

Corruption, Institutional Quality and Economic Growth in Nigeria

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Abstract : The interplay of corruption and institutional quality determines how effective and efficient an economy progresses. An efficient institutional quality is a key requirement for economic stability. Institutional quality in most cases has been used interchangeably with Governance and these have given room for proxies that legitimized Governance as measures for institutional quality. A poorly-tailored institutional quality has a penalizing effect on corruption and economic growth, while defective institutional quality breeds corruption. Corruption is a hydra-headed phenomenon as it manifests in different forms. The most celebrated definition of corruption is given as “the use or abuse of public office for private benefits or gains”. It also denotes an arrangement between two mutual parties in the determination and allocation of state resources for pecuniary benefits to circumvent state efficiency. This study employed Barro (1990) type augmented model to analyze the nexus among corruption, institutional quality and economic growth in Nigeria using annual time series data, which spanned the period 1996-2019. Within the analytical framework of Johansen Cointegration technique, Error Correction Mechanism (ECM) and Granger Causality tests, findings revealed a long-run relationship between economic growth, corruption and selected measures of institutional quality. The long run results suggested that all the measures of institutional quality except voice & accountability and regulatory quality are positively disposed to economic growth. Moreover, the short-run estimation indicated a reconciliation of the divergent views on corruption which pointed at “sand the wheel” and “grease the wheel” of growth. In addition, regulatory quality and the rule of law indicated a negative influence on economic growth in Nigeria. Government effectiveness and voice & accountability, however, indicated a positive influence on economic growth. The Granger causality test results suggested a one-way causality between GDP and Corruption and also between corruption and institutional quality. Policy implications from this study pointed at checking corruption and streamlining institutional quality framework for better and sustained economic development.

Keywords : institutional quality, corruption, economic growth, public policy

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