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Corruption, Institutional Effectiveness and Economic Growth in Nigeria

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Abstract

The study used quarterly data for Nigeria to analyze the effects of corruption on institutional effectiveness, economic growth, and political stability in Nigeria over the democratic era (1999-2020). It used an ex-post facto research methodology, the Autoregressive Distributed Lags (ARDL) approach and other econometric approaches for its analysis and confirmed a distinct longrun relationship between the independent variables and the regressor. It was also discovered that Nigeria's relatively weak institutions, as defined in the pervasiveness of corrupt practices and other sundry vices have a crippling effect on the country's economic expansion. Therefore, this study comes to the conclusion that Nigeria's quest for increased economic growth or development is severely hampered by corruption, poor institutional quality, and insecurity. And given that Nigeria's desire or ability to achieve sustainable economic growth is hampered by government inefficiencies and a lack of control over corruption, this has implications for a rise in political violence, terrorism, banditry, abduction, and other petty crimes which impedes economic growth. Thus, the study recommends that the Nigerian government should strengthen her economic growth potentials by enhancing the quality of the nation's institutions through training, intelligence gathering, and prosecution, among other practical strategies.

Background to the Study

In the empirical literature, corruption and the performance of institutions in developing nations have assumed a central role. Institutional effectiveness, on the other hand, refers to the rule of law, individual rights, and high-quality government regulation and services. Institutional effectiveness also relates to these elements, even though corruption is often considered to indicate the misuse of power or dishonest use of one's office or position for one's own benefit (Abubakar, 2020). According to Bruinshoofd (2016), an institution's institutional effectiveness includes the strength of its laws, the extent to which individual rights are upheld, and the calibre of its government regulation, which supports economic growth. It is impossible to overstate the role that institutions of high quality and a lack of corruption play in fostering investment and economic growth. Therefore, it is essential that there be no corruption and that institutions are of a high standard in order to ensure the regulation, implementation, and effective monitoring of political, social, and economic activities around the world. Macroeconomic stability and social cohesion are promoted by strong institutions and a lack of corruption, which boosts investment and growth (Easterly Ritzen & Woolcock, 2006). Research has shown that countries with strong institutions promote a robust legal system for efficient resource mobilization and distribution, producing a less risky economic environment (Abubakar, 2020; Law & Azamn-Saini, 2008). Strong institutional quality is essential for ensuring long-term growth and development, according to other studies (Parks, Buntaine, and Buch, 2017; Iheonu, Ihedimma, and Onwuanaku, 2017; Thorbecke, 2013). Weakening governmental institutions would inevitably lead to the manifestation of all forms of corruption in that economy, which would lead to a decline in economic activity.

Although corruption has persisted as a global phenomenon, it has festered for decades in Nigeria as a cancerous and malignant condition, crippling the country's development efforts. In Nigeria, corrupt practices include misappropriation, kickbacks, excessive billing, bribery, embezzlement, tribalism, nepotism, money laundering, and outright treasury looting without permission (Abubakar, 2020). Most of Nigeria's elected and appointed public office holders and top bureaucrats view their appointment to any office as a conduit through which they can drain the country of its resources by actively engaging in corrupt activities to the detriment of the country's teeming population of poor masses.

According to Abubakar (2020) and Obuah (2010), corruption has cost African nations more than US$140 billion annual loss in revenue. In addition to the capital flight triggered by the actions of Nigeria's corrupt leaders, these actions also stifle or eliminate the environment for potential investors to invest in the nation; given that they skew public spending, drive up business and governance costs, and shift money from developing to developed nations. Nigeria is the country with the largest population in Africa with a current projected population of 211,0408,897 and a population growth rate of 2.55% (United Nations World Population Prospects, 2020 Revision). If corruption were not such a cankerworm, Nigeria might be considered one of the world's emerging economies. Similarly, according to a 2005 Transparency International report, Nigeria's GDP is lost to

corruption to the tune of 20%. It is endemic and has remained its biggest albatross because it is to blame for a variety of problems, including election rigging, broken promises, abandoned projects, poor quality of completed projects, entrenched insecurity along the entire length and breadth of the federation due in large part to years of unfair treatment and inequality meted out to its underprivileged citizens, including crumbling infrastructure, nepotism, instability in all regions, and obstacles to the insufficient inflow of foreign direct investment. The former head of the Economic and Financial Crimes Commission (EFCC), Nuhu Ribadu, has claimed that the over $400 billion that had been stolen from Nigeria by the leaders of succeeding governments is six times the total amount of money invested in rebuilding Western Europe after the Second World War (Ademola, 2011). This statement serves as additional justification for the paper. This suggests that there is strong justification for an investigation into the impact of corruption in Nigeria today.

Statement of the Problem

In order to tackle the threat of corruption, Nigeria's successive governments have developed a variety of measures, policies and programs. According to Iheonu, Ihedimma, and Onwuanaku (2017) and Ijewereme (2013), the most crucial of these measures are the War Against Indiscipline (WAI) by the Buhari-Idiagbon administration in 1984, the Ethical and Social Mobilization Crusade by the Babangida regime in 1986, the WAI and Corruption (WAI-C) by Abacha's administration in 1994, and Murtala-Obasanjo's Jaji Declaration/Confiscation of assets illegally acquired by Nigerians in the 1970s. In 1999, President Olusegun Obasanjo also established the Independent Corrupt Practices and Other Related Offenses Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). The establishment of these anti-corruption organizations at the start of Obasanjo's administration gave Nigerians hope because they anticipated and hoped that the changes would result in the prosecution of dishonest public officials as a deterrent to others (Abubakar, 2020 and Ijewereme, 2013).

Sadly, that was not to be as the massive political corruption that thrives in the Nigerian public and private sectors negated the effects of the new institutions and strategies in the fight against corruption. In spite of numerous corrupt practices frequently reported against government officials, the officers tasked with combating the corruption scourge in each administration displayed a lack of political will, a high degree of lethargy, and cluelessness in the fight against this cankerworn (Abubakar, 2020). More to this, the trajectory of corrupt practices also continued to rise at an alarming rate during the administration of former President Goodluck Jonathan. This study argues that corruption in Nigeria appears to be pervasive—a norm, a way of life, a culture, and a tradition—and that it is pervasive throughout society. It can take many different forms, such as large-scale contract fraud, small-scale bribery, ambushing the justice system, falsifying election results, giving privileged positions to family members and friends, diverting funds intended for food production, looting and/or converting funds intended for stocking the country's strategic grain reserves and silos for personal use, and even embezzling. After football, the only thing that unites Nigerians is corruption, regardless of tribe, descent,

political allegiances, region, or religious affiliation (Iheonu, Ihedimma, & Onwuanaku, 2017). It would not be inappropriate to say that "corruption religion," as it were, has the greatest number of followers, far outnumbering any of Nigeria's recognized religions. This is because its members come from a variety of religious backgrounds, including Christianity, Islam, idolaters, and even those who have no religious affiliation at all. The majority of Nigerians believe that corruption is here to stay because they believe that it is impossible to live a normal life without it. To this connection, uncertainty and manipulation, judicial system gaps, bribery, tax avoidance, ambiguous property rights, and the presence of ineffective institutions like policies that don't foster growth continue to be the main causes of underdevelopment in the majority of developing countries, which make those countries unattractive to investors.

On comparative note, the quality of institutions has enabled the economies of Europe and Asia to develop, whereas the economies of many African countries, including Nigeria, are plagued by high unemployment and poverty as a result of weak institutions. Governments have switched their attention or focus in order to achieve this in order to rid the system of systemic corruption and raise institutional quality to par with that of industrialized countries (World Bank, 2021). There is however no consensus on whether improvements to institutions' quality in the majority of third-world nations, including Nigeria, are effective or not (Andrews, 2013). Because of this, it is challenging for nations with weak institutions to experience rapid economic development and growth (Abubakar, 2020). Institutions are regarded as a frontier of a nation's productive capability, so this is justified. The Nigerian Financial Intelligence Unit (NFIU), the EFCC, the ICPC, and the Fiscal Responsibility Commission (FRC) are a few of the institutions that were founded in Nigeria; thus, given the severity of institutional weaknesses mentioned above and the long-term unfavourable tendency, it is crucial to examine how institutional effectiveness and corruption impact economic growth in Nigeria.

In the light of the foregoing, the following specific objectives of this study are to be examined the disaggregated effects of corruption, institutional effectiveness, and economic growth in Nigeria: To (i) investigate the impact of corruption on economic development in Nigeria; (ii) assess the effect of institutional effectiveness on economic development in Nigeria; and (iii) evaluate the impact of FDI on economic development in Nigeria between 1999 and 2020. Nigeria underwent a number of changes in the economy's structure as it transitioned from military rule to democracy, which is an important justification for the year 1999. Additionally, it is argued that corrupt practices have become pervasive in both public and private sectors of society since the advent of democracy and the duplication of institutions of governance throughout the federation. Consequently, poverty became pervasive and culminated in Nigeria being dubbed the "poverty capital of the world" by none other than the World Bank (World Bank, 2016). Additionally, due to the significant security issues that Nigeria has faced, including the Boko-Haram terrorist group, armed banditry, and kidnapping for ransom, investment in various economic sectors has been severely undermined.

The choice of Nigeria's democratic system is also strengthened by the availability of data, particularly for indicators of institutional quality, as it falls within the official measurement window for factors like corruption control, the absence of political violence/terrorism, the effectiveness of the Nigerian government, and the rule of law. The variables used are economic growth (GDP) modelled as a function of Control of Corruption - a proxy for Corruption Perception Index (CPI), Institutional Effectiveness (IEFF), Security of Lives and Properties (SEC), Exchange Rate (EXCR) and Foreign Direct Investment (FDI). These data had their sources from the World Bank Development Indicators (2021) and World Governance Indicators (WGI) (2021) respectively.

Literature Review

Corruption has been defined as the tendency to acquire riches and usurp authority by illegitimate methods for private advantage at the expense of the public or a misappropriation of public power for private gain (Luna, 2002). Corruption is also considered as a worldwide problem but differing in severity between countries. Feudal, capitalist, and socialist economies are all examples of this phenomenon, which may be found in both democratic and authoritarian regimes. Corruption afflicts all civilizations, including Christian, Muslim, Hindu, and Buddhist civilizations, in equal amount (World Bank, 2021). Corruption is generally perceived to constitute a key hindrance to the achievement of the Sustainable Development Goal of combating severe poverty by 2030 and promoting commonwealth especially among the developing economies. Food, health, education, and justice are just a few of the basic services that are being cut off from the poor and most vulnerable through the effect of corruption, occasioned perhaps by weak institutions. Corruption thrives in countries with weak government institutions. It exacerbates resource gap and distribution thus impeding government efforts at social and economic development and jeopardizing international and regional development agencies' efforts in combating the scourge of underdevelopment. It has distorting effect on market activities and deprives many households of the benefits that should flow to them, such as hunger-free living in a prosperous era. No project, whether connected to economic growth or poverty reduction will be successfully executed where there is complete absence of systematic discipline and sound governance. As the poverty situation deepens in Sub-Saharan Africa, investment prospects are further being jeopardized, while threatening the successful attainment of the SDGs in the year 2030.

For over two decades, the global community has continued to view Nigeria as a major beehive of corruption as all institutions of governance are perceived as being affected by the cankerworm of corruption. The regulatory framework of the anti-graft agencies which are put in place primarily to control abuses of power by public officials are themselves highly tainted and considered heavily compromised by this same malfeasance. Public officials/servants routinely and frequently indulge in sharp practices without being brought to book, giving an unofficial stamp to the thinking that the endemic, random and persistent nature of resource misappropriation appears to be rather a systematic norm in Nigeria (Abubakar, 2020). Furthermore, corruption among law enforcement agents such as the police remains endemic and as a result, Human Rights Watch published a study

titled "Everyone is in the Game" in 2010, exposing police corruption and human rights violations, which indicted the entire police formation in Nigeria with corruption. Evidence assembled from one hundred and forty-five respondents revealed the ubiquitous nature of corruption among the rank and file of the police hierarchy — as extortion and bribery deepened, with officers and men of the force across the federation perpetrating crimes without any iota of conscience (Iheonu, Ihedimma, & Onwuanaku, 2017).

On April 18, 2013, a report by the House of Representatives subcommittee on fuel subsidies programme between 2009 and 2011 showed widespread and monumental fraud, corruption and inefficiencies in subsidy payments to supposed "oil marketers". The report alleged stunning evidence of embezzlement, approximately half of the subsidy funds, with little or no control from government bodies. Over N1.067 trillion, representing about $6.8 billion of government funds got lost to corruption among the operators of this programme, which of course was intended to ameliorate the pains of the citizens (World Bank, 2016). In July of the same year, the authorities published the names of dishonest beneficiaries of the subsidy scheme, with family members, colleagues and friends of top government functionaries topping the list, and the rest is history, as nothing more was done to deter others from this unpatriotic path to underdevelopment.

A submission from World Bank (2016) and Gisaor (2021) suggested that, in May of 2011, a past Works and Housing Minister was rounded up by the country's financial crime agency, the Economic and Financial Crimes Commission (EFCC) with the allegation of money laundering, dishonest contract award and siphoning N75 billion ($480 million) and sadly, nothing positive came out of the litigation. Similar arrest of four former governors were equally made in 2011, for stealing public funds ranging from N12.8 billion ($82 million) to N58 billion ($372 million). In the same vein, the Southwark Crown Court in London sometimes February 27 2012, convicted and sentenced a former Delta State Governor who pleaded guilty to allegations of money laundering and other financial offences to the tune of $12.4 billion ($79 million). This was while he held sway for eight years in office as Governor of Delta State; and the list is endless.

Brief Theoretical and Empirical Review

This analysis is supported by the institutional theory and the Solow-Swan neoclassical model of growth. Propounded by Solow in 1956 and Swan in 1956, it attributes growth in a country to technological change, labour and capital. This theory was further expanded by Mankiw, Romer and Weil (1992) who opined that accumulation of human capital is also essential in raising output in an economy. Nevertheless, it is argued that there exists other several indicators apart from technological change, labour and capital that drive a nation's sustainable growth objective, one of which is the effectiveness of the institutions of governance. The institutional model of corruption is derived from the work of Luo in 2005 and also often referred to as the Luo's Model. According to Luo, an organization's approach to corruption is critical for a variety of reasons.

First and foremost, an organization provides the setting in which corrupt activities may take place. Second, investigating institutional corruption may result in the understanding of what motivates corruption at the institutional level. Third, the essential lead to comprehend is the organization and the level of corruption in a country. The model attributes corruption at various layers to the absence of support from the task system, inability to fully understand the existing regulations and their execution framework, lack of political will to combat corruption, institutional breakdown and bureaucratic bottlenecks. Corruption tends to impede the performance of a firm or an organization, which compels them to incur the cost associated with it. The theoretical application of the institutional model is quite germane to the practical scenario under consideration in the context of the Nigerian economy. Thus, the theory is adopted following the ineffectiveness of the institutions of governance to tackle corruption in Nigeria.

Efiom, Lionel, Ubi & Samuel (2010), identified the Nigerian Police Force, Power Holding Company of Nigeria (PHCN), Minstry of Education, the Independent National Electoral Commission (INEC) as topping the list of most corrupt organizations in Nigeria. Conversely, Abimbola (2006) confirmed the Federal Road Safety Commission (FRSC) and the Nigerian Railway Corporation (NRC) as the least corrupt agencies. In 2009, fifteen former bank Chief Executive Officers were prosecuted in relation to financial recklessness and misappropriation by the EFCC. There is an emerging consensus in the literature that corruption and weak institutions provide formidable channels through which resources can be misappropriated. This and the persistence of other sundry vices retards overall growth as it worsens the cost of doing business, distorting public spending, and discouraging foreign direct investment, all of which are important for greater economic performance (Iheonu, et al., 2017; Rotini et al, 2013; Obayelu & Abiodun, 2007). Rotin at al. (2013) also verified a negative relationship between institutional quality and growth in Nigeria, using OLS technique, just as Abiodun (2007) attributed the slow pace of growth and development in Nigeria over the years to corruption.

Methodology

The study adopts a quasi-experimental research design while the model is developed using adjustments to Solow's growth model and Mankiw et al. (1992). Based on the literature review, an empirical analysis of corruption and institutional effectiveness is used to create a model of economic growth. The Corruption Perception Index (CPI), Institutional Effectiveness (IEFF), Security of Lives and Property (SEC), Exchange Rate (EXCR), and Foreign Direct Investment (FDI) have been used to model Economic Growth (GDP). The data sources for this study were the World Governance Indicators (WGI), 2021), and World Bank Development Indicators (2021), respectively. In its analysis, this study used the autoregressive distributed lag (ARDL) approach. The selection of this method is based on its inherent advantages in handling cointegration due to its distinctive robustness. By taking into account the following equation, the ARDL model is presented as follows:

$$RGDP = f(CPI + IEFF + SEC + EXCR + FDI) \quad (Eqn1)$$

By taking the partial logarithm transformation in order to ensure econometric compliance, the model is explicitly presented as

$$\text{Ln (RGDP)} = \lambda_o + \lambda_1 \text{Ln (CPI)} + \lambda_2 \text{Ln (IEFF)} + \lambda_3 \text{Ln(SEC)} + \lambda_4 \text{(EXCR)} + \lambda_5 \text{(FDI)} + \mu_t \quad \text{(Eqn 2)}$$

Where: RGDP = Gross Domestic Product, CPI = Corruption Perception Index, proxied by control of corruption, IEFF = Institutional Effectiveness, SEC = Absence of political violence / terrorism, proxy for insecurity, EXCR = Exchange rate, FDI = Foreign Direct Investment, Ln = The natural log, μt = the Random error term. Moreover, λ_0, λ_1, λ_2, λ_3, λ_4, λ_5 are the respective parameters to be estimated. The equation of ARDL is as follows:

$$\Delta \text{Ln(RGDP)}_t = \beta_o + \beta_1 LnRGDP_{t-1} + \beta_2 \text{Ln(CPI)}_{t-1} + \beta_3 \text{Ln(IEFF)}_{t-1} + \beta_4 \text{Ln(SEC)}_{t-1} + \beta_5 \text{(EXCR)}_{t-1} + \beta_6 \text{(FDI)}_{t-1} +$$

$$\sum_{i=1}^{n} \alpha_1 \text{CPI}_{t-i} + \theta_2 \text{IEFF}_{t-i} + \sum_{i=1}^{n} \delta_3 \text{SEC}_{t-i} + \sum_{i=1}^{n} \delta_3 \text{EXCR}_{t-i} + \sum_{i=1}^{n} \lambda_4 \text{FDI}_{t-i} + \mu_t \quad \text{(eqtn 3)}$$

Next, we specify the short- and long-term parameters using the ARDL technique. Once the long-term link between the variables has been established, estimates of the long-term ARDL can be derived. An error-correction representation exists if there is a long-term relationship between the variables. As a result, the error correction model is estimated in the third step; it shows how quickly a short-term shock leads to long-term equilibrium. The following formulation serves as a general error-correction representation of equation:

$$\Delta \text{Ln(RGDP)}_t = \beta_o + \sum_{i=1} \alpha_1 \Delta CPI_{t-i} + \sum_{i=1} \theta_2 \Delta IEFF_{t-i} + \sum_{i=1} \pi_3 \Delta SEC_{t-i} + \sum_{i-1} \delta_4 \Delta EXCR_{t-i} + \sum_{i-1} \Omega_5 \Delta FDI_{t-i} + \varphi_1 ECM_{1t-1} + \mu_t \quad \text{(eqtn 5)}$$

Where φ = Speed or rate of adjustment; α_1, θ_2, π_3, δ_4, Ω_5 represents the corresponding coefficients of the variables; Δ is the difference operator, and n is the variable lag length; The error correction term (ECM_{t-1}) stands for the residual from the cointegration equation, while the uncorrelated white noise residuals are denoted by U_t.

Results and Discussions

Descriptive Statistics

According to the descriptive statistics output in Table 1 below, Nigeria's economic growth performance between 1999 and 2020 averaged 31.07%. Other metrics included an average of -1.153% for corruption control, -3.98% for FDI, 4.843% for exchange rate, and -1.716% for the country's overall level of security. A value of -1.026% was found for institutional effectiveness, which has a range of -2.5 (poor) to 2.5 (strong). This indicates that despite Nigeria's weak institutional quality during the study period there was a relatively moderate and steady average rate of economic growth and investment. The maximum growth rate of 32.66% and minimum growth rate of 29.03% during the same time period

served as additional proof of this. The country's inability to manage corruption has persisted, as shown by the negative maximum and minimum values of -0.89 and -1.43, respectively, which is why corrupt behaviour are so widespread. Additionally, the values of -0.89 and -1.21 showed that there have been concerns about the efficiency of our institutions. The statistics show how flimsy the nation's institutions of governance have grown.

The maximum and minimum values for insecurity during the study period were also found to be -0.59 and -2.21, respectively. This supports the alarming level of insecurity in the nation, which has seriously hampered economic growth. Contrarily, kurtosis analysis revealed that control of corruption, insecurity, and exchange rate all had kurtosis values greater than three over the studied period. Variables with values greater than three suggest that the distributions of the variables are peaked or leptokurtic, whereas variables with values lower than three suggest that the distributions of the variables are flat or platykurtic in nature. The data distribution for institutional effectiveness, control of corruption, economic development, and exchange rate are all negatively skewed, however only the data distribution for insecurity is positively skewed, indicating that the data are skewed toward large values.

Table 1: Descriptive Statistics

	RGDP	CPI	INEFF	SEC	FDI	EXCR
Mean	31.06	-1.153	-1.026	-1.716	-3.080	4.843
Maximum	32.66	-0.890	-0.890	-0.590	2.108	5.882
Minimum	29.03	-1.430	-1.210	-2.210	8.009	3.085
Skewness	-0.361	-0.314	-0.543	1.370	-0.620	-1.248
Kurtosis	1.736	3.298	2.327	3.916	2.263	4.223
Jarque-Bera	2.206	0.505	1.703	8.700	2.167	8.054
Probability	0.331	0.776	0.426	0.012	0.338	0.017
Observations	**21**	**21**	**21**	**21**	**21**	**21**

Source: Extracts from E-views version 10

Summary of the Unit Root Tests Results

The results of the Augmented Dickey-Fuller (ADF) test, which was used to ascertain the stationarity characteristics of the series in the model, are summarized in Table 2 below. This was done to check for stationary behaviour and to see if the series also exhibited random walk-in addition to the stochastic processes. With the exception of the coefficient of "security," which is stable at level, all other series are stationary after the first difference at the 5% level of significance, and this is based on the findings below. This result shows that the model's series don't have any unit root issues, allowing the ARDL model to be used because the variables had different integration orders. The Information from Akaike Information Criterion yielded lag 2 as the lag limit.

Table 2: Augmented Dickey Fuller (ADF) Unit Root Test

Variable	Level t-statistic value	1st Difference t-statistic value	5% critical value	Order of Integration
RGDP	***	-4.415548	-3.464865	I(1)
CPI	***	-3.113324	-2.897223	I(1)
IEFF	***	-3.613334	-2.899115	I(1)
SEC	-3.785137	****	-2.898623	I(0)
EXCR	***	-3.676350	-2.895512	I(1)
FDI	***	-7.246348	-2.896779	I(1)

Source: Extracts from E-views version 10

ARDL Bounds Testing

The use of the Johansen co-integration test collapsed due to the fact that not all variables are integrated in the same order, but rather a combination of I(0) and I(1), as shown above. As a result, the ARDL bounds testing method for cointegration developed by (Pesaran, Shin, & Smith, 2001) was used to determine whether there is cointegration or a long-run relationship between the series in the model. The F-statistic value must be bigger and above the upper bound critical values at the chosen level of significance, in this case the 5% threshold, for the test to be valid; otherwise, there is no long-run association. The summary of the Bounds testing results can be found below.

Table 3: ARDL Bounds Testing

Level of Significance	F-statistics value (K)	Lower Bound I(0)	Upper Bound I(1)
10%		2.26	3.35
5%	5.4 (5)	2.62	3.79
2.5%		2.96	4.18
1%		3.41	4.68

Table 3 showed that the F-statistic value for the ARDL model is roughly 5.4, which is greater and higher than the upper and lower bounds value of 3.79 at the 5% level of significance. This demonstrates the existence of a distinctive long-term relationship in Nigeria during the reference period between the variables of economic growth, corruption control, institutional effectiveness, level of security, foreign direct investment, and exchange rate respectively.

Findings from the Long Run Regression

Table 4: Longrun and Shortrun Regression

Dependent Variable: Economic Growth (RGDP)

(A) Variable	Coefficient	Std. Error	t-Statistic	Prob.
CPI	-1.27074	1.371492	-0.926538	0.3671
IEFF	0.310494	1.446378	0.21467	0.8326
SEC	-1.405615	0.4628	-3.037196	0.0074
FDI	0.000000	0.000000	-0.540438	0.5959
EXCR	0.738982	0.263896	2.800283	0.0123
C	25.259403	2.196541	11.499626	0.0000
(B) Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(CPI)	-0.108622	0.095473	-1.137723	0.2818
D(IEFF)	0.204786	0.134442	1.523229	0.1587
D(SEC)	-0.498639	0.141424	-3.525859	0.0055
D(FDI)	0.000000	0.000000	-2.974612	0.0139
D(EXCR)	-0.282643	0.100593	-2.809763	0.0185
ECM(-1)	-0.056909	0.035687	-1.594664	0.0419

Source: Extracts from E-views 10

Table 4 above summarizes the results of an empirical ARDL model that was estimated to determine the long- and short-term relationships between the independent variables and the regressand. It demonstrates that the coefficient value for the corruption perception index (CPI), which is a proxy for the control of corruption, had a negligible negative impact on economic growth in Nigeria. The implication is that the over 127% decline in Nigeria's economic growth was caused by a unit decline in government inability to control the emergence and spread of corruption in the nation.

Similar results were found for Nigeria's institutional effectiveness, demonstrating a highly favorable but negligible impact on economic growth and emphasizing the crucial role institutions play in any country's quest for long-term growth. This finding is an affirmation of the detrimental effects that weak institutions of governance, such as the judiciary, police, and various anti-graft agencies, could have on the economy's potential for growth, impeding sectoral growth and the overall performance of the national economy.

Furthermore, at a 5% level of significance, the estimated long-term negative impact of security on economic growth in Nigeria is statistically significant. It is implied that a slight decrease in the rate of danger to property and life has a negative impact on Nigeria's economic expansion. Even though the estimated impact of foreign direct investment is

positive, it is not statistically significant. This suggests that Nigeria's economy has not experienced long-term growth due to poor investment in the country. A positive and statistically significant influence was found for the exchange rate, indicating that the policy's impact on the performance of the Nigerian economy during the study period was substantial.

Implications of the Short-Run Dynamics

The results in Table 4(B) further demonstrated that institutional efficacy, despite being insignificant, had a short-term, favourable impact on economic growth. It is implied that Nigerian institutions are often of poor quality, which has hampered the country's economic growth. It was also observed that the nation's inability to stop the cankerworm of corruption as well as the cyclical nature of political violence, terrorism, banditry, kidnapping for ransom, and mass murders across the entire federation are real factors that have impeded and slowed growth in the various economic sectors. Consequently, investors became reluctant to place their money in what is viewed as a highly unstable and unpredictable economic environment. Additionally, foreign direct investment remained at its lowest ebb, and given this scenario, there has been widespread divestment to safer African climates, depriving the nation of any significant economic growth.

The fact that the exchange rate policy in place in Nigeria over the study period has been very fluid, unreliable, and primarily driven by improper policy decisions by the economic managers is amplified by its negative but statistically significant impact on economic growth. As a result, the naira has continued to slide and depreciate further against major global currencies, leading to slow economic growth. The slope coefficient of the error correction term (-0.056909), which measures how much the equations readjust towards long-run equilibrium when the equations for corruption, institutional effectiveness, and economic growth are disturbed, are as presented in Table 4(B) above. Given the necessary system innovation, the error correction term revealed a period of adjustable 5.69 percent convergence to long-run equilibrium' that is over a 17 years and 5 months. This however will be predicated upon the effectiveness and efficiency of government policies in finding the best solutions to the numerous economic problems bedevilling the Nigerian economy. Overall, the model is well fitted and explained as evidenced by the adjusted R-squared of 88 percent and the significant F-statistics at the 1% level. That is to say, the model as described or captured does in fact have a substantial justification and is hence valid for policy formulation.

Robustness Test

The study considered the residuals tests for the ARDL model to verify that the model estimates were reliable. In Table 5, the outcomes are displayed. In the model, these tests looked at serial LM correlation, heteroscedasticity, model misspecification, and series normality.

Table 5: Extracts from Residual Diagnostic Tests

Description	F-Statistics	P-Value
Breusch-Godfrey Serial Correlation LM Test	1.461803	0.67
Heteroskedasticity Test: B-Pagan-Godfrey	0.611967	0.78
Ramsey test (Model Mis-specification)	1.431480	2.15

Source: Extracts from E-views 10

The results presented above are reliable and valid, as shown by Table 5 above. The homoskedastic residuals of the model are devoid of any significant serial correlation. As a result, heteroscedasticity in the residuals is disregarded, and it is determined that they are homescedastic. Additionally, the models were found to be adequately defined and free of significant multicollinearity concerns based on the insignificant values of the RAMSEY RESET probability values. As a result, one can infer that the parameter estimations are accurate and thus trustworthy.

Conclusion and Recommendations

The study used the Autoregressive Distributed Lags (ARDL) method and other econometric techniques for its analysis, and it discovered that the independent variables and the regressor had a distinct long-run relationship. It also discovered that Nigeria's relatively weak institutions have a crippling effect on the country's economic expansion, hence, deriving from the of the foregoing, the following suggestions are made for policy implementation:

(i) In order to reach high levels of growth, the Nigerian government should improve the quality of its institutions in terms of training, intelligence gathering, and successful prosecution, among other practical tactics aimed at strengthening them for top performance.

(ii) In order to improve service delivery, it is necessary to launch a vigorous anti-corruption campaign and completely restructure the various regulatory organizations, including the Independent Corrupt Practices and Other Related Offences Commission (ICPC), Code of Conduct Bureau, and Economic and Financial Crimes Commission (EFCC).

(iii) The study also suggests that policymakers should prioritize enhancing national security and workable exchange rate policy regimes via appropriate support to local production and exports in order to guarantee the rapid and steady growth of all sectors of the economy.

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