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The Impact of Revenue from Treasury Looting on The Economic Performance of Nigeria

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Abstract

This study investigates the intricate relationship between revenue from treasury looting and economic performancein Nigeriafrom 1990 to 2021.The study employs secondary data which were gotten from various sources such as the Central Bank of Nigeria Statistical Bulletin and the Nigerian Bureau of Statistics. The findings of the study reveal several key insights. First, corruption through treasury lootingsignificantly negatively impacts Nigeria's economic growth. 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, raising 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 provides valuable insights for policymakers, stakeholders, and researchers. 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)

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 can be traced back to the colonial period when Nigeria was under British rule. During this time, 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.The discovery of oil in Nigeria in the 1950s 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 leadership changes. 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 impact on the economic performance of Nigeria 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. The country has consistently ranked poorly on global corruption indices. In Transparency International's Corruption Perceptions Index for 2020, Nigeria was ranked 149th out of 180 countries, 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.

Foreign direct investment (FDI) is crucial for economic growth and development. 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. Recent initiatives, such as the establishment of the Presidential Enabling Business Environment Council (PEBEC) and the Nigerian Financial Intelligence Unit (NFIU), aim to enhance transparency and combat corruption (Vanguard, 2020). Additionally, the "Whistleblower Policy" introduced in 2016 encourages individuals to report corruption and financial crimes (Daily Trust, 2017).Civil society organizations and the media have played a critical role in exposing cases of treasury looting and advocating for transparency and accountability. Recent investigative journalism efforts have brought several cases of corruption to light (Premium Times, 2021).In conclusion, the background of 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, this research aims to provide valuable insights that can inform policy decisions and strategies to combat corruption and improve economic performance in Nigeria.

Literature Review

Conceptual Review

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.The oil boom of the 1970s brought immense wealth to Nigeria, but it also led to widespread 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.

Corruption Through Treasury Looting and Economic Performance:

The dynamics between corruption and economic performance 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 corruption and economic performance in Nigeria, providing in-text citations and references to support the analysis.Corruption often leads to the misallocation of resources, where public funds are diverted for personal gain instead of being invested in productive sectors of the economy. 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, the government has fewer resources to invest in infrastructure, education, healthcare, and other critical areas (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. Corruption is widely recognized as a significant obstacle to economic growth and development. 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 relationship between corruption and economic performance is well-documented in the literature. Transparency International's Corruption Perceptions Index consistently ranks Nigeria among the most corrupt countries in the world. Corruption erodes trust in government, reduces foreign investment, and diverts resources away from productive uses, all of which can hinder economic growth.

Theoretical Framework:

Various economic theories, such as the rent-seeking theory and the principal-agent model, have been applied to explain the impact of corruption 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.

Rent-Seeking Theory

The 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 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.

Principal-Agent Model

The principal-agent model is a framework used to analyze relationships where one party (the principal) delegates decision-making authority to another party (the agent) but faces challenges in ensuring that the agent acts 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, they act in their self-interest rather than in the interest of the government or the public. 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 provides a more comprehensive understanding of the dynamics surrounding treasury looting in Nigeria. 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.

Institutional Theory

Institutional theory is highly relevant to understanding the impact of treasury looting on economic performance in Nigeria. This theory emphasizes the role of institutions, both formal (e.g., laws, regulations) and informal (e.g., norms, values), in shaping behavior and economic outcomes (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.

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. This theory suggests that the abundance of natural resources can lead to rent-seeking behavior and rentier states, 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.

Corruption and Development Theory

Corruption and development theory explores the relationship between corruption and various aspects of development, including economic growth, income inequality, and human development indicators (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 economic growth and the well-being of the population.

Empirical Evidence

Murtala (2021) employs advanced econometric techniques to analyze the relationship between corruption and economic growth. The research provides contemporary insights into this critical issue.The findings indicate a negative relationship between corruption and economic growth. 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) focus on the relationship between corruption and foreign direct investment (FDI). 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 corruption in Nigeria and its implications for 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) employ 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) explore 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) explore the intricate relationship between corruption, political stability, and economic development. 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 examines the impact of corruption on development projects and the need for effective anti-corruption measures.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) employ a dynamic panel analysis to examine the causal relationship between corruption and economic growth. Their findings emphasize the long-term adverse effects of corruption on economic performance. Olusoji and Ayodeji(2014)utilize time-series data to examine the relationship between corruption and economic growth. It presents empirical evidence that suggests a negative impact of corruption on growth.Iwarimie-Jaja(2013)investigates the relationship between corruption and economic growth during a specific period. The research employs rigorous statistical analysis to highlight the adverse impact of corruption on Nigeria's GDP growth.Chete et al. (2011)examine the relationship between corruption and economic growth in Nigeria using time-series data. The findings indicate a significant negative impact of corruption on GDP growth.Iyoha and Oriakhi (2010)employ Granger causality analysis to explore the causal relationship between corruption and economic development. The study provides valuable insights into the direction of causality.Osabuohien (2007) investigates the impact of corruption on human development 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 cross-country 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 relationship 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. The study observed that corruption has a robust negative impact on economic growth, foreign investment, and human development indicators.Egwaikhide and Oriakhi (2000)use 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 andNabena (2003)explore the complex dynamics between corruption, political instability, and economic development in Nigeria and the broader ECOWAS region.

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.

Aigbokhan (2000) employs time-series data to analyze the impact of corruption on economic growth in Nigeria during a specific period. The findings indicate a negative relationship between corruption and economic growth. It underscores the importance of addressing corruption for sustained economic development.

Mauro (1995)explores the relationship between corruption and economic growth. Using cross-country data, Mauro finds a negative correlation between corruption and economic growth. This study underscores the detrimental impact of corruption on economic performance, 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 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.

Methodology

The study uses time series data covering the period from 1990 to 2021. These data sources are critical for ensuring the robustness of the analysis. S an operationalization of the study, economic performance was measured using the gross domestic product growth rate (GDPGR) data which represents 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 the Nigerian Bureau of Statistics, capture the growth rate of reported looted funds. This variable is crucial for examining the impact of corruption on economic growth.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:

$$GDPGRt = \alpha 0 + \alpha 1CPIt + \alpha 2TLFNt + \infty t$$

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 α1 and α2 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 determine whether the data are stationary or non-stationary. The Augmented Dickey-Fuller (ADF) test is employed for this purpose. 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 the impact of corruption on economic performance.

Results and Discussion

Presentation of Data

Employed data of the study are presented below;

Table 1: Annual values of Gross domestic product growth rate (GDPGR), Corruption Perception Index (CPI), and Growth rate of looted funds (TLFN) in Nigeria from 1990 to 2021.

Year	GDPGR %	CPI %	TLFN %
1990	11.63	26	1
1991	-0.55	26	6.26
1992	2.19	26	69.24
1993	1.57	25	29.45
1994	0.26	25	4.13
1995	1.87	25	0.62
1996	4.05	25	-10.86
1997	2.89	25	-10.51
1998	2.50	25	2.1
1999	0.52	24	289.47
2000	5.52	24	-4.37
2001	6.67	24	-5.35
2002	14.60	24	7.66
2003	9.50	24	8.96
2004	10.44	23	3.52
2005	7.01	23	-7.73
2006	6.73	23	8.66
2007	7.32	23	8.88
2008	7.20	23	0.15
2009	8.35	23	45.91
2010	9.54	22	31.13
2011	5.31	22	16.27
2012	4.21	22	14
2013	5.49	25	12.5
2014	6.22	27	10.35
2015	2.79	26	31.33
2016	-1.58	28	39.88
2017	0.82	27	43.76
2018	1.91	27	8.24
2019	2.27	26	-17.72
2020	-1.92	25	21.75
2021	3.40	24	-8.86
2022	42.41	23	7.25

Source: World Bank Report (2022), Central Bank of Nigeria (2022)

Stationarity Test

The study proceeds to adopt the Augmented Dickey-Fuller unit root test to evaluate and diagnose the trend of employed variables as presented in the tabular representation below.

Table 2: Augmented Dickey-Fuller Stationarity test

Variable	T-Stat at	p-	T-Stat at First	p-	Decision

s	level (0)	value	Differencing I(1)	value	
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 uncovers the fact that the Gross domestic product growth rate which represents the study's measure of income distribution (GDPGR) distribution passed the stationarity test at level. This trend was also observed in CPI and TLFN failed the stationarity test at level (0). But they attained stationarity quickly at the first differencing (I(1)). The mixture of stationarity at the level and first difference calls for the employment of the Autoregressive Distributive Lag (ARDL).

Lag length selection

A prerequisite to the ARDL test is the selection of an efficient lag for the employed model. The study, therefore, proceeds to select the appropriate lag length for the employed model.

Table 3: 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.

All selected criterion shows prominence and sufficiency of the first lag (1). This is justified by the signed values for all criteria (LR test, Final prediction error, Akaike, Schwarz, and Hannan-Quinn criterion). This shows that the employed ARDL will be predicated solely on the selection of 1 as the maximum lag level in further estimations.

ARDL Bounds Test

To evaluate the presence of a long-run relationship in the Autoregressive model employed, the study employs the ARDL Bounds test as presented below.

Table 4: ARDL bounds Test estimation

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

F-Bounds Test		Null Hypothesis: No levels of 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.

The above table shows a bounds F-statistics value of 6.978173. This value is seen to be greater than all tabulated values at all levels (i.e. 1%, 2.5%, 5%, and 10%). This goes to show evidence of a significant long-run relationship in the Autoregressive model employed. In practical terms, this connotes that there is a significant spillover influence and trend between the dimensions of the Nigerian monetary system and the income distribution trend.

ARDL Long-run Result

The ARDL approach was employed to ascertain the long-run relationships between the Gross domestic product growth rate, the 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 5: 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

CPI Coefficient (-2.14): The negative CPI coefficient indicates the estimated impact of a one-unit increase in the Corruption Perception Index on GDPGR, holding other factors constant.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 (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 suggests that an increase in the growth rate of looted funds is associated with higher GDPGR. This result may indicate that, in the short run, the injection of looted funds into the economy can lead to increased economic growth. However, it's important to note that this effect may not be sustainable in the long run.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 have a positive impact on economic growth.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.

Conclusion and Recommendations

Based on the findings from the study, several key conclusions can be drawn regarding the relationship between corruption, the growth rate of looted funds, and economic performance (GDP growth) in Nigeria:The study's results show a statistically significant negative coefficient for the Corruption Perception Index (CPI). This indicates that higher levels of corruption, as perceived by the public, are associated with lower economic growth in Nigeria. 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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