Corruption practices and government effectiveness on human capital development in Nigeria

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Abstract

The study assessed the impact of corruption practices and government effectiveness (GE) on human capital development (HCD) in Nigeria between the years 2003 and 2020, Panel data from 2003 to 2020 were obtained from the database of United Nations Development Programme, World Development Indicators and CIP and were analysed using the ordinary least square method which is suitable for the dataset. The study found that corruption has a significant relationship with HCD in Nigeria while the relationship between GE and HCD is not significant. The research implication is that the persistent problem of slow and sometimes stagnant HCD and growth in Nigeria can be reversed by improving GE and by reducing corrupt practices in the country. The paper concluded that corruption practices have a very strong influence on HCD in Nigeria, while the relationship between GE and HCD is insignificant. It was recommended that Nigeria should institute stiffer punishments for offenses bothering on corruption practices.

Keywords: Corruption, human capital, development, government effectiveness, Nigeria.

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1. Introduction

After independence in 1960, Nigeria, which is known as the giant of Africa, has had a reputation for being among the most corrupt countries in the world (Transparency International, 2019). Nigeria's government has been ineffective, despite the long years of independence. The leaders of the country have been categorised as lacking vision, engaging in incessant political bickering and the worst part of it is that the leaders have been enmeshed in gross corruption, which has led to a threat to the survival of the country (Odeh, 2015). Corruption is one of the major reasons for poor economic performance, lack of human capital development (HCD), government ineffectiveness and above all the rising cost of living and poverty in Nigeria (Odeh, 2015). These have continued to remain a long-time political and economic problem for Nigeria (Sachs, 2007). The rate of corruption in Nigeria is so high that the country is rated among the top 10 corrupt countries in Africa and among the top 30 corrupt countries all over the world (Transparency International, 2019).

Cleen Foundation (2010) acknowledged that anyone who says that corruption in Nigeria has not yet become alarming is a fool or else such an individual does not live in the country. Transparency International (2019) refers to corruption as the negative behaviour of public workers, either politicians or civil servants, where they enrich themselves through the misuse of public power which has been entrusted to them. Based on our understanding, corruption is the misrepresentation of integrity through embezzlement of funds, fraud, the rigging of elections, bribery and manipulation of financial records. The rate of corruption has remained very high among Nigerian government officials and this has affected the HCD in the country.

Government effectiveness (GE) has become a key issue over the preceding two decades and is a very important component of HCD (Ahmad & Saleem, 2014). Empirical findings provided that GE and control of corruption have a significant effect on HCD (Ahmad & Saleem, 2014). Many researchers have examined this massive effect such as Turner (2001), Sanyal (2011) and Sebudubudu (2010), GE is the major element for prosperous development in the country. That is, for accomplishing better economic growth and HCD in any nation, GE is essential, especially in developing human capital (Turner, 2011). GE captures the perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation and the credibility of the government's commitment to such policies.

GE is an important determinant of HCD just as corruption. Nigeria is still facing the problem of poor governance. This has led to an unbalanced political environment which resulted in the difficulty of increasing domestic investment, efficient utilisation of the available domestic resources and attracting foreign inflows needed for economic growth (Akanbi, 2010; Omoteso & Mobolaji, 2014a, 2014b).

However, the development of human capital in Nigeria with a population estimated at 200 million (NBS, 2019) is characterised as poor in terms of education and healthcare by the Human Development Index (HDI, 2019). For example, as of 2017, the investment in education by the government brought the number of government-owned tertiary institutions to about 36 federal universities and 33 state universities, yet there are only 44 tertiary institutions that provide education covering all functional areas. Similarly, out of 42 million children of primary school age, about 24 million are out of school, while about 27.5 million secondary-aged children out of 33.9 million are out of school. More so, using the Joint Admission Matriculation Board examination in assessing the quality of secondary school graduates, the pass rate is only 20%, which is rather poor (CBN, 2017), while the amount of money spent on government expenditure has failed to meet the UNESCO criteria of about 26% of national income.

The incidence of corruption in Nigeria, on the other hand, cannot be overemphasised as the nation which is rated among the top 20 most corrupt countries in Africa and top 50 in the world (Transparency International, 2015) has corruption eating deep into every sector of the economy. Corruption in the country stems not only from corrupt public officials but also as a result of the decay in the private sector. Since education and health are the rights of citizens and are essential ingredients for economic development corruption in these sectors is costly. Corruption in the educational sectors includes intercepting resources which leads to crowded classrooms and decaying facilities at all levels of education, selling of educational resources that are supposed to be free, selling of university spaces to unqualified students and charging of ridiculous unauthorised fees which may lead to appointing of teachers and lecturers without adequate qualifications through family connections, buying of grades by students and threats from students to pass without meeting the requirements. These activities hinder educational advancement which results in educational institutions, graduating students who lack the skills that will empower them to compete favourably in the marketplace. Similarly, corruption in the health sector is costlier as it inhibits the healthcare system from delivering high-quality and effective healthcare. This leads to deterioration in the health status of the population and a decline in the life expectancy rate (Ensor & Duran-Moreno, 2005). As such a country with surplus labour and skills may not have any impact on economic growth as a result of pervasive corruption. It may be possible, therefore, to suggest that corruption may be one of the factors impeding HCD in the country.

The purpose of this article is to investigate the impact of corruption practices and GE on human development. Many authors have studied the effect of corruption on different macroeconomic variables, but only a few studies have investigated the relationship between corruption, GE and human development conceptually and empirically. Qizilbash (2001) examines the corruption–human development relationship conceptually. Akhter (2004) investigates the nexus between corruption and human development empirically by using a full information maximum likelihood approach. He argues that higher economic globalisation increases the level of economic freedom, which in turn improves human development. Higher economic globalisation also reduces the level of corruption, which enhances the level of human development.

Therefore, despite all attempts to curb corruption, the menace has come to survive and political accountability is at the main centre of our discourse in this paper. In order words, the purpose of this survey is to examine the impact of corruption and GE on HCD in Nigeria. The remaining part of this study is arranged as stated: Section 2 presents the literature review. The methodology used in this study is presented in Section 3. Data analysis and debate are outlined in Section 4 and the paper's recommendations and conclusion are stated in Section 5.

1.1. Research hypotheses

A single hypothesis is formulated for the study

H_o: Corruption practices do not have a significant influence on HCD in Nigeria.

H_o: GE does not have a significant on HCD in Nigeria.

2. Literature review

2.1. Empirical review

Ahmad and Saleem (2014) carried out a study on the impact of governance on human development. The study utilised multiple-layer perception and multiple regression analysis to analyse

the data collected. The findings revealed that GE has a significant effect on human development. Obianuju, Ngozi and Emejulu (2016) focused on corruption as a major challenge in the attainment of HCD in Nigeria. Secondary data were used for the study which was generated from the National Bureau of Statistics and CBN Annual Report from 1995 to 2014. The findings revealed that corruption is a major problem to HCD in Nigeria.

Ajie and Wokekoro (2012) examined the impact of corruption on sustainable economic growth and development in Nigeria. Data were drawn from secondary sources and it was subjected to econometrics tool of the ordinary least square (OLS) method. They found that weak institutions of government and political interference on the operations of anti-corruption agencies constitute the major causes of corruption in Nigeria. Ogbebor and Ighodaro (2018) carried out a study on corruption, GE and economic growth in the case of ECOWAS sub-region. The findings show that corruption has a significant and negative relationship with economic growth in ECOWAS countries, while the relationship between GE and economic growth is significant and positive.

Afolayan (2019) examined the empirical evidence of HCD and Nigeria's Economy from a long-term perspective. The study revealed that most of the human capital variables adopted except government health expenditure are statistically insignificant in explaining economic development. Aluko and Aluko (2012) argue that HCD is the source of comparative advantage in the 21st century. Oluwatobi and Ogunrinola (2011) examined the impact of government expenditure on HCD and implications for economic growth in Nigeria. The study shows that there is a positive significant relationship between government expenditure on HCD.

Another empirical study was reported by Olayiwola and Obamuyi (2019). They examined the relationship between corruption and economic development in India and Nigeria. The study revealed that corruption has a stifling effect on economic growth when they assessed the measures of human capital, political instability and capital formation of both countries. They argue that the transmission mechanism results show that corruption adversely affects economic growth through investment and human capital in both countries.

Finally, Emilia, Ntim and Ahmed (2020) examined the impact corruption has on HCD. It tests the corruption–human capital nexus using multivariate regression for a period from 1996 to 2014. Secondary school enrolment and the HDI are employed as proxies of HCD while the Transparency International (TI) Corruption Perception Index (CPI) is used as a measure of corruption. However, corruption has no statistically significant impact on HCD when mortality rates per 1,000 births are employed as a dependent variable. Since education is a major element through which skills and knowledge can be acquired, curbing corruption in this sector in the country

3. Methods

The research design adopted for this study is quasi-experimental; it was adopted because the study makes use of a qualitative approach. The data for this study were generated from secondary sources. Data were sourced from the United Nations Development Programme (UNDP) Report, World Development Indicators and TI. HCD was generated from UNDP; GE was generated from (WDL); and the corruption index was sourced from (TI) from the period of 2003–2020. The OLS method was used to test the hypothesis formulated. To examine the impact of HCD on GE and corruption in Nigeria, the following model was established:

Functionally:

$$HCD = b_0 + b_1 GE + b_2 CI + U_t \qquad\qquad (1)$$

where:

HCD = Human capital development

GE = Government effectiveness

CI = Corruption index

U_t = Error term

b_0 = Intercept

b_1 and b_2 = Coefficient

3.1. A priori expectation

An *a priori* expectation is a theoretical statement or criteria set by economic theory. For this study, it is expected that the level of corruption proxied by the CPI and GE are expected to be negatively related to HCD $\beta_2 < 0$, $\alpha_2 < 0$.

4. Result and discussion

This section reveals the data collected from various sources. It also shows the trends of each of the variables while regression analysis techniques were used to test the formulated hypotheses. To ensure thorough comprehension of this work, the data collected for this study were analysed sequentially to the stated hypotheses.

Table 1. Data presentation of the variables

S/N	Years	Corruption index	GE	HCD
1	2003	14	−0.9565855	0.452
2	2004	10	−0.9393838	0.462
3	2005	19	−0.8927642	0.467
4	2006	22	−0.9713684	0.474
5	2007	22	−1.042838	0.479
6	2008	20	−0.9768379	0.485
7	2009	25	−1.214644	0.491
8	2010	24	−1.165138	0.484
9	2011	24	−1.096175	0.494
10	2012	27	−0.9964767	0.502
11	2013	25	−0.9920399	0.52
12	2014	27	−1.186017	0.523
13	2015	26	−0.9588076	0.527
14	2016	28	−1.087536	0.528
15	2017	27	−1.012332	0.533
16	2018	27	−1.022591	0.534
17	2019	26	−1.092531	0.539
18	2020	25	-	0.541

Source: Corruption index: Transparency.
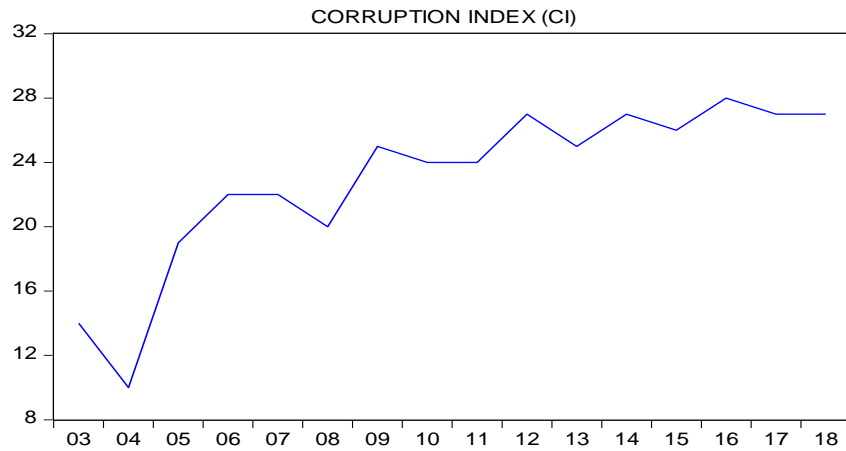GE: World Bank (2020).
HCD: UNDP (2020).

Figure 1. Trend in the corruption index

The corruption index in Nigeria averaged 22.9375 points from 2003 until 2018, reaching an all-time high of 28 points in 2016 and a record low of 6.90 points in 2004. The trend in the corruption index in Nigeria is at an increasing rate.
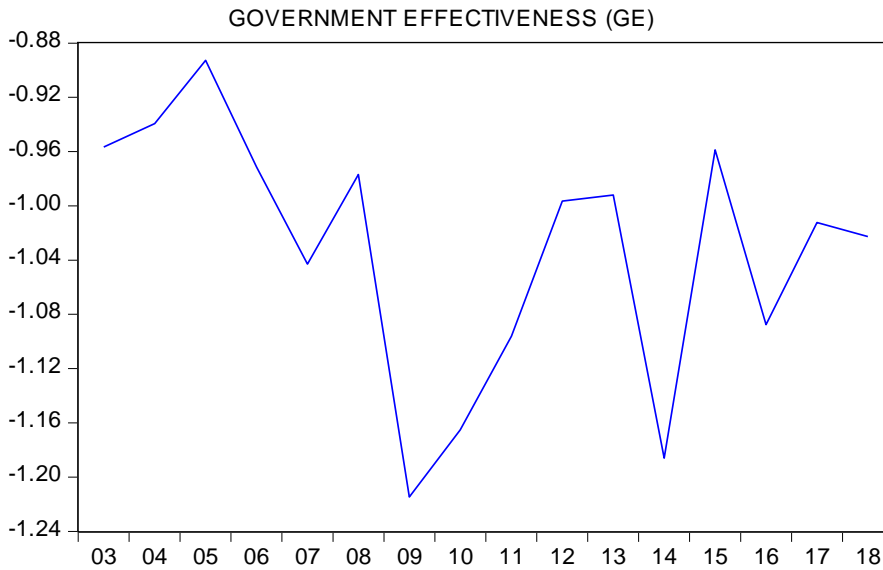

Figure 2. The trend in GE

GE data were reported at −1.022591 in 2018. This record shows a decrease from the previous year 2017 (−1.012332). Estimate data are updated yearly, averaging −1.0319 from December 2003 to 2018, with 16 observations. The data reached an all-time high of −0.893 in 2005 and a record low of −1.215 in 2009. Estimate gives the annual score on the aggregate indicator, in units of standard normal distribution, i.e., ranging from approximately −2.5 to 2.5.
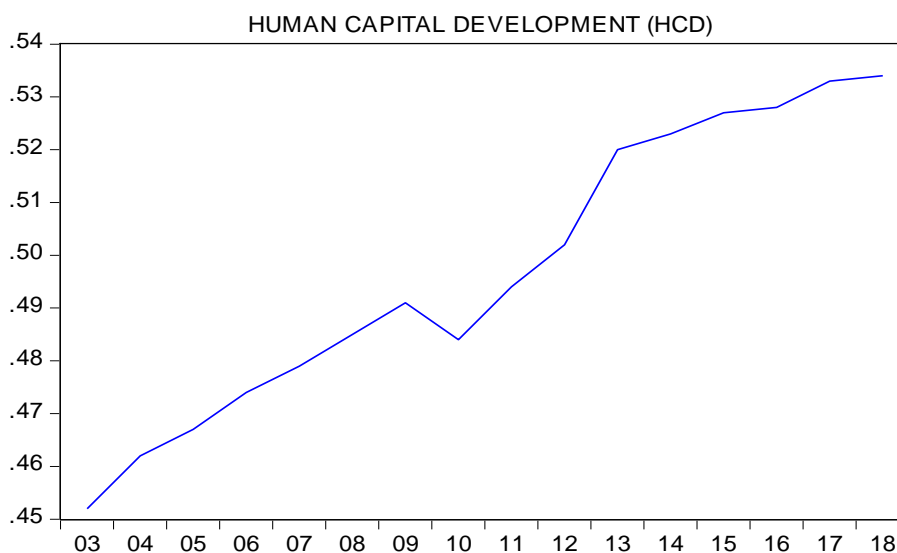
Figure 3. The trend in HCD

Based on the data obtained from the UNDP, Nigeria's HDI has continued to rise over time (2010–2018) even though it is low in rank. The country went from an HDI of 0.484 in 2010 to 0.534 in 2018 even though its rank was 158 out of 189 countries. This shows there is still a need for improvement as the country is classified under countries with a low HDI.

4.1. Panel stationarity test

In this section, a check for the unit root (stationarity) properties of the individual variables is carried out. To do this, a summary of the major panel unit root tests methods of Levin, Lin and Chu (LLC), Im, Pesaran and Shin (IPS), ADF Fisher's Chi-Square and PP Fisher's Chi-Square is applied. The summary of the tests is presented in Table 2.

Table 2. Summary of panel unit root tests

Variable	LLC test/ (probability)	IPS test/ (probability)	ADF Fisher/ (probability)	PP Fisher/ (probability)	Remark
HCD	−5.88276/ (0.0000)	−5.30455/ (0.0000)	82.1834/ (0.0000)	132.248/ (0.0000)	Stationary I (1)
CI	5.59429/ (0.0000)	−5.22889/ (0.0000)	82.1315/ (0.0000)	137.989/ (0.0000)	Stationary I (1)
GE	−8.43274/ (0.0000)	−6.80119/ (0.0000)	102.894/ (0.0000)	204.302/ (0.0000)	Stationary I (1)

Source: Eview-10.

The stationarity tests reveal that all the variables were non-stationary at levels but became stationary after first differencing.

Table 3. Test of hypothesis

Dependent variable: HCD
Method: Least squares
Date: 08/15/20   Time: 18:47
Sample: 2003–2020
Included observations: 17

Variable	Coefficient	Std. error	*t*-Statistic	Prob.

C	0.435374	0.043912	9.914601	0.0000
*Corruption index	0.004979	0.000899	5.539271	0.0001
GE	0.050768	0.048689	1.042693	0.3161
R-squared	0.727241	Mean-dependent var.		0.497188
Adjusted R-squared	0.685278	SD-dependent var.		0.027223
SE of regression	0.015272	Akaike info criterion		−5.358207
Sum squared resid	0.003032	Schwarz criterion		−5.213347
Log-likelihood	45.86566	Hannan–Quinn criteria		−5.350789
F-statistic	17.33052	Durbin–Watson stat.		1.304298
Prob (F-statistic)	0.000215			

Source: Eview-10.

From Table 3, the OLS shows that R^2 is 0.727241. This implies that 73% of the changes in HCD are explained by the changes in the corruption index and GE. F-value of 17.33052 with the probability value of 0.0000215 shows that the overall model is statistically significant at the 5% level. The Durbin–Watson value of 1.304298 reveals the presence of a high level of autocorrelation since the value is far from 2.0. However, this means that corruption index and GE have their joint effect on HCD in Nigeria. Corruption and its interaction with GE do not have a significant effect on HCD in Nigeria. These findings of the study corroborate the outcomes of similar studies that were carried out by Akinbode, Olabisi, Adegbite, Aderemi and Alawode (2019) and Habyarimana and Dushimayezu (2018). Ahmad and Saleem (2014) and Obianuju et al. (2016) found a positive correlation between corruption, GE, and human development in Nigeria. The result of this study tallies with the findings of the past researches that corruption has a significant and negative relationship with economic growth in ECOWAS countries, while the relationship between GE and economic growth is significant and positive Ogbebor and Ighodaro's (2018) study.

Furthermore, the coefficient of the corruption index was positively related with HCD and significant at 5% (p = 0.0001). This shows that the level of corruption significantly affects the HCD in Nigeria. This finding does not tally with the assertion of Emilia et al. (2020) that corruption has no statistically significant impact on HCD. Olayiwola and Obamuyi (2019), Oluwatobi and Ogunrinola (2011) and Aluko and Aluko (2012) reported that there is a positive significant relationship between corruption on HCD. GE was positively related with HCD but statistically not significant at 5% (p = 0.3161). This shows that there is a decreasing relationship between GE and HCD. That is, a relative change in the coefficient of GE will result in about 0.050768 decreases in HCD in Nigeria. Anyanwu, Adam, Obi and Yelwa (2015) examined the links between human capital and GE. The result showed that HCD had a positive impact on GE in Nigeria

5. Conclusion and recommendation

The objective of this study is to empirically examine the connection between corruption practices and GE on HCD in Nigeria. To estimate the coefficients of the variables adopted for the study, the trends and OLS method were used to determine the exact quantitative relationship between the dependent variable and the regressors. The findings showed that corruption practices have a very strong influence on HCD in Nigeria, while the relationship

between GE and HCD is insignificant. The study also revealed that corruption and its interaction with GE did not have a significant effect on HCD in Nigeria.

The implication of the findings is that the persistent problem of slow and sometimes stagnant HCD and growth in Nigeria can be reversed by improvements in GE and the control of corruption practices in the country.

Based on the findings, it is recommended that Nigeria should institute stiffer punishments for offenses bothering on corruption practices, revamp the anti-corruption agencies and set-up special courts for the offenders of corrupt practices. There is also the need to embark on re-orientation of its citizens to appreciate the adverse effects of corruption practices so as to improve the standard of living of the people.

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