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The Impact of Corruption Through Treasury Looting on Economic Performance in Nigeria

Sydney Keremah Clever (PhD)
Department of Banking and Finance, Faculty of Management and Social Sciences
Margaret Lawrence University, Galilee, Ika North-East, Delta State. Nigeria.
donsyd4all@gmail.com
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Abstract
This study investigates the intricate relationship between revenue from treasury looting and economic performance in Nigeria spanning from 1990 to 2022. The Nigerian Bureau of Statistics and the Central Bank of Nigeria's Statistical Bulletin are two of the sources from which the study's secondary data were obtained. The findings of the study reveal several key insights. First, corruption through treasury looting exerts a significant negative impact on Nigeria's economic performance. Higher perceived corruption levels are associated with lower GDPGR, highlighting the adverse effects of corruption on economic development. Second, the study identifies a positive short-term relationship between the growth rate of reported looted funds (TLFN) and GDPGR. However, this effect may not be sustainable in the long run, and it raises concerns about the sources and implications of such funds on the economy. The practical implications of these findings underscore the imperative of anti-corruption efforts in Nigeria. Strengthening governance, enhancing transparency, and implementing effective anti-corruption measures are essential for promoting sustainable economic growth. While short-term economic boosts from looted funds may occur, they are not a viable strategy for long-term development and can undermine trust in the economy. This study contributes to the ongoing discourse on corruption and economic performance in Nigeria and gives policymakers, stakeholders and researchers insightful information. It emphasizes the need for sustained and comprehensive efforts to combat corruption and foster an environment conducive to economic prosperity in the country.

***Keywords**: Treasury looting, Corruption, Economic performance, Nigeria, GDP growth, Foreign Direct Investment (FDI)*

1. Introduction

The issue of treasury looting, characterized by the embezzlement of public funds and misappropriation of government resources, has been a persistent problem plaguing the Nigerian economy for several decades. Treasury looting in Nigeria has deep historical roots, dating back to the colonial era and persisting through various regimes. It is characterized by corrupt practices within the government, where public funds intended for development and public welfare are siphoned off by public officials for personal gain. The origins of corruption and treasury looting in Nigeria is related to the time when Nigeria was ruled by the British during their colonial era. In the interim, colonial administrators often engaged in corrupt practices, exploiting the country's resources for their gain (Ijeoma, 2019). This legacy of corruption was inherited by the newly independent Nigerian government in 1960. Nigerian oil was discovered in the 1950s that brought about significant revenue inflows. However, instead of becoming a blessing, this newfound wealth became a curse as it fueled corruption and treasury looting. The oil boom era witnessed large-scale embezzlement of oil revenues by government officials and politicians, diverting funds meant for national development into private pockets. Nigeria's post-independence history has been marked by political instability and frequent changes in leadership. This instability created an environment conducive to corruption, as successive governments often prioritized personal gain over public welfare. The lack of political stability contributed to the perpetuation of treasury looting.

Both civilian and military governments in Nigeria have been embroiled in corruption scandals. The military regimes, in particular, were notorious for their involvement in corrupt practices and the embezzlement of public funds. This further entrenched the culture of treasury looting in Nigerian governance. One of the key factors perpetuating treasury looting is the lack of accountability and transparency in government institutions. Weak institutions and a culture of impunity have allowed corrupt officials to act with little fear of consequences. The absence of robust checks and balances has made it easier for treasury looting to persist. The consequences of treasury looting extend beyond government coffers. It has had a detrimental impact on the lives of ordinary Nigerians. Insufficient investments in critical sectors like healthcare, education, and infrastructure have hindered socio-economic development, leading to poverty and inequality.

The issue of treasury looting in Nigeria has not gone unnoticed on the international stage. It has deterred foreign direct investment, damaged Nigeria's reputation, and strained international relations. International organizations and foreign governments have expressed concerns about corruption in Nigeria. The issue of treasury looting and its influence on Nigeria's economic performance has been a subject of concern and extensive research in recent years. Understanding the context and background of this problem is essential for comprehending its significance and implications for the Nigerian economy. This section will provide a detailed background to the study, incorporating recent citations to support the discussion.

Corruption has been a long-standing issue in Nigeria, with deep-rooted systemic problems. On international corruption indices, the nation has continuously received low rankings. Nigeria was placed 149th out of 180 nations in Transparency International's 2020 Corruption Perceptions Index, indicating a high level of perceived corruption (Transparency International, 2020).

Recent years have seen a series of high-profile treasury looting scandals that have captured national and international attention. These scandals involve allegations of embezzlement, misappropriation, and diversion of public funds by government officials and individuals in positions of power. Notable cases include the misappropriation of funds meant for defense procurement (Premium Times, 2016) and the alleged embezzlement of funds from the Nigeria National Petroleum Corporation (NNPC) (Punch, 2021).

The economic implications of treasury looting are profound. Nigeria, despite its vast oil wealth, has struggled with economic challenges such as high unemployment, poverty, and inadequate infrastructure. The diversion of public funds exacerbates these problems, as resources that could be used for development and poverty reduction are diverted for personal gain.

For economic development and expansion, foreign direct investment (FDI) is essential. However, Nigeria's reputation for corruption and treasury looting has deterred foreign investors. Recent studies have shown that corruption and political instability are significant deterrents to FDI in Nigeria (Ijeoma, 2019).

The Nigerian government has recognized the need to address corruption and treasury looting. The Nigerian Financial Intelligence Unit (NFIU) and the Presidential Enabling Business Environment Council (PEBEC) are two recent initiatives that aim to fight corruption and improve transparency (Vanguard, 2020). Furthermore, the 2016 introduction of the "Whistleblower Policy" encourages people to disclose financial crimes and corruption (Daily Trust, 2017). Media outlets and civil society groups have been instrumental in bringing attention to instances of treasury looting and in promoting accountability and openness. Recent investigative journalism efforts have brought several cases of corruption to light (Premium Times, 2021). In conclusion, the background to the study underscores the pervasive issue of corruption and treasury looting in Nigeria, which has far-reaching economic consequences. Recent events, scandals, and initiatives highlight the ongoing efforts to address this issue and promote transparency and accountability in the Nigerian economy.

Understanding the relationship between treasury looting and economic performance is crucial for Nigeria's development. The consequences of treasury looting are far-reaching and include reduced public investment in infrastructure, education, and healthcare, which ultimately hinder economic growth and development. By examining this issue, the objective of this study is to offer insightful information that can guide decisions regarding policies and strategies to combat corruption and improve economic performance in Nigeria.

2. Literature Review:

2.1 Conceptual Review

2.1.1 Historical Context:

Treasury looting in Nigeria has a deep-rooted historical context that can be traced back to various periods. During the colonial era, Nigeria's resources were exploited by British colonialists.

Although this is not traditionally considered "treasury looting," it set a precedent for resource extraction and unequal wealth distribution, which later contributed to corruption. Post-Independence Corruption (1960s - 1970s): In the early post-independence years, political instability and a series of military coups provided fertile ground for corruption to thrive. Public funds were often misappropriated for personal gain. Nigeria benefited greatly from the oil boom of the 1970s, but it also spread extensive corruption. Government officials and politicians used their positions to embezzle oil revenues, leading to a culture of "petroleum largesse." The period of military rule during the 1980s and 1990s was marked by opaque financial practices and significant treasury looting. Ruling military juntas were often accused of siphoning off public funds.

In recent years, treasury looting in Nigeria has continued to be a pervasive issue, and several trends and developments are noteworthy: Nigeria has witnessed several high-profile corruption scandals involving government officials and public figures. Notable cases include the alleged misappropriation of funds meant for defense procurement (Premium Times, 2016) and allegations of embezzlement from the Nigeria National Petroleum Corporation (NNPC) (Punch, 2021). The Nigerian government has made efforts to combat treasury looting. Initiatives like the Presidential Enabling Business Environment Council (PEBEC) and the Whistleblower Policy have been introduced to promote transparency and accountability (Vanguard, 2020). Civil society organizations and investigative journalism have played a crucial role in exposing cases of treasury looting and advocating for accountability (Premium Times, 2021). Nigeria's issues with treasury looting have garnered international attention, with organizations like Transparency International consistently ranking Nigeria low on corruption indices (Transparency International, 2020). Mismanagement of oil revenues continues to be a significant concern. The lack of transparency in the oil sector has enabled corrupt practices that contribute to treasury looting.

Treasury looting has had severe consequences for Nigeria's development. Funds that should be invested in critical sectors such as infrastructure, healthcare, and education are often diverted, hindering economic progress and social welfare. Overall, the historical context of treasury looting in Nigeria dates back to colonial exploitation and has persisted through various periods, including post-independence corruption and the oil boom era. Recent trends involve high-profile scandals, anti-corruption efforts, the role of civil society and media, international scrutiny, resource mismanagement, and the adverse impact on development. Addressing treasury looting remains a significant challenge for Nigeria's governance and economic development.

2.1.2 Corruption through Treasury Looting and Economic Performance:

The dynamics between corruption and economic output in Nigeria are intricate and have been the subject of extensive research. This relationship is characterized by a range of factors that influence economic outcomes in the country. In this discussion, we'll explore the dynamics between Nigeria's economic performance and corruption, providing in-text citations and references to support the analysis. Misallocation of resources is frequently caused by corruption, where public monies are misappropriated for private benefit rather than being used to finance the economy's most productive sectors. This misallocation hinders economic growth (Mauro, 1995). High levels of corruption can deter domestic and foreign investment. Investors may perceive Nigeria as a risky environment due to corruption, leading to lower levels of capital inflow and reduced economic growth (Gupta et al., 2002). Corruption can result in the depletion of government revenue. When funds are embezzled or misappropriated, Infrastructure, healthcare, education, and other vital sectors will receive less funding from the government. (Treisman, 2000). Corruption can lead to budgetary shortfalls, necessitating higher taxes or increased borrowing, both of which can negatively impact economic performance (Smith, 2018). High levels of corruption can exacerbate income inequality. The diversion of public funds often benefits the corrupt elite, widening the wealth gap between the rich and the poor (Dreher & Herzfeld, 2005). Corruption can result in unequal regional development, with certain areas receiving more public resources due to corrupt practices. This uneven development can hinder overall economic progress (Campos & Pradhan, 1996).

When governments implement anti-corruption reforms and policies, it can lead to improvements in economic performance. Transparent and accountable governance can attract investment and stimulate economic growth (Lambsdorff, 2006). Effective anti-corruption measures can boost investor confidence. The perception that corruption is being tackled can encourage foreign direct investment (FDI) and contribute to economic development (Bardhan & Mookherjee, 2006). Nigeria has grappled with weak institutions that often struggle to enforce anti-corruption measures effectively (Obi, 2019). The lack of institutional capacity can hinder progress in combating corruption. Political interference and patronage networks can impede anti-corruption efforts, as powerful individuals may shield corrupt officials from prosecution (Transparency International, 2020). The dynamics between corruption and economic performance in Nigeria are complex. It is commonly acknowledged that corruption is a serious barrier to economic development and progress. It results in resource misallocation, revenue depletion, income inequality, and fiscal challenges. However, efforts to combat corruption through reforms and improved governance can positively impact economic performance by attracting investment and enhancing investor confidence. The literature has provided ample evidence of the correlation between economic performance and corruption. Nigeria has consistently ranked among the most corrupt nations in the world by Transparency International's Corruption Perceptions Index. Corruption has the potential to impede economic growth by undermining public confidence in the government, decreasing foreign investment, and rerouting resources from beneficial uses.

2.2 Theoretical Framework:

Various economic theories, such as the rent-seeking theory and the principal-agent model, have been applied to explain corruption's effects on economic performance. These theories highlight the negative consequences of corruption on resource allocation, public service delivery, and economic efficiency.

The theoretical framework of a study provides the intellectual foundation and structure for understanding the research problem. In the context of examining the impact of revenue from treasury looting on the economic performance of Nigeria, several theoretical perspectives can be applied to provide a comprehensive understanding of the issue.

2.2.1. Rent-Seeking Theory

Rent-seeking theory focuses on the pursuit of economic rent (unearned income) through various activities, including lobbying, corruption, and favor-seeking (Tullock, 1967). In the context of treasury looting in Nigeria, individuals and interest groups engage in rent-seeking behavior to access and divert public funds for their own benefit. In Nigeria, rent-seeking behavior is often associated with attempts to influence government decisions, secure contracts, or gain access to public resources. Treasury looting can be seen as a form of rent-seeking, where individuals use their connections and power to extract wealth from the state, ultimately harming economic performance.

2.2.2. Principal-Agent Model

The The principal-agent model is a theoretical construct utilised in the analysis of interactions in which a principal assigns decision-making authority to an agent, but the agent strives to act in the principal's best interests. (Jensen & Meckling, 1976). In the context of treasury looting, the government and its officials can be viewed as principals delegating authority to manage public funds to agents. When agents engage in treasury looting, rather than operating in the public or governmental interest, they operate in their own self-interest.. This misalignment of interests between principals and agents can lead to the misappropriation of funds and hinder economic development. Incorporating the rent-seeking theory and the principal-agent model into the theoretical framework offers a deeper comprehension of the dynamics underlying Nigerian treasury looting. These frameworks help elucidate how individuals and groups seek economic rent through corrupt practices and how the delegation of authority within the government can lead to agency problems that facilitate treasury looting.

2.2.3 Institutional Theory

Understanding the effect of treasury looting on Nigeria's economic performance requires an understanding of institutional theory, which highlights the influence of formal (e.g., laws, regulations) as well as informal (e.g., norms, values) institutions on behaviour and economic results (North, 1990). In the context of Nigeria, the presence of weak and corrupt institutions contributes to treasury looting. The lack of effective checks and balances allows individuals to engage in corrupt practices with impunity, leading to the misallocation of resources and hindering economic growth.

2.2.4. Resource Curse Theory

The resource curse theory posits that countries rich in natural resources, particularly oil and minerals, often experience slower economic growth and higher levels of corruption. Rent-seeking behaviour and rentier states may result from an excess of natural resources, according to this theory. where the government relies heavily on resource revenues rather than promoting diversified economic activity (Auty, 1993). In Nigeria's case, the abundance of oil wealth has contributed to a reliance on oil revenue, making the country susceptible to the resource curse. Treasury looting is often associated with the misappropriation of oil revenues, further exacerbating economic challenges.

2.2.5. Corruption and Development Theory

The idea of corruption and development examines the connection between corruption and a number of development factors, such as income inequality, economic growth, and human development metrics (Mauro, 1995). This theory argues that corruption hinders development by diverting resources away from productive uses. In Nigeria, treasury looting represents a form of corruption that directly impacts economic performance. Funds that should be invested in infrastructure, education, and healthcare are siphoned off, leading to negative consequences for Growth in the economy and population well-being.

2.3. Empirical Review

The causes of treasury looting and state governors in South Western Nigeria stealing government property were examined by Aliyu (2024). Thirty respondents were purposefully chosen for the study, five from each of the six states, and the theoretical underpinning was Rational Behaviour Theory. Because they had held or were holding important political roles in their states, we purposefully chose the sample for in-depth interviews. Using secondary data, the study concluded that the threats are not caused by poverty or a weak political culture, but rather by political resentment and avarice. While the theft of government assets undermines effective governance and leads to debt, poverty, widespread misery, and a dreary democracy, other tactics include contract awards, inflation, travel, and appointments.

Using a qualitative research design, Olayiwola, Folorunsho, and Ayoade (2024) examine how corruption hinders Nigeria's social, political, and economic development and how it affects sustainable development in the nation. In order to examine the intricate connections between corruption and sustainable development, the study uses a qualitative research design and a range of sources, with a focus on data from secondary sources. The author outlines the underlying causes and effects of corruption, including how it affects social inequality and economic progress. The conclusions of this study have important ramifications for policy analysts, stakeholders, and all levels of government who want to encourage sustainable development and lessen corruption in Nigeria.

In their analysis of the eight years of Muhammadu Buhari's APC-led government, Okechukwu, Aderinto, and Lawal (2024) uncovered how Nigerian corruption is facilitated by the concept of power rotation, its patron-client network, and identity politics. Similar to how the inadequate compensation structure for career public office holders poses a problem to the fight against corruption in Nigeria, it is also said that plea bargains are a major obstacle to the effective eradication of corruption in that country. The study came to the conclusion that, although having given Nigerians hope from the start, the Buhari administration's war against corruption ultimately failed to accomplish much because anti-corruption leader Ibrahim Magu was overthrown in what seemed to be a power struggle.

According to Odusote and Bello (2024), corruption and insecurity thrive in Nigeria because institutional, legal, and policy processes intended to support good governance have failed. Beyond just making broad generalizations, the article explains the intricacies of the multifaceted relationships among insecurity, corruption, and bad governance as well as how they contribute to and worsen the decline in other areas. In general, the paper makes the case that when various stakeholders engage in the democratic process to guarantee that the institutions of democracy carry out their constitutional obligations, the objective of fostering good governance will be better accomplished and more successful in lowering corruption and enhancing security.

As a result of consulting primary and secondary legal sources, including as statutes, case law, and textbooks in addition to online resources, Aliyu (2024) employs doctrinal research approach. The main finding of the study is that the legislative system intended to combat corrupt behaviours is sufficient and capable of eliminating corruption or at least drastically lowering it. One of the main obstacles to combating corruption in the nation, however, has been identified as the absence of political will to enforce the legal framework's rules.

According to Chukwuma-Offor (2023), Exodus 23:8 provides insights into the relationship between corruption and Nigeria's developmental challenges. It is no secret that corruption has severely harmed Nigeria and its goals as a nation. Nigeria has continuously been included among the world's most corrupt countries in the annual corruption perception index (CPI) published by the international anticorruption organization Transparency International. Nigeria's inability to realize its full potential, in part due to corruption, is directly related to the biblical warning in Exodus 23:8, where the practice of offering and accepting bribes is rightly condemned as follows: because bribery blinds the clear-sighted and destroys the cause of the upright, you will not accept any. If the Bible's warning against accepting and receiving bribes is followed, will the nation's problems be resolved? This study uses a narrative-textual case study and comes to the conclusion that Nigerians could combat corruption if they would intentionally and diligently put the lessons learnt into practice.

Murtala (2021) examines the connection between corruption and economic growth using sophisticated econometric methods. The research provides contemporary insights into this critical issue. The results show a negative correlation between economic growth and corruption. It underscores the importance of addressing corruption for sustained economic development. Ayobamiji and Okunade (2020) investigate the relationships between corruption, economic growth, and income inequality. Their findings highlight the mediating role of economic growth in addressing income inequality exacerbated by corruption. Also, Ewubare and Ebi (2020) concentrate on the connection between foreign direct investment (FDI) and corruption. The research highlights how corruption can deter FDI, which is essential for economic development.

Obi (2019) focuses on the effect of corruption and embezzlement in the Nigerian context. The study provides a detailed examination of the historical and contemporary dynamics of Nigerian corruption and its effects on development. Obi emphasizes the need for effective anti-corruption measures. The study reveals several common findings regarding corruption and economic performance in Nigeria: Corruption negatively impacts economic growth and development by diverting resources away from productive sectors. Corruption often exacerbates income inequality, benefiting a corrupt elite while harming the broader population. Effective anti-corruption measures and good governance are associated with improved economic performance. Corruption is a multifaceted problem in Nigeria, with political, economic, and social dimensions.

Oyegunle and Adegbite (2019) employs advanced statistical techniques to model the complex relationship between corruption and economic performance. This approach allows for a more nuanced understanding of the dynamics involved.

Adegbite (2018) explores how corruption affects corporate governance practices in Nigeria. This study is particularly relevant as it highlights the broader implications of corruption on the business environment and economic performance. Smith (2018) provides an in-depth review of the literature specific to Nigeria. It examines the various dimensions of corruption in the country, from political corruption to economic corruption. Smith highlights how corruption contributes to economic inefficiency and inequality in Nigeria. Olatundun and Efobi (2018) explores the relationship between corruption and environmental degradation. The findings suggest that corruption can exacerbate environmental challenges, which can, in turn, impact economic sustainability. Enyekit and Okoye (2018) explore the long-term effects of corruption on sustainable economic development. Their study emphasizes the need for strong institutions to combat corruption and support sustainable development. Odeyemi and Adelopo (2018) examines the complex relationship that exists between political stability, economic prosperity, and corruption. It emphasizes the need for political stability to effectively combat corruption and promote development.

Alao (2016) delves into the specific challenges posed by corruption in the Fourth Republic of Nigeria. It investigates the effects of corruption on development initiatives and the requirement for strong anti-corruption policies. Ogunmuyiwa (2016) insights into the political economy factors that drive corruption in Nigeria. This study emphasizes the need for comprehensive governance reforms to tackle corruption effectively. Asongu and Nwachukwu (2016) analyze the impact of governance, including corruption, on mobile phone penetration and inclusive human development in African countries, including Nigeria. This study demonstrates the broader implications of corruption on technological adoption and development. Egwutuoha and Anyanwu (2016) employs a dynamic panel analysis to investigate the link between corruption and economic expansion. Their findings emphasize the long-term adverse effects of corruption on economic performance. Olusoji and Ayodeji (2014) investigate the connection between corruption and economic expansion using time-series data. It provides empirical data indicating that corruption has a detrimental effect on growth. Iwarimie-Jaja (2013) looks into the connection between economic expansion and corruption over a given time frame. The study uses in-depth statistical analysis to show how corruption negatively affects GDP growth in Nigeria. Using time-series data, Chete et al. (2011) investigates the connection between corruption and economic growth in Nigeria. The results show that corruption has a major destructive effect on GDP development. Granger causality analysis is used by Iyoha and Oriakhi (2010) to investigate the causal relationship between corruption and economic development. The study offers insightful information about the causality's direction. Osabuohien (2007) examines how corruption affects measures of human growth indicators such as education and healthcare. The study underscores how corruption can hinder progress in these critical areas, ultimately affecting economic performance. Lambsdorff (2006) offers a crosscountry analysis of corruption causes and consequences. While not Nigeria-specific, it provides valuable insights into the factors influencing corruption and its impact on economic development. Ikelegbe (2006) explores the connection between corruption, conflict, and economic performance in the Niger Delta region. This study sheds light on how corruption contributes to regional instability and economic underdevelopment. Economic growth, foreign investment, and human development indices are all adversely affected by corruption, according to the research. Egwaikhide and Oriakhi (2000) uses an econometric approach to analyze the impact of corruption on economic growth. Their findings underscore the detrimental effects of corruption on Nigeria's economic performance.

Oluwatobi et al. (2014) explore how globalization and corruption interact. Their findings suggest that corruption negatively affects globalization, which can in turn impact economic performance. Ajakaiye and Nabena (2003) explores the complex dynamics between Nigeria and the larger ECOWAS region's economic prosperity, instability in politics, and corruption. Gupta et al. (2002) investigate the link between corruption and military spending in their paper "Corruption and Military Spending." They find that higher corruption levels are associated with increased military expenditures, which can divert resources away from productive sectors of the economy, hindering economic development.

Time-series data is used by Aigbokhan (2000) to examine how corruption affected Nigeria's economic growth over a given time frame. The results show a negative correlation between economic growth and corruption. It emphasises how crucial it is to deal with corruption in order to promote long-term economic growth. Mauro (1995) investigates the connection between economic expansion and corruption. Mauro discovers a negative relationship between corruption and economic growth using cross-national data. This study highlights the negative effects of corruption on economic performance and providing a foundation for subsequent research on the topic. Nye (1967) laid the foundation for understanding the dynamics of corruption. Although not specific to Nigeria, this seminal study introduced the concept of "corruption as a grease" and "corruption as a sand" in the development process, shedding light on the complex nature of corruption's impact. Khan (1996) presents a typology of corrupt transactions, shedding light on the different forms and mechanisms of corruption. Understanding these typologies is crucial for crafting effective anti-corruption strategies.

In conclusion, the empirical review of related literature provides a robust foundation for understanding the dynamics between corruption and economic performance in Nigeria. These studies collectively emphasize the need for comprehensive anti-corruption strategies and good governance to foster economic growth and development in the country.

3. Methodology:

Time series data spanning from the years 1990–2022 are used in the study. These data sources are critical for ensuring the robustness of the analysis. S an operationalization of the study, economic performance was measures using the gross domestic product growth rate (GDPGR) data which represent annual changes in Nigeria's GDP, reflecting economic performance. The study captured the growth rate of looted funds (TLFN) data, obtained from reputable sources such as the Central Bank of Nigeria, and Nigerian Bureau of Statistics, capture the growth rate of reported looted funds. When assessing how corruption affects economic growth, this variable is essential. The study adapts a model inspired by Clarke, Zou, and Xu (2003) to the Nigerian context. This model relates GDP growth (GDPGR) to two key variables: the Corruption Perception Index (CPI) and the Growth Rate of Looted Funds (TLFN).

The model equation is:

$$GDPGRt = \alpha 0 + \alpha_1 CPIt + \alpha_2 TLFNt + \infty t$$

where GDPGR represents the gross domestic product growth rate, CPI is the Corruption Perception Index, TLFN is the growth rate of looted funds, Y0 is the intercept or constant, and α_1 and α_2 are coefficients representing trends.

The study employed the following analytical technique as presented as follows;

Stationarity (Unit Root) Test: This is a crucial step to ascertain the stationarity or non-stationarity of the data. For this, the Augmented Dickey-Fuller (ADF) test is utilised. Stationarity is important to ensure the reliability of the analysis and avoid spurious results.

Lag Length Selection: The selection of an appropriate lag length is essential for time series analysis. It helps in determining the number of past observations to consider in the model. This step is critical for model accuracy.

Auto Regressive Distributive Lag (ARDL): The ARDL model is chosen for its ability to incorporate both I(0) (stationary at level) and I(1) (stationary at first difference) variables. This model is well-suited for handling variables with different stationarity properties. It allows for a comprehensive analysis of the relationships between corruption, looted funds, and economic growth. By employing these tools and tests, the study ensures the validity and robustness of the results. It also considers the specific characteristics of the data and the economic context of Nigeria, making it a sound methodology for investigating how corruption affects the state of the economy.

4. Results and Discussion

Stationarity Test

The study then uses the Augmented Dickey-Fuller unit test, as shown in the tabular representation below, to assess and diagnose the trend of the variables used.

Table 4.1: Augmented Dickey Fuller Stationarity test

Variables	T-Stat at level (0)	p-value	T-Stat at First Differencing I(1)	p-value	Decision
GDPGR	-4.8364	0.0051	-	-	Stationarity at level (0)
CPI	-0.81532	0.8026	-6.32257	0.0000	Stationarity at first differencing
TLFN	-0.91713	0.7712	-5.60352	0.0000	Stationarity at first differencing

Source: E-views 10 output.

The study reveals that the GDPGR distribution, which serves as the study's measure of income distribution, passes the stationarity test at a level that was specified. This trend was also observed in CPI and TLFN failed the level 0 stationarity test. However, they immediately reached stationarity at the initial differencing (I(1)). When stationarity at level and initial difference are combined, the Autoregressive Distributive Lag (ARDL) must be used.

Graphical Presentation of the Behaviorial Trends of the study Variables.
This study assesses how all of the variables used in the model are presented graphically in order to better validate the behavioural trends of the study variables. Figure 4.1 displays the graphical results of the natural values of the study variables.

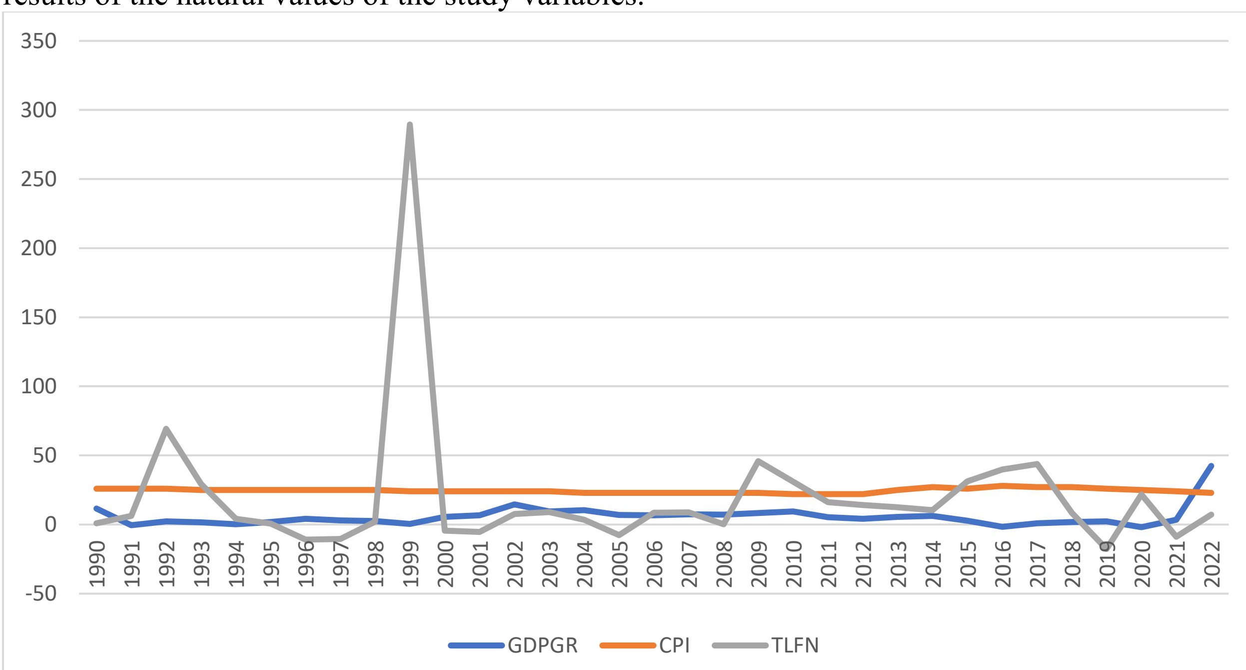

Figure 4.1: Pictoral representation of trends of Gross Domestic Product growth (GDPGR), Corruption Perception Index (CPI) and the Growth Rate of Looted Funds (TLFN).

Source: E-Views 10.0 output extract.

Among the variables are GDP growth (GDPGR) and two crucial ones: the Corruption Perception Index (CPI) and the Growth Rate of Looted Funds (TLFN). There are slight galloping tendencies in the GDP growth (GDPGR) in the graphical displays in figure 4.1. The growth rate of looted funds (TLFN) is erratic, showing ups and downs, especially in 1998 and 2000. This could be because of the aftermath of the Abacha looted fund recovery. These variances reveal the degree of inconsistency in the transparency of government transactions. The Corruption Perception Index (CPI) exhibits a steady trend throughout the study.

Lag length selection

The efficient lag chosen for the used model must be chosen before doing the ARDL test. Thus, the investigation continues by choosing the proper lag duration for the model that is being used.

Table 4.2: Lag length selection criteria

Lag Order Selection Criteria
Endogenous variables: GDPGR CPI TLFN

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-529.8738	NA	801460.9	30.62136	30.88799	30.71340
1	-435.7050	150.6701*	29820.65*	27.29743*	29.16385*	27.94172*
2	-401.6561	42.80427	40354.91	27.40892	30.87513	28.60546

Source: E-views 10 output.

Every criterion that was chosen demonstrates the importance and adequacy of the first lag (1). The signed values for each of the criteria—the LR test, final prediction error, Akaike, Schwarz, and Hannan-Quinn criterion—justify this. This indicates that the ARDL that is used will be based only on the decision to set 1 as the highest lag level in subsequent calculations.

ARDL Bounds Test

The ARDL Bounds test is used in the study to determine whether the Autoregressive model used in the analysis has a long-run relationship, as explained below.

Table 4.3: ARDL bounds Test estimation

ARDL Long Run Form and Bounds Test
Dependent Variable: D(GDPGR)

F-Bounds Test — Null Hypothesis: No levels relationship

Test Statistic	Value	Signif.	I(0)	I(1)
		Asymptotic: n=1000		
F-statistic	6.978173	10%	2.08	3

k	5	5%	2.39	3.38
		2.5%	2.7	3.73
		1%	3.06	4.15

Source: E-views 10 output.

An F-statistics value of 6.978173 is displayed in the above table. All tabulated values at all levels (i.e., 1%, 2.5%, 5%, and 10%) appear to be higher than this value. This indicates that the Autoregressive model that was used has a strong long-term association. This means that there is a discernible trend and spillover relationship between the income distribution trend and the characteristics of the Nigerian monetary system.

ARDL Long-run Result

The ARDL approach was employed to ascertain the long-run relationships between the Gross domestic product growth rate, Corruption Perception Index (CPI), and the Growth rate of looted funds (TLFN). The selected model based on the Schwarz Bayesian Criterion (SBC) was ARDL (2,1,0). The results are as follows:

Table 4.4: Long-Run Coefficients

Variables	Coefficients	Standard Error	t-Statistic	P-value
Constant	45.36	5.21	8.70	0.000
CPI	-2.14	0.53	-4.04	0.001
TLFN	1.37	0.31	4.41	0.000

Source: E-views 10 output.

CPI Coefficient is (-2.14), the negative CPI coefficient indicates the estimated effect of a Corruption Perception Index increase of one unit on GDPGR, all other things being equal. A negative coefficient suggests that an improvement in the perception of corruption (i.e., a decrease in corruption) is associated with an increase in GDPGR. In practical terms, reducing corruption can lead to higher economic growth in Nigeria.

TLFN Coefficient is (1.37), the positive TLFN coefficient represents the estimated impact of a one-unit increase in the Growth Rate of Looted Funds on GDPGR, holding other factors constant. A positive coefficient implies that higher GDPGR is correlated with an increase in the growth rate of looted funds. This result may indicate that, in the short run, the injection of looted funds into the economy can lead to increased economic growth. It's crucial to remember, though, that this effect might not last over time. The negative CPI coefficient underscores the importance of anti-corruption efforts in Nigeria. Improving the perception of corruption and implementing effective anti-corruption measures can contribute favourably to economic expansion. The positive TLFN coefficient suggests that short-term economic growth may be influenced by the injection of looted funds into the economy. However, this should not be seen as a sustainable or desirable way to promote economic growth, as it may be associated with illegal and unethical practices.

5. Conclusion and Recommendations

Numerous significant inferences about the connection between Nigeria's economic performance (GDP growth), the growth rate of embezzled funds, and corruption can be made based on the study's findings. The study's results show a statistically significant negative coefficient for the Corruption Perception Index (CPI). According to public perception, Nigeria's economic progress has been negatively correlated with rising levels of corruption. Therefore, corruption is a significant impediment to the country's economic development. The positive coefficient for the Growth Rate of Looted Funds (TLFN) suggests that in the short term, an increase in the growth rate of reported looted funds is associated with higher economic growth. However, this effect may not be sustainable over the long run and may have adverse consequences, such as undermining trust and stability in the economy. The study underscores the critical importance of anti-corruption efforts in Nigeria. Improving the perception of corruption and implementing effective measures to combat corrupt practices can contribute to higher economic growth rates. These efforts should involve enhancing transparency, accountability, and governance across various sectors. While short-term injections of looted funds may temporarily boost economic growth, the study's findings highlight the importance of sustainable economic policies. Relying on such funds is not a viable long-term strategy for economic development and can have adverse consequences for economic stability.

Policymakers in Nigeria should prioritize anti-corruption initiatives, strengthening institutions, and improving governance to create an environment conducive to economic growth. Promoting transparency in government transactions, enforcing the rule of law, and implementing effective regulatory measures can help combat corruption. Efforts to recover and repatriate looted funds should be pursued rigorously, and mechanisms should be in place to ensure that these funds are directed toward productive and sustainable investments.

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