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Article

Corruption, Governance and Economic Development: The Case of Nigeria

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Abstract: Corruption and governance are deeply interconnected and they have profound impact on the development of a country's economy. This study examined the impact of corruption and governance on economic development in Nigeria. Specifically, the study investigated the impact of corruption perception index score, corruption perception rank, rule of law, control of corruption and government effectiveness on economic development in Nigeria. Economic development was proxied by the human development index. The study employed the Autoregressive Distributed lag (ARDL) model, Error Correction Mechanism (ECM), and Granger causality test to estimate annual time-series from 1996 to 2025. The data were secondary data sourced from the Transparency International publication, World Bank worldwide governance indicators, and World Bank development indicators. The findings from the study revealed that corruption perception index score, corruption perception rank, control of corruption, and government effectiveness have significant negative effect on economic development while rule of law has insignificant positive effect on economic development. Also, the Granger causality test established bidirectional causality between corruption perception index score and government effectiveness in addition to one-way causalities from some variables to others. Based on the findings, it is concluded that corruption and governance largely inhibit economic development in Nigeria. It is recommended, inter alia, that the various anti-corruption agencies in Nigeria should be strengthened to enable them effectively carry out the fight against corruption in the country without undue political interference.

Keywords: Corruption, Governance, Development, HDI, ARDL

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1. Introduction

Economic development is a complex and multifaceted process that encompasses a wide range of factors influencing the growth and transformation of nations. It entails sustained improvements in living standards, poverty and inequation reduction, and the enhancement of overall welfare within societies. At its core, economic development involves structural changes in economic systems, including transitions from agrarian to industrial and service-based economies [1]. Economic development is deeply intertwined with institutional factors such as property rights, rule of law and governance structures, which shape incentives for investment, innovation, and entrepreneurship, thereby influencing long-term growth trajectories [2].

Corruption is as old as the existence of man. It exists both in the developing and in the developed nations, but predominantly in the developing countries [3]. Corruption undermines the integrity of institutions, erodes public trusts, and distorts the allocation of resources within societies, leading to inefficiencies and inequalities [4]. Its detrimental effects extend beyond economic realms to social, political and environmental spheres, hindering sustainable development and exacerbating social disparities. Corruption poses significant barriers to economic development by distorting market mechanisms, and undermining investors' confidence, leading to reduction in investment. Moreover,

corruption hampers competition and innovation, as resources are diverted towards rent-seeking activities rather than productive enterprises. In countries with high levels of corruption, economic growth tends to be lower, inequality higher, and poverty more pervasive. As a result, countries perceived as corrupt may struggle to attract foreign investment inflows, missing out on opportunities for technology transfer, job creation, and economic growth [1], [5], [6], [7], [8], [9], [10], [11].

Similarly, good governance enhances economic development by building stable institutions, enforcing laws, and reducing corruption. Effective rule of law, transparent public spending, and secure property rights attract both domestic and foreign investments. Conversely, bad governance stunts economic development by fostering corruption, mismanagement of public funds, and infrastructural decay. It discourages both local and foreign investments, exacerbates income inequality, and triggers human and financial capital flights, keeping nations trapped in cycles of poverty and low productivity [12], [13], [14], [15], [16], [17].

Furthermore, corruption and governance are deeply connected. Good governance depends on clear rules, honesty, and public trust. Corruption breaks these rules, damages public services, and slows down national development. Public services are rendered ineffective when money meant for schools, roads, hospitals etc. are stolen or wasted. In addition, public trust is lost when people stop believing in leaders and law officials act for personal gains. Besides, weak governance directly enables systemic corruption by creating environments lacking transparency, accountability, and the rule of law. Conversely, strong governance structures, characterized by independent judiciaries, active civil liberties, and effective regulatory enforcement significantly constrain corrupt practices, restore public trust, and foster equitable economic development [18], [19], [20].

Over the years, the performance of the Nigerian economy, in terms of delivering core development objectives, has been quite unimpressive. The country has been witnessing high and rising levels of poverty, inflation and unemployment, alongside wide income and wealth inequalities. The country has also been experiencing dwindling, stagnating and sometimes, negative growth rates [21], [22], [23]. The dismal performance of the economy has largely been attributed to high level of corruption and poor governance [24], [25], [26].

In Nigeria, corruption is a widespread systemic issue. Globally, Nigeria consistently ranks among the top quarter of most corrupt countries. The country is ranked the world's 40 most corrupt countries on the Corruption Perception Index (CPI) and 35th from bottom on the World Bank's list of countries measured by their control of corruption. Nigeria ranks highly on all four metrics of corruption measured by the Unbundled Corruption Index, with "grand theft" by political elites particularly dominant. Within Africa, Nigeria ranks 33rd for overall governance out of 54 countries measured in the Ibrahim index of African Governance (IIAG), which take into consideration various measures including anti-corruption mechanism and how successful they have been. The IIAG places Nigeria well below the average for both the African continent and the region of West Africa. When measured on the "Absence of Corruption in State Institutions" specifically, the IIAG ranked Nigeria fifth from bottom of the 54 African countries measured [27], [28], [29].

The foregoing discussions show that the performance of the Nigerian economy has not been impressive. The discussions also clearly show that the level of corruption in Nigeria is high while institutional quality is significantly poor. Could the poor performance of the economy be attributed to corruption and poor governance? In other words, what role do corruption and governance play in the development process of the Nigerian economy? To answer this question, there is the need for empirical evidence on the impact of corruption and governance on economic development in Nigeria.

1.1 Literature Review and Conceptual Clarifications

1.1.1 Corruption

Corruption refers to the abuse of entrusted power, authority, or office for private gains. It encompasses dishonest or unethical behaviour by individuals in the public or private sectors – such as bribery, nepotism, and embezzlement, or cronyism – to secure personal benefits or advantages for themselves, family or business partners, often at the expense of public welfare and economic development. Corruption includes behaviours such as: public servants demanding or taking money or favours in exchange for services; politicians misusing public funds or granting public jobs or contracts to their sponsors, friends, and families; corporations bribing officials to get lucrative deals, etc.

For this study, corruption is measured in terms of Transparency International's corruption perception index (CPI) scores and country ranks for Nigeria. The CPI is an index published by Transparency International since 1995. The CPI scores and ranks 182 countries/territories based on how corrupt their public sectors are perceived to be by experts and business executives. The assessment focuses on public sector corruption, bribery, use of public office, and diversion of public funds. It is a composite index, a combination of 13 surveys and assessment of corruption, collected by a variety of reputable institutions. The CPI scores are given on a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. On the other hand, the 182 countries are ranked 1st to 182nd ranks with a rank of 1 indicating least corrupt country while a rank of 182 indicates highly corrupt country. This study therefore measures Nigeria's level of corruption using the two metrics of corruption perception, namely CPI scores and country ranks for Nigeria from 1996 to 2025.

1.1.2 Governance

Kaufmann et al. [30] define governance as a set of traditions and institutions that can be used to exercise the power of authority. Similarly, the World Bank [31] defines governance as the manner in which power is exercised in the management of a country's economic and social resources for development. World Bank researchers, Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi have developed composite indicators or dimensions of governance which are referred to as the World Bank's Worldwide Governance Indicators (WGI), The WGI rank countries with respect to six aspects of good governance: voice and accountability, political stability and absence of violence/terrorism, regulatory quality, government effectiveness, rule of law, and control of corruption. However, for this study, four of the six indictors of governance are used. These are control of corruption, rule of law, government effectiveness, and voice and accountability.

1.1.3 Economic Development

Economic development refers to a process of general improvements in the various aspects of the economy and the society that supports it. Economic development can also be defined as the process of improving the quality of all human lives and capabilities by raising peoples' levels of living, self-esteem and freedom. It is a multidimensional process involving major changes in the social structure, popular attitudes, and national institutions as well as the acceleration of economic growth, the reduction of inequality and eradication of poverty.

For this study, economic development is proxied by human development index. The human development index (HDI) is a composite index developed by the United Nations in 1990. It serves as a benchmark for assessing how well countries are doing in terms of improving peoples' quality of life, focusing on elements such as health, education and income. The human development index is composed of four dimensions of interest: mean years of schooling, expected years of schooling, life expectancy at birth, and gross national income per capita. It was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone.

1.2 Theoretical Literature Review

1.2.1 Theories of Corruption

1.2.1.1 Public Choice Theory

Public choice theory is a branch of economics that applies the principles and methodology of economics to the study of political science, particularly collective and government decision-making. It examines how governments make decisions by analysing the motivations and behaviours of political actors such as voters, politicians and bureaucrats, as self-interested individuals rather than as altruistic public servants. Public choice theory challenges the traditional view that government officials act solely in the public interest, instead suggesting that they, like all individuals, respond to incentives and act to maximize their own welfare [32], [33].

Public choice theory emerged in the mid-20th century as economists such as James M. Buchanan and Gordon Tullock began to question the assumption, that government intervention could effectively correct market failures without creating problems of its own. The theory provides a framework for understanding why governments might fail to achieve optimal outcomes even when markets do not work perfectly [33], [34].

In modelling the behaviour of individuals as driven by the goal of utility maximization, economists do not deny that people care about their families, friends, and community. But public choice theory, like the economic model of rational behaviour on which it rests, assumes that people are guided chiefly by their own self-interest and, more importantly, that the motivations of people in the political process are not different from those in the steak, housing, or car market. They are the same human beings, after all. As such, voters, "vote their pocketbooks", supporting candidates and ballot propositions they think will make them personally better-off; bureaucrats strive to advance their own careers; and politicians seek election or re-election to office. Public choice, in other words, simply transfers the rational actor model of economic theory to the realm of politics [35], [36].

1.2.1.2 The Rent-Seeking Theory of Corruption

The phenomenon of rent-seeking was introduced by Gordon Tullock in 1967, and was popularized by Anne Krueger in 1974. The concept evolved from Adam Smith's studies. It is based on an economic definition of "rent" as economic wealth obtained through shrewed or potentially manipulative use of resources [37], [38]. According to Adam Smith, entities earn income from wages, profit and rent. To create profits usually requires the risk of capital with the goal of gaining a return. Earning wages comes from employment. Rent is the easiest income source to obtain and usually involves little risk [39], [40].

In general, the term "economic rent" has evolved to mean receiving a payment that exceeds the costs involved in associated resource. Entities, therefore, will take rent-seeking steps to obtain economic rent that requires no reciprocal contribution of production. Rent-seeking therefore refers to the practice of obtaining economic advantages and increasing profits through manipulative means, then failing to improve the economy productively. It involves manipulating public policies such as social service programmes and government –funded social services [41], [42].

In the context of corruption, the rent-seeking theory models bribery as an unproductive activity where individuals or firms pay public officials to secure artificial economic benefits (rents), such as licences, monopoly rights, or subsidies, that do not create new wealth. This behaviour causes significant social losses, as resources are wasted on competition for privileges rather than productive investments. Rent-seeking is inherently unproductive as it simply transfers wealth from the public to the private sector while discouraging economic diversification. It also undermines market efficiency, with high corruption frequently reported in developing nations or economies in transition. In addition, rent-seeking misallocates resources and causes greater social damage than competitive lobbying [42].

1.2.1.3 Theoretical Perspectives on Governance

There are basically two distinct theoretical perspectives on the economic approaches to governance. These are the liberal/orthodox perspective which is called market-enhancing governance, and the heterodox perspective which is called growth-enhancing governance. The market-enhancing approach focuses on governance capabilities that are necessary for ensuring the efficiency of markets [43]. The prediction is that if states can ensure efficient markets (especially by enforcing property rights and rule of law, reducing corruption, and committing not to expropriate), private investments will drive economic growth and development. According to this perspective, the role of markets in fostering and enabling economic development is not questionable. However, it is believed that economic development is likely to be more rapid if market-mediating resource allocation becomes more efficient. Hence, the development debate, according to this approach, has been about the extent to which markets can be made efficient in developing countries, and whether maximizing the efficiency of markets (and certainly maximizing their efficiency to the degree that is achievable in developing countries) is sufficient to maximize the pace of development. Market–enhancing governance therefore focuses on the role of governance in reducing transaction costs to enable markets work more efficiently [43], [44].

In contrast to the views of the proponents of market-enhancing governance, the growth-enhancing perspective supports a different view of the governance capabilities required for accelerating economic development in poor countries. The growth – enhancing perspective to economic governance argued that markets are inherently inefficient in developing countries, and even with the most adequate political will, structural bottlenecks within the economy will ensure that market efficiency remains low until when a reasonable level of economic development is achieved [45]. Thus, given the structural limitations of markets in developing countries, successful development requires critical governance capabilities of states to accelerate accumulation in both the private and public sectors, and ensure productivity growth in both sectors. The growth-enhancing governance approach therefore identifies the importance of governance capabilities than can directly accelerate growth in a context of structurally weak markets and very specific "cathing-up problems" faced by less developed countries. Thus, according to the view of growth-enhancing governance, specific governance capabilities are required for assisting the allocation of assets and resources to higher productivity and higher growth sectors using both market and non-market mechanisms, and that can accelerate productivity growth by assisting the absorption, learning and application of new technologies [44], [45].

1.2.1.4 Empirical Literature Review

Briggs and Tubotamuno [26] investigated the impact of corruption on economic growth in Nigeria. The findings revealed that corruption perception index has significant negative impact on economic growth. Fiebai et al [46] established that corruption has significant positive impact on economic development (proxied by human development index) in Nigeria. Adewole et al [47] established that corruption has significant positive impact on gross domestic product in Nigeria. A study by Gonese [48] showed that corruption negatively affects economic growth while political stability positively affects economic growth in a sample of Southern African Development Community (SADC) countries. The study also revealed that institutional quality interaction with corruption moderates the effect of corruption on economic growth. Samuel et al [49] found that control of corruption has significant positive impact on economic growth in Nigeria. On the contrary, Urama et al [50] found that institutional quality has significant negative impact on economic growth in Nigeria. Elisha et al [51] examined the effect of institutional quality on economic growth in Nigeria and found that regulatory quality has significant positive effect on economic growth while control of corruption, government effectiveness, and voice and accountability have insignificant positive impact on economic growth. On

the other hand, political stability and rule of law have insignificant negative impact on economic growth.

Udochukwu [52] established that regulatory quality and political stability have significant positive effect on economic growth while voice and accountability has insignificant positive effect on economic growth in Nigeria. The study also showed that government effectiveness and control of corruption have significant negative impact on economic growth while rule of law has insignificant negative impact on economic growth in Nigeria. In their study, Makar et al [53] established that corruption has significant negative impact on economic growth in Nigeria. Similarly, Oyiya et al [54] found that corruption has insignificant negative impact on economic growth while political stability has significant negative impact on economic growth in Nigeria. However, the study established insignificant positive impact of institutional effectiveness on economic growth. Olawale et al [55] showed that economic growth and rule of law have significant positive impact on poverty while control of corruption has significant negative impact on poverty in Nigeria. Bakare et al [56] showed that corruption has significant negative effect on GDP growth rate while institutional quality has insignificant negative effect on GDP growth rate in Nigeria.

A study by Adewale [57] revealed that corruption has significant negative effect on economic growth in Nigeria. However, Oke and Onaolapo [58] established significant positive effect of corruption on economic growth in Nigeria. Fatai and Adeshina [59] found that corruption and all the dimensions of institutional quality (except voice and accountability, and regulatory quality) have positive effects on economic growth in Nigeria. On the other hand, Utile et al [60] found that aggregate institutional quality index has significant negative effect on economic growth in Nigeria. Lawal et al [61] revealed that corruption has significant negative impact on economic growth in Nigeria. Abiloro et al [62] found significant negative effects of corruption and income inequality on GDP per capita in Nigeria. Olashehinde et al [63] also established significant negative impact of corruption on economic growth in Nigeria while Ben et al [64] found that corruption has significant positive impact on economic growth in Nigeria. In their study, Cookey et al [65] found that corruption and financial efficiency have insignificant negative impact on economic growth in Nigeria while economic freedom has insignificant positive impact on economic growth. On their part, Ajie and Gbenga [66] found insignificant negative effect of corruption on economic growth in Nigeria. Abu et al [67] revealed positive unidirectional causality from political stability to economic development in the short-run and positive unidirectional causality from political stability and economic development to corruption in the long-run in ECOWAS countries.

Akpokerere and Akpala [3] showed that corruption has significant negative effect on economic growth in Nigeria. In a related study, Ubi and Udah [68] found that corruption has significant negative impact on real GDP while institutional quality (proxied by contract intensive money) has significant positive effect on economic growth in Nigeria. Omoteso and Mobolaji [69] found that corruption control, political stability, and regulatory quality have significant positive impact on economic growth while corruption has insignificant positive impact on economic growth in Sub-Saharan Africa. On the other hand, voice and accountability, and rule of law has insignificant negative impact on economic growth while government effectiveness has significant negative impact on economic growth in Sub-Saharan Africa. Nageri et al [70] established that corruption perception index, corruption ranking and relative corruption ranking all have significant negative effect on GDP in Nigeria. Similarly, Rotimi et al [71] established significant negative effect of corruption on economic growth in Nigeria while Fabayo et al [72] showed that higher level of corruption is associated with lower level of investment and lower level of economic growth in Nigeria.

1.2.1.5 Evaluation of the Literature Reviewed

From the empirical literature reviewed, it is observed that majority of the previous studies on the nexus among corruption, governance, and economic development in Nigeria concentrated on the impact of corruption, without including governance (institutional quality variables), on economic growth, measured in terms of GDP or real GDP. Thus, only Fiebai et al [46] examined the impact of corruption on economic development, measured by human development index in Nigeria. However, Fiebai et al [46] did not include governance variables in their study.

It is also observed from the empirical literature reviewed that there is no absolute agreement on the impact of corruption and governance indicators on economic growth and development in Nigeria. For instance, for the studies that examined the impact of governance indicators on economic growth in Nigeria, Fatai and Adeshina [59], and Elisha et al [51] found that government effectiveness has positive effect on economic growth while Omoteso and Mobolaji [69] found that it has negative effect on economic growth. Similarly, Elisha et al [51] and Udochukwu [52] established positive impact of voice and accountability on economic growth while Fatai and Adeshina [59], and Omoteso and Mobolaji [69] found that it has negative effect on economic growth. Similar inconsistencies were found in the impact of control of corruption, rule of law, political stability, regulatory quality, and aggregate institutional quality index on economic growth. Concerning the impact of corruption perception index on economic growth, Omoteso and Mobolaji [69], Ben et al [64], and Fiebai et al [46] established positive impact of corruption on economic growth. On the other hand, Cookey et al [65], Adewale [57], Oyiya et al [54], Makar et al [53], Adewole et al [47], Gonese [48], Briggs and Tubotamuno [26], etc. found negative effect of corruption on economic growth.

To fill the gaps identified above, this study examined the impact of corruption and governance on economic development in Nigeria. Specifically, the study examined the impact of corruption perception index score, corruption perception ranking, rule of law, control of corruption, and government effectiveness on economic development in Nigeria. Economic development is proxied by human development index.

2. Materials and Methods

2.1 Model Specification

The model used for this study is specified based on the rent-seeking theory of corruption, the governance growth-enhancing theoretical perspective, and the analytical model of Abu et al [67] which is expressed in its functional form as follows:

PCY = f (COR, POL) ----------(1)

where PCY = Per Capita Income (a proxy for economic development)

COR = Corruption

POL = Political Stability

The model by Abu et al [67] was however adopted with modification to allow for the inclusion of the variables of the present study. Hence, the functional form of the model on which the econometric equation is built is expressed as follows:

HDI = f (CPIS, CPRK, RLAW, COC, GEFT) ----------(2)

where HDI = Human Development Index (a proxy for economic development)

CPIS = Corruption Perception index Score

CPRK = Corruption Perception Rank

RLAW = Rule of Law

COC = Control of Corruption

GEFT = Government Effectiveness

f = Functionality Notation.

The econometric form of the model is expressed as follows:

$HDI = \beta_0 + \beta_1 CPIS + \beta_2 CPRK + \beta_3 RLAW + \beta_4 COC + \beta_5 GEFT + U$----------(3)

Where β_0 is the regression constant, β_1- β_5 are the coefficients of the explanatory variables to be estimated while U is the random disturbance term. All other variables are as earlier defined.

2.2 Apriori Theoretical Expectations

Based on economic theory, the following signs of the parameter estimates are expected.

$\beta_1 < 0, \beta_2 < 0, \beta_3 > 0, \beta_4 > 0, \beta_5 > 0$

The implication of the above signs of the explanatory variables is that an increase in corruption perception index score (i.e., low level of corruption) is expected to be associated with an improvement in HDI and vice versa. Similarly, an increase in the scores for each of RLAW, COC, and GEFT is expected to bring about an improvement in HDI. On the contrary, an increase in corruption ranking (i.e., higher level of corruption) is expected to be associated with a deterioration in HDI and vice versa.

2.3 Description of Variables

A description of the variables used for this study is presented in this section.

2.4 Dependent Variable

The dependent variable for this study is economic development. It is proxied by human development index (HDI) which refers to a composite index that is used in assessing how well countries are doing in terms of improving human capabilities, focusing on health (life expectancy at birth), education (mean years of schooling and expected years of schooling), and income (per capita real income).

2.5 Independent Variables

1. Corruption Perception Index Score (CPIS)

This refers to Nigeria's score on transparency International's corruption perception index which scores and ranks countries/territories based on how corrupt a country's public sector is perceived to be by experts and business executives. The corruption perception index is a composite index, a combination of 13 surveys and assessment of corruption, collected by a variety of reputable institutions. The corruption perception index, published annually by Transparency International ranks and scores over 180 countries and territories by their perceived levels of public sector corruption, using a scale of zero (highly corrupt) to 100 (very clean).

2. Corruption Perception Rank (CPRK)

The corruption perception rank is Nigeria's rank on Transparency International's country corruption ranking. The Transparency International ranks 182 countries annually on their perceived levels of public sector corruption. The 182 countries are ranked 1st to 182nd positions with a rank of 1 indicating least corrupt country while a rank of 182 indicates highest corrupt country.

3. Rule of Law (RLAW)

This measures the extent to which agents have confidence in and abide by the rules of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts as well as the likelihood of crime and violence.

4. Control of Corruption (COC)

Control of corruption measures the extent to which public power is exercised for private gains, including both petty and grand forms of corruption, as well as "capture" of the state by the elites and private interests.

5. Government Effectiveness (GEFT)

This measures the quality of the public and civil services, 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.

2.6 Nature and Sources of Data

This study made use of annual time-series for the period 1996 to 2025. The data were obtained from secondary sources including the World Bank development indicators for

2025 [73], Transparency International, and the World Bank Worldwide governance indicators.

2.7 Data Estimation Techniques

This study made use of time-series data. This made it necessary to account for the peculiar properties associated with time-series data in order not to violate the underlying assumptions of the classical least squares technique [74], [75]. To this end, the analytical procedure was started with stationarity test, the essence of which is to check if the time-series variables are stationary or not, and to determine their respective order of integration. The test for stationarity was conducted using the Augmented Dickey – Fuller (ADF) unit root test. Based on the result of the ADF unit root test, it was necessary to conduct cointegration test to check whether there exist long-run (equilibrium) relationships among the time-series variables. In other words, to determine whether the time-series variables are cointegrated or not. The cointegration test was conducted using the autoregressive distributed lag (ARDL) bounds test approach to cointegration. Following the result of the cointegraiton test, the error correction model (ECM) was used to estimate the short-run behaviour of the variables. The Granger causality test was used to test for the presence and direction of causal relationships among the variables. Descriptive statistical techniques was also used as part of preliminary tests to obtain basic statistical properties of the variables.

3. Result

3.1 Descriptive Statistics

The summary of the descriptive statistics results is presented in table 1

Table 1. Descriptive Statistics Results

Variable	HDI	CPIS	CPRK	RLAW	COC	GEFT
Mean	0.498433	25.63000	123.4667	-1.09667	-1.215000	-1.059000
Median	0.505000	24.50000	139.5000	-1.085000	-1.155000	-1.040000
Maximum	0.561000	28.00000	154.0000	-1.810000	-0.940000	-0.850000
Minimum	0.408000	6.900000	52.0000	-1.530000	-1.690000	-1.520000
Std. Dev.	0.047581	5.805667	40.93849	0.185609	0.172386	0.150158
Skewness	-0.453074	-0.975438	-1.430739	-0.500879	-1.489822	-1.298014
Kurtosis	2.027200	2.871783	4.007579	2.697808	4.929057	4.854009
Jarque-Bera	2.135665	4.618678	11.12062	1.322930	15.22444	12.29686
Probability	0.343753	0.099327	0.003848	0.516095	0.000494	0.002137
Sum	14.95300	768.9000	3704.000	-32.90000	-36.45000	-31.77000
Sum Sq. Dev.	0.063392	943.7614	46926.88	0.964621	0.832076	0.631331
Observations	30	30	30	30	30	30

Source: Eview Output

Based on the descriptive statistics results in table 1, the variable have mean values of 0.498433, 25.63000,123.4667, -1.096667, -1.215000, and -1.059000 respectively for HDI, CPIS, CPRK, RLAW, COC, and GEFT. The standard deviation statistic showed that CPRK with a standard deviation value of 40.93849 is the most fluctuating variable while HDI with standard deviation value of 0.047581 is the most stable variable. The skewness statistic indicated that all the variables are negatively skewed. The Kurtosis statistic showed that HDI, CPIS, and RLAW are platykurtic given that their kurtosis values are less than 3. This means that they have lighter or flatter tails in relation to normal distribution. On the other hand, CPRK, COC, and GEFT are Leptokurtic since their values are greater than 3. This implies that they have heavier or thicker tails relative to normal distribution.

3.2 Stationarity Test

The stationary test was conducted using the augmented Dickey-Fuller (ADF) unit root test. The result is presented in table 2.

3.3 Presentation of Results

The results of the data analysis are presented in this section.

Table 2. ADF Unit Root Test Result

Variable	ADF Test Statistic (At Levels)	Critical Value 1%	Critical Value 5%	Prob.	ADF Test Statistics (At First Diff.)	Critical Value 1%	Critical Value 5%	Prob.	Order of Integration
HDI	-1.561951	-4.339330	-3.587527	0.7813	-6.669535*	-4.339330	-3.587527	0.0000	I(1)
CPIS	-1.335665	-4.394309	-3.612199	0.8536	-5.550251*	-4.467895	-3.644963	0.0009	I(1)
CPRK	-3.339941	-4.374307	-3.603202	0.0829	-6.023856*	-4.374307	-3.603202	0.0002	I(1)
RLAW	-2.225805	-4.323979	-3.580622	0.4580	-5.486568*	-4.440739	-3.632896	0.0011	I(1)
COC	-3.173458	-4.374307	-3.603202	0.1123	-6.041238*	-4.339550	-3.587527	0.0002	I(1)
GEFT	-4.598977*	-4.323979	-3.580622	0.0053					

Source: E-View Output

Note: *denote rejection of the null hypothesis of unit root at one percent critical value

From the ADF unit root test result in table 2, HDI, CPIS, CPRK, RLAW, and COC become stationary at first difference (i.e., I(1) at the 1 percent critical value while GEFT become stationary at levels (i.e., I(0) at the 1 percent critical value.

3.4 Cointegration Test

The result of the autoregressive distributed lag (ARDL) bounds test for cointegration is presented in table 3.

Table 3. ARDL Bounds Test Result

Sample: 1998 2024

Included Observations: 27

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F – Statistic	12.626810	5
Critical Value Bounds		
Significance	I(0)	I(1)
10%	3.157	4.412
5%	3.818	5.253
1%	5.347	7.242

Source: Eview Output

From the ARDL bounds test result in table3, the estimated F – statistic of 12.626810 is greater than the upper bound (i.e., I (1)) critical value of 3.818 at the 5% level of significance. This implies that the null hypothesis that no long-run relationships exist is

rejected. Therefore, there exist long-run (equilibrium) relationships among the time-series variables of the study.

3.5 Estimated Long-Run Regression Result

The ARDL estimated long-run result is presented in table 4.

Table 4. ARDL Estimated Long-Run Result

Dependent Variable: HDI

Deterministics: Unrest trend (Case 5)

CE = HDI- (0.001743* CPIS - -0.000263* CPRK+0.02365* RLAW-0.34577* COC -0.074619* GEFT)

Variable *	Coefficient	Std. Error	t-statistic	Prob.
CPIS	-0.001743	0.000292	-5.968048	0.0000
CPRK	-0.000263	3.14E-05	-8.374469	0.0000
RLAW	0.023635	0.012674	1.864802	0.0756
COC	-0.034577	0.011406	-3.031416	0.0061
GEFT	-0.074619	0.020676	-3.609031	0.0016

Note: * Coefficient derived from the CEC regression

Source: Eview Output

3.6 Estimated Short-run Regression Result

The ARDL estimated short-run result is presented in table 5.

Table 5. ARDL Estimated Short-Run Result

Dependent variable: D (HDI)

Method: ARDL

Sample: 1998 2024

Included observations: 27

Dependent lags: 2 (Automatic)

Automatic-lag linear regressors (2 max. lags): CPIS CPRK RLAW COC GEFT

Deterministics: Unrestricted constant and unrestricted trend (case 5)

Model selection method: Schwarz criterion (SIC)

Number of models evaluated: 486

Selected model: ARDL (1, 1, 0, 0, 1, 2)

Variable	Coefficient	Std. Error	t-statistic	Prob.
COINTEQ*	-0.525685	0.052304	-10.05060	0.0000
D(CPIS)	-0.000618	0.000135	-4.568680	0.0002
D(COC)	-0.008723	0.002197	-3.970346	0.0008
D(GEFT)	-0.013319	0.002185	-6.095935	0.0000
D(GEFT (-1)	0.011629	0.002426	4.793071	0.0001
C	0.147360	0.013814	10.66711	0.0000
@ TREND	0.002141	0.000237	9.046958	0.0000
R-squared	0.881797	Mean dependent var		0.005481
Adjusted R-squared	0.846336	S.D. dependent var		0.003479
S.E. of regression	0.001364	Akaike info criterion		-10.13856
Sum squared resid	3.72E-05	Schwarz criterion		-9.802597
Log likelihood	143.8705	Hannan-Quinn criter.		-10.03866
F- Statistic	24.86676	Durbin – Watson stat.		2.203985
Prob (F-statistic)	0.000000			

* p. values are incompatible with t-Bounds distribution

Source: Eview Output

3.7 Post Estimated Tests Results

The ARDL is a linear regression model, and there are certain implicit assumptions underlying the classical linear regression model (CLRM). The assumptions include: no serial correlation (i.e., estimated model is not affected by autocorrelation of the residuals), homoscedasticity (i.e., the residuals have constant variance), normality (i.e., data are normally distributed), linearity (i.e., model is correctly specified), and stability (i.e., estimated model is stable and fit for predictions). These assumptions need to be verified and satisfied for the estimated ARDL model to be validated [75]. The results and decisions for these post-estimation tests are presented in table 6 and figures 1 and 2.

Table 6. Post-Estimation Test Results

Test	Value	Prob.	Decision
Breusch-Godfrey serial Correlation LM Test H_0: (No serial correlation)			Accept H_0: (No serial correlation of the residuals).
F – Statistic	0.247538	0.7843	
Breusch- Pagan-Godfrey Heteroskedasticity Test H_0: Model is Homoscedastic			Accept H_0: (Model is homoscedastic as residuals have constant variance)
F – Statistic	1.115731	0.4126	
Normality (Jarque-Bera) Test H_0: Data normally distributed			Accept H_0: (Data normally distributed)
Jarque-Bera Statistic	0.660840	0.71822	
Linearity (Ramsey-RESET) Test			Accept H_0: (model is linear and correctly specified)
H_0: Model correctly specified	0.249016	0.8070	
t- statistic	0.062009	0.8070	
F – Statistic			

Source: E-view Output

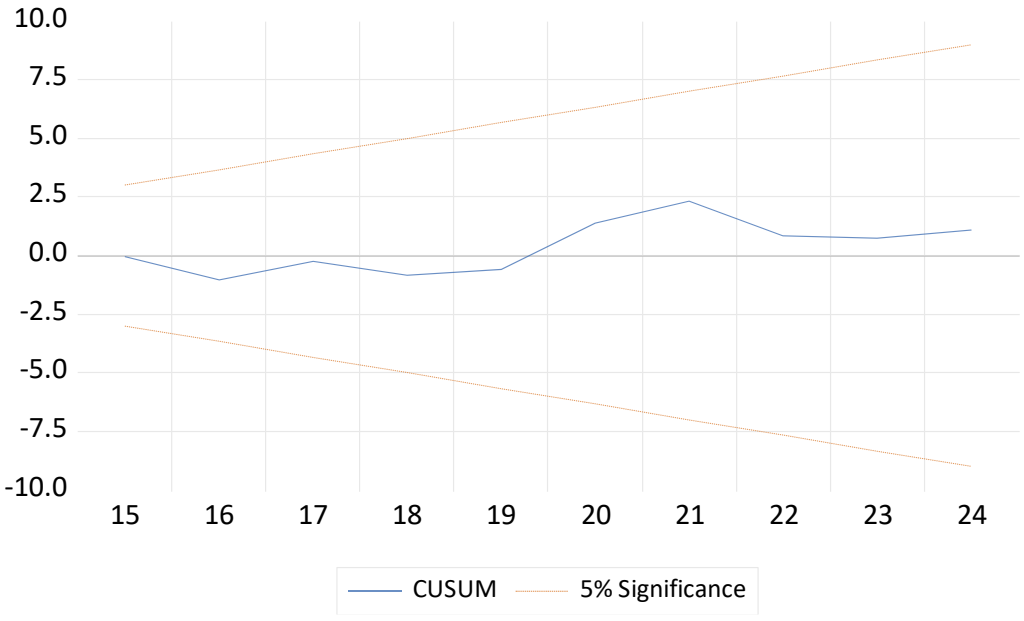


Figure 1. Cumulative Sum Test for Stability

Source. E-view Output

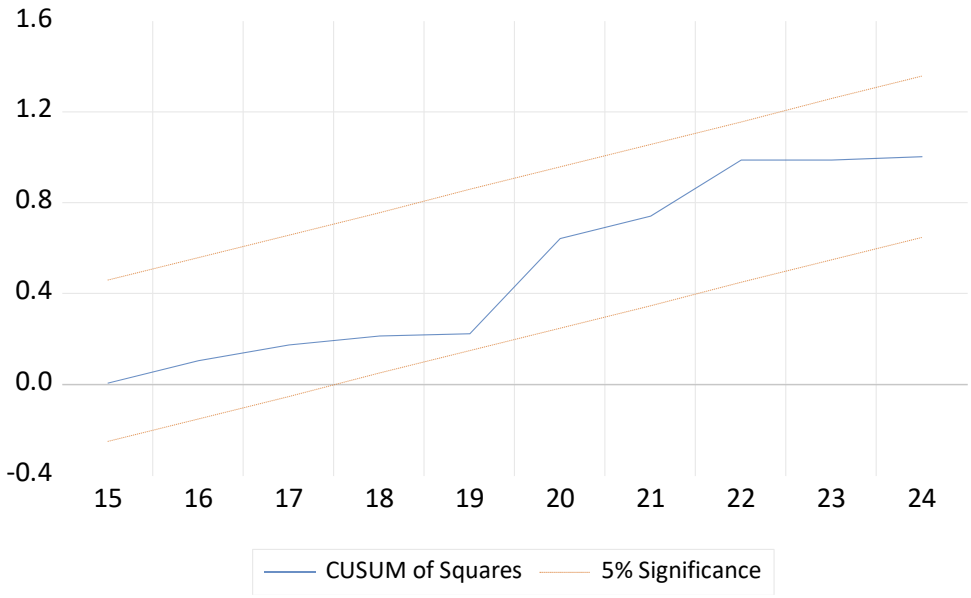


Figure 2. Cumulative Sum of Squares Test for Stability
Source. E view Output

Note: For each of the tests in table 6, the null hypothesis (H_0) is accepted since the probability value is greater than 0.05. For the stability tests in figures 1 and 2, since the plots lie within the 5 percent critical bounds, the estimated ARDL model is considered stable and therefore good for predictions.

3.8 Granger Causality Test

The result of the pairwise Granger causality test is presented in table 7.

Table 7. Granger Causality Test Result

Pairwise Granger Causality Tests
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
CPIS does not Granger Cause HDI	27	1.31701	0.2882
HDI does not Granger Cause CPIS		4.37644	0.0251
CPRK does not Granger Cause HDI	27	0.66652	0.5236
HDI does not Granger Cause CPRK		3.13040	0.0636
RLAW does not Granger Cause HDI	27	1.50306	0.2444
HDI does not Granger Cause RLAW		1.61695	0.2212
COC does not Granger Cause HDI	27	3.87626	0.0361
HDI does not Granger Cause COC		2.20785	0.1337
GEFT does not Granger Cause HDI	27	1.18275	0.3252
HDI does not Granger Cause GEFT		4.74686	0.0193
CPRK does not Granger Cause CPIS	27	7.79417	0.0028
CPIS does not Granger Cause CPRK		2.64521	0.0934
RLAW does not Granger Cause CPIS	27	0.75577	0.4815
CPIS does not Granger Cause RLAW		4.62017	0.0211

COC does not Granger Cause CPIS	27	0.19966	0.8205
CPIS does not Granger Cause COC		6.70025	0.0053
GEFT does not Granger Cause CPIS	27	3.50418	0.0477
CPIS does not Granger Cause GEFT		7.33057	0.0036
RLAW does not Granger Cause CPRK	27	0.98382	0.3897
CPRK does not Granger Cause RLAW		1.26657	0.3016
COC does not Granger Cause CPRK	27	1.51577	0.2417
CPRK does not Granger Cause COC		2.37537	0.1164
GEFT does not Granger Cause CPRK	27	0.88667	0.4262
CPRK does not Granger Cause GEFT		1.24831	0.3065
COC does not Granger Cause RLAW	27	0.15730	0.8554
RLAW does not Granger Cause COC		3.98151	0.0334
GEFT does not Granger Cause RLAW	27	1.97376	0.1628
RLAW does not Granger Cause GEFT		7.00284	0.0044
GEFT does not Granger Cause COC	27	1.64903	0.2151
COC does not Granger Cause GEFT		0.67518	0.5193

Source: Eview Output

4. Discussion

4.1 Estimated Long-Run Result

4.1.1 Corruption Perception Index Score and Economic Development

From the estimated long-run regression result, the co-efficient of corruption perception index has a correct negative sign. This is agreement with the apriori theoretical reasoning. The implication is that lower corruption perception index score (i.e., high level of corruption) is associated with a reduction in economic development. Corruption perception index score is significant at the 0.05 level of significance. In terms of size, one point increase in the score for corruption perception index is associated with an average decrease of 0.001743 in human development index.

4.1.2 Corruption Perception Rank and Economic Development

The estimated long-run regression result showed that corruption perception rank has the right negative coefficient based on the apriori expectation. Thus, an increase on the corruption perception rank (i.e., higher level of corruption) will lead to a reduction in the level of economic development. Corruption perception rank is also significant at the 0.05 level of significant. In terms of size, an increase in the corruption ranking of Nigeria by a value of one is associated with a reduction of 0.000263 in human development index.

4.1.3 Rule of Law and Economic Development

The coefficient of rule of law displayed the right positive sign which supports the apriori theoretical expectation. Therefore, an increase in the value of rule of law (i.e., an improvement in rule of law) will bring about an improvement in economic development. However, rule of law is not significant at the 0.05 level of significance. In terms of size, an increase in the value of rule of by one is associated with an increase in human development index by 0.023635 on the average.

4.1.4 Control of Corruption and Economic Development

The long-run result revealed that the coefficient of control of corruption has a wrong negative sign based on the apriori theoretical expectation. This implies that an increase in the value for control of corruption will bring about deterioration in economic development. Control of corruption is significant at the 0.05 level of significance.

Therefore, an increase in the value of corruption control by one is associated with an average decrease of 0.034577 in human development index. The negative effect of control of corruption on economic development may be attributed to the fact that the fight against corruption has not been quite effective in Nigeria.

4.1.5 Government Effectiveness and Economic Development

From the estimated long-run result, the coefficient of government effectiveness turned up with an incorrect negative sign. This is not in tandem with the apriori expectation. Thus, an increase in the value of government effectiveness will lead to a reduction in the level of economic development. Government effectiveness is also significant at the 0.05 level of significance. In terms of size, an increase in the value of government effectiveness by one is associated with an average reduction of 0.074619 in human development index. The negative effect of government effectiveness could be attributed to the fact that government policies during the period under investigation have not made any significant contribution to human development in Nigeria. This may be as a result of the fact that the Nigerian government has not been genuinely committed to the honest implementation of its policies in the country.

4.1.6 Estimated Short-Run Result

a. The estimated short-run result indicated that the error correction term (i.e, COINTEQ) has a correct negative coefficient and it is also significant at the 0.05 level of significance. With a coefficient of -0.525685, the implication is that any disequilibrium in the short-run will reconcile with a speed of adjustment of about 52 percent to the long-run (equilibrium) trend of the model within one year in the current period.
b. Corruption perception index score has a correct negative coefficient and it is also significant at the 0.05 level of significance. Thus, one point increase in the score for corruption perception index is associated with an average reduction of 0.000618 in human development index
c. The coefficient of control of corruption has a wrong negative sign. Control of corruption is also significant at the 0.05 level of significance. One point increase in the value of control of corruption is associated with a decrease of 0.008723 in human development index on the average.
d. Government effectiveness in the current period displayed a wrong negative coefficient and it is also significant at the 0.05 level of significance. In terms of size, an increase in the value of government effectiveness by one point is associated with a decrease of 0.013319 in human development index on the average. On the other hand, government effectiveness lagged by one period showed a correct positive coefficient. It is equally significant at the 0.05 level of significance. Thus, one point increase in the value of government effectiveness in period one is associated with an average increase of 0.011629 in human development index in the current period.
e. The estimated coefficient of multiple determination (R-squared) is 0.881797. This implies that about 88 percent of the total variations in the dependent variable is accounted for by the joint influence of the explanatory variables. As a measure of the goodness-of-fit of the regression plane, an R-squared of 0.881797 is indeed a good fit. Similarly, the adjusted R-squared is 0.846336. This means that if additional explanatory variables are introduced to the model, all the explanatory variables will then jointly explain about 84 percent of the total variations in the dependent variable due to the loss of degree of freedom. The adjusted R-squared therefore measures the penalty for introducing irrelevant explanatory variables in the model. The estimated F-statistic is 24.86676 with an associated probability value of 0.000000. Hence, since the probability value of the F-statistic is less than 0.05, the implication is that the overall estimated regression model is significant at the 0.05 level of significance. The estimated

Durbin-Watson statistic is 2.203985. This is greater than 2. Therefore, the estimated regression result is not affected by the problem of serial correlation of the residuals.

f. The Granger causality test result indicated bidirectional causality between corruption perception index score and government effectiveness. Also, there are unidirectional causalities from human development index to corruption perception index score and to government effectiveness; from control of corruption to human development index; from corruption perception index score to rule of law and to control of corruption; from rule of law to control of corruption, and to government effectiveness. The Granger causality test result revealed certain implications for the relationship between corruption and governance in Nigeria. For instance, the level of corruption in the country affects the prevalence of rule of law in practice and the effectiveness of corruption control. Also, the level of corruption in Nigeria and government effectiveness mutually affect each other. Similarly, the extent to which rule of law prevails in Nigeria affects the extent to which corruption is controlled and the degree of government effectiveness.

5. Conclusion

This study investigated the impact of corruption and governance on economic development (proxied by HDI) in Nigeria. Based on the findings of the study, it is concluded that corruption adversely affects economic development in Nigeria. Similarly, accept rule of law that insignificantly enhances economic development, governance also adversely except economic development in Nigeria. Based on the findings of the study, the following policy measures are recommended:

To reduce the adverse effect of corruption on the development of the Nigerian economy, there the need for an effective corruption control mechanism to be put in place. Thus, there is the need to intensify the fight against corruption in the country. To this end, the various anti-corruption agencies: the Economic and Financial Crime Commission (EFCC), the Independent Corrupt Practices and other Related offences Commission (ICPC), and the Code of Conduct Bureau and Tribunal (CCBT) should be strengthened to enable them effectively and efficiently carry out the fight against corruption in the country without undue political interference.

To further enhance the contribution of rule of law to economic development, governments at all levels should stop playing to the gallery by ensuring that the principles of rule of law is practised in the country. To achieve this, the government should ensure that its activities and those of private individuals are conducted within the ambit of the law as provided by the constitution. There is also the need to ensure that the judiciary is truly independent while corrupt judicial officers are appropriately sanctioned. This will equally strengthen the efforts of the anti-graft agencies to adequately fight corruption in the country.

There is the need for effective corruption control mechanism to be put in place. Such an effective corruption control mechanism will reduce Nigeria's global corruption perception score and ranking, which will in turn, restores the confidence of both foreign and local investors in the Nigerian economy. This will ultimately enhance economic development.

To reduce the negative effect of government effectivenss on Nigeria's economic development, there is the need to ensure that both the civil and public services are efficient and truly independent. There is also the need for government at all levels to formulate and implement sound policies that will significantly contribute to improvements in human capabilities and citizens' economic wellbeing. In addition, government should improve its regulatory oversights on institutions and agencies in the country to enable them deliver quality services to citizens in an efficient manner.

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