect on economic growth.

Economic Growth Theory

This theory was propounded in reactions to the deficiencies in the Solow-Swan growth theory or model by Arrow (1962), Lucas (1988), and Romer (1990). This theory, as propounded, lays more emphasis on the long-run growth rate of an economy and on the basis of endogenous factors rather than exogenous factors of the neoclassical growth theory. The Solow-Swan model explains that the long-run growth rate of output is determined by two exogenous variables: the population growth rate and the level of corruption in the country. The growth theory emphasizes technical progress driven by capital stock growth, human capital development, reduced corruption, and the investment rate.

These theories believe that economic growth is linked with improvement in productivity and reduction in corruption, which ultimately result to a faster pace of innovation and extra investment in human capital. The theories predicted that externalities and spillovers from developed countries' anti-corruption efforts will help develop and maintain a competitive advantage in economic growth in Nigeria.

The Forms, Causes, and Challenges of Corruption to Economic Growth

Some researchers have taken a holistic (broader) approach the discussing corruption, dividing it into several forms and subdivisions. These, according to Taylor (2010), include:

Political corruption: It occurs when politicians and political decision-makers, who are entitled to formulate, establish, and implement the laws on behalf of the people, are themselves corrupt. It also takes place when policy formulation and legislation are tailored to benefit politicians and legislators.

Bureaucratic corruption: This occurs in the public administration or the implementation end of politics. It is the kind of corruption the citizens encounter daily at places like the hospitals, schools,

local licensing offices, police stations, the various government ministries, etc. Bureaucratic corruption occurs when one obtains a business from the public sector through an inappropriate procedure.

Electoral corruption: This includes promises of office, special favours, coercion, intimidation, interference with the freedom of election, buying of votes, disenfranchisement, snatching of ballot boxes, victimizing and maiming, manipulation of election results in favour of losers, and votes turning up in areas where votes were not cast.

Bribery: The payment (in money or kind) that is taken or given in a corrupt relationship. These include "kickbacks", "gratuities", "pay off", "sweeteners", "greasing palms", "scratching of back".
Fraud: This involves trickery, swindling, deceit, counterfeiting, racketeering, smuggling, and forgery.

Embezzlement: the theft of public resources by public officials. It is when an official of the state steals from the public institution in which he/she is employed. In Nigeria, the embezzlement of public funds is one of the most common ways of wealth accumulation, perhaps due to a lack of strict regulatory systems.

Extortion: This is money and other resources extracted by the use of coercion, violence, or threats to use force. It is often seen as an extraction from below.

Favoritism: This is a mechanism of power abuse implying a highly biased use of state resources. However, many see this as a natural human proclivity to favour friends, family, and anybody close and trusted.
Nepotism: This is a form of favoritism in which a public officeholder prefers his/her kin and family members. Nepotism occurs when one is exempted from the application of certain laws or regulations or given undue preference in the allocation of scarce resources (Amundsen, 1997; Girling, 1997). These types of corrupt practices are very common and widespread, to the extent that they are now seen as an acceptable norm and culture in the present-day society.

Many reasons have been adduced as probable causes of the prevalence of corruption in Nigeria. This ranges from non-conformity to religious tenets, impaired values and ideas alien to our culture, ethnicity, which encourages favouritism and nepotism, a weak legal system that is honoured in the breach rather than the observance.

The quest for excessive materialism inherent like the present-day society which emphasizes personal wealth without regard to the sources of such wealth collective interest and welfare of the larger society, poverty, illiteracy, get-rich syndrome, statism, wrong attitude to public property, absence of welfare scheme to cushion effects of unemployment, retirement, large families, the struggle for power, double standards and low level of patriotism. It appears that poverty is not the only factor driving the widespread practice of giving and taking bribes (i.e., illegal financial inducements) in the country. This is attested to by the fact that in Nigeria, rich people are more corrupt than poor people.

According to Maduegbuna (2005), the benefits of corruption outweigh the consequences of being caught and disciplined. However, generally, a high incidence of poverty, which, according to the National Bureau of Statistics (2005), is put at 54.1%, contributed in no small measure to the desperation to acquire wealth through any means. In Nigeria, the unemployed are mostly the youths who engage in antisocial activities such as cybercrime, drug peddling, prostitution, political thuggery, paid assassins, oil bunkering, kidnapping, militancy, among others, all to eke a living.

Jimo (2001) attributes corruption in Africa's public administration to over-centralization of power, the lack of media freedom to expose scandals, the impunity of well-connected officials, the absence of transparency in public management, clientelism, and low salaries. Danago (2008) observes that the low salaries of most public servants have not kept pace with inflation, eroding their purchasing power. It is also clear that the process of gaining power in Nigeria is either through force or the influence of money.

Chobal and Daloz (1999) reason that in Africa, such factors as the obligations of mutual support, the imperatives of reciprocity, the importance of gift exchange, the payment of tribute, the need to redistribute cattle rustling, or, more generally, plundering others, all have a negative bearing on the continent today. Some believe that modern bribery may not be considered cognate with traditional gift-giving, since it occurs outside the context of a patron-client relationship. Ethnically, the poor man's bribe to the faceless power broker he will never meet again is completely distinct from his traditional gift to a patron.

Ogundiya (2009) observes that corruption poses a significant challenge to public administration in Nigeria. It is at the core of the crisis of governance and legitimacy, the establishment of a stable democratic order, the rule of law, economic development, growth, and the welfare of citizens. Of all forms of corruption, political corruption has posed a major obstacle to national development in Nigeria. Indeed, the current development crisis in Nigeria can be traced to a history of poor governance marked by corruption, social injustice, and political instability.

Corruption promotes economic decay, social and political instability, perverts the state's ability to foster the rule of law, and eventually corrodes trust and undermines legitimacy. In Nigeria, the major impacts of corruption on national development include poor governance, poor service delivery, inadequate infrastructure, poor management of public enterprises, brain drain of professional/skilled manpower, disrespect for lawful orders and the rule of law, impunity, moral decadence, general underdevelopment, and unemployment. These impacts are further elucidated below.

a. Bad Governance: The World Bank (1992). What probably approximated models of development in Nigeria were programmes or packages, many of which were bogus in scope, ill-conceived, uncoordinated, and haphazard, entrusted to certain individuals, the majority of whom were chosen on the basis of ethnic and primordial sentiments. That is not to say that Nigeria lacked quality human resources, not at all; the point being made is that those who were given the responsibility of implementing government policies were chosen by those who had political power and therefore extended such privileges to the individual they favoured.

It is necessary to point out at this juncture that packages or reforms designed for implementation did not reflect the will of the people/neither did they lead to a destination that is in any way close or near the collective aspiration of a nation struggling to be united as one indivisible entity, a people who on several occasions have been battered by the forces of imposed destiny. In concrete terms, one can concede the fact that Nigeria's efforts at accomplishing the desired level of socio-economic and welfare changes have been salutary. What has probably been lacking is the ability to accomplish the desired changes.

b. Decayed Infrastructures: Vision 20:2020 represents our aspiration to be among the top 20 economies in the world by the year 2020. The Blueprint was built on the key principles and thrusts of the Millennium Development Goals (MDGs) and the National Economic Empowerment and Development Strategy (NEEDS), thereby providing a common reference for efforts to achieve

Nigeria's development objectives over the next 10 years. The broad objectives of the National Vision 20:2020 are articulated across four dimensions: institutional, economic, social, and environmental. The institutional dimension seeks to promote responsible leadership, deepen transparency and accountability, and guarantee the adequate security of the lives and property of Nigerians. The economic dimension aims to enhance productivity, diversify the economy, and foster a competitive business environment that opens new business opportunities for Nigerians. The social dimension, on the other hand, seeks to improve the nation's prospects for achieving the Millennium Development Goals (MDGs) and expand opportunities for sustainable employment generation. The environmental dimension is intended to halt environmental degradation, promote the use of renewable energy, and enforce regulations to mitigate and adapt to climate change. Nigeria has critical development challenges. Overcoming these challenges is an undaunted task. It is however hoped that the Vision 20:2020 will address death of critical infrastructures such as power and transportation network to support rapid economic development, outdated educational curriculum that does not equip Nigerians to be job creators, overdependence on oil as a major source of national income, which is a political threat to sustainable development, poor accountability in government which impacts the value Nigerians get for money spent by government agencies, uncoordinated approaches to addressing the development needs of the people, which accounts for the gap between planned and actual project outcomes, sub-optimal value creation in productive activities such as agriculture, oil and gas and manufacturing, relatively high cost of production for manufactured goods partly due to the absence of a robust import substitution programme to support local sourcing of manufacturing input, and weak research for development and innovation culture across public and private institutions. Most Nigerians have expressed reservations about the feasibility of Vision 20:2020, which later failed to address these issues as envisioned. According to Obadan (2013), the vision cannot be achieved due to poverty, poor implementation of agricultural and manufacturing policies, and the circumstances under which the blueprint was issued, which came amid a deep economic recession. According to him, poverty has increased from 54.4% in 2012, meaning that 112,518,507 Nigerians now live in poverty, and noted that Nigeria's Human Development Index was 0.471 in 2012, placing the country as a low human development nation with the rank of 153 rd out of 186 countries. The relatively strong growth has not translated into broad-based economic and social development needed to lift millions of people out of poverty and reduce inequality. Also, unemployment is high, and the increasing inequality Index is high and worsening, while human development is low.

c. Maladministration: Nigeria has since independent been engulfed in gross mismanagement of the natural resources which gave rise to ethnic and religious rivalries, coup and counter-coup, policy inconsistencies (Nebo, 2012) Governance in Nigeria has always been leadership concerned mainly with the promotion of self-enrichment, marred by converting the commonwealth, manipulating ethnic diversity and institutions with little or no respect for due process, rule of law, accountability and transparency. The welfare and well-being of the citizens are of no essence. Good governance, according to Onyishi (2009), strives on respect for the rule of law, fundamental rights, transparency and accountability, quality and effective institutional performance, participation in the political and decision-making process by the citizens, and cooperative action as well as environmental sustainability. Maladministration results where these attributes are lacking, and a corrupt society is the antithesis of good governance, where public resources are stolen by public officials, justice is for the highest bidders, impunity reigns supreme, the public treasures are looted, life-changing projects are abandoned, and service delivery is only on paper.

d. Impunity: Due process is fundamental to quality service delivery, and where this is lacking, impunity reigns supreme. Generally, in Nigeria, there is a culture of impunity where mainly politicians who are power-drunk and want to remain in office for life, treat state issues as personal issues and show little or no regard for due process. This explains the nature of political competition, in which people seek political power by any means. Most officials of the government and politicians are in the habit of disobeying lawful court orders and judgments. In the electoral process, wealthy individuals who do not hold public office control the political process by installing their protégés in office and have the power personally to determine who gets nominated to contest and win in all elections (Ahmed, 2007). These institutions could not do much; instead, they institutionalized corruption. The nation is indeed turned into a pariah state. In the comity of nations, Nigerians are treated with suspicion and embarrassment, and foreigners are wary of investing in Nigeria (Iorhemen 2008). Amujiri (2002:68) remarks that public accountability is never a priority in Nigeria. Despite the brave letters of the constitution and the expansive noise of the anticorruption crusade? It has been observed that the more the government devises complex and ambitious ways of combating corruption and plans for the socioeconomic and political development of this country, the more their implementation is frustrated by the evolution of the ever more effective and sophisticated method of corruption, so that in the end the only development we see is the development of corruption" (Smith 1976).

In summary, corruption has severe consequences on Nigeria's economic growth, affecting the country's development and prosperity with the following key consequences:

- **Reduced Economic Growth:** Corruption reduces GDP growth, with estimates suggesting Nigeria may lose about 37% of its GDP by 2030 if corruption isn't addressed ¹.
- **Increased Poverty and Inequality:** Corruption exacerbates poverty and income inequality, with over 50% of Nigerians living below the poverty line.
- **Decreased Foreign Investment:** Corruption discourages foreign investment, reducing economic opportunities and growth.
- **Misallocation of Resources:** Corruption leads to the misallocation of resources, diverting funds meant for critical sectors like education, healthcare, and infrastructure.
- **Weakened Institutions:** Corruption undermines trust in institutions, eroding public confidence and hindering effective governance.
- **Inflation and Economic Instability:** Corruption contributes to inflation, economic instability, and decreased economic competitiveness.

Conclusion

Corruption in Nigeria significantly hampers economic growth by fostering inefficiency, discouraging investment, and diverting resources from critical sectors like infrastructure and education. The resulting weak institutions and poor governance exacerbate poverty and inequality, undermining sustainable development. Addressing corruption through transparency, accountability, and institutional reforms is crucial for unlocking Nigeria's economic potential and promoting inclusive growth.

Recommendations

The following are some recommendations to mitigate the dynamics of corruption and its challenges to economic growth in Nigeria:

- i. Strengthening Anti-Corruption Agencies: Empower EFCC and ICPC to effectively investigate and prosecute corruption cases, and ensure their independence and autonomy.
- ii. Improve Transparency and Accountability: Implement the Treasury Single Account (TSA) to consolidate government revenues and conduct regular audits of government finances and contracts.
- iii. Promoting Good Governance: Encourage leaders with integrity, discipline, and transparency, and foster public discourse on the importance of anti-corruption efforts.
- iv. Enhance Institutional Quality: Strengthen institutions to efficiently deliver services and promote economic growth, and implement strict anti-corruption measures and enforce strict sanctions without politicization.
- v. Diversification of the Economy: Need for Investment in human capital and infrastructure, and promote entrepreneurship, innovation, and a private sector-driven economy.

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