Effect of Corruption on Household Final Consumption Expenditure in Nigeria 1980 - 2015

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Abstract
It is common knowledge that corruption is a threat to economic growth and development as it reduces the level of household final consumption expenditure. This study adopts OLS technique to examine the effects of corruption on household final consumption expenditure in Nigeria from 1980 to 2015. The result revealed that corruption has positive relationship with household final consumption expenditure in Nigeria and therefore statistically significant. The author recommends that Anti-corruption agencies and their personnel should be empowered to discipline the culprits irrespective of their status. Finally, whistle blowing policy should be reinforced and sustained by both the incumbent and subsequent governments to minimize the menace of corruption in Nigeria.
Keywords: Corruption, household final consumption expenditure, Nigeria, OLS

Introduction

In a society where the basic needs of the citizen are inadequately provided by the governments, corrupt politicians often spend more public resources on those items that attracted people attention in other to siphon or divert the resource for their personal use which it is easier to levy large bribes and maintain them secret. Corruption no doubt reduces public spending on household consumption expenditure, education, health etc. Nigeria has enough money to tackle its poverty challenges. If the government can win its battle against corruption and mismanagement, the money will start to turn into improving welfare of the citizens, functioning schools, health services and water supply, thus laying the foundation to eradicate poverty. The effects of corruption are felt by all, but the poorest people are unable to mitigate these impacts. The poorest people often have no voice to gain redress for injury or wrongdoing and as such continues to undermine their ability to lift themselves out of poverty. Additionally, a survey by Transparency International shows, that lower income groups show a higher evidence of bribe paying.

Illegal possession of what does not officially belongs to one in either public or private domain or giving of a bribe to an official so that the truth will not be told is called corruption. It involves the embezzlement of public fund for personal use and any act which is criminal act according to the law of a society.

Household consumption is a key determinant of economic growth and development, putting into cognizance the market prices of all goods and services purchased by households to satisfy their needs and wants. It includes all durable and nondurable goods such as cars, household washing machines, television etc. Household consumption expenditure is not an exhaustive measure of the goods and services consumed by households. Government and non-profit institutions serving households (NPISH) often provide goods and services to households for their individual consumption free of charge or at subsidized prices. Examples are health services provided by governments or reimbursed by a social security fund, education services, the part of service provided by public museums, concert halls, operas, swimming pools that are not financed by entrance fees, aid for social housing etc.

The content mentioned is rear in Nigeria as a Nation of over 177 million people because of the epidemic incidents of corruptions, thereby undermining household consumption expenditure. Huge amount is budgeted annually for health, education and services which are of paramount to household consumption, yet, this yielded insignificant impact on the target beneficiaries because of misappropriation of the public resources. This has been questionable by many with less ability to reach the authority because the cabals that formed most of our government hijack the fund by not allowing it to go down the right channel. This is the problem we face in almost all sector of government today and it had destroyed the image of the state both international and within.

Any form of assistance or favor that comes through corner I.e. Not through right channel is refers to corruption. In our house, there is element of corruption, favoring one of your child or wife over others is corruption because you end up encouraging or making the life of one better than other, which maybe in reality he or she doesn't worth it. Corruption can define as denying the rightful majority their economic benefit either by diverting for personal use or for selfish interest. Corruption in humanitarian work is among the worst kind. It can mean the difference between life and death. It robs people of essential resources, destroying dignity and causing desperation. Food, water and medical supplies can be stolen and sold on the black market. Companies can bribe procurement officials to win contracts. This can mean displaced families receive sub-standard housing or poor-quality food.

The image of a nation where corruption is prevalent is badly tarnished. Nigeria has been badly affected even more than most African countries and other societies due to an appalling international image created by its inability to deal with bribery and corruption. It threatens the very survival of a nation as it prevents the provision of basic social amenities for the citizenry. The money meant for development is often pocketed by a few, thereby making good governance impossible, aggravating unemployment and under development and engenders mass poverty.

Most infrastructural decay and unsatisfactory provision of amenities can be traced directly or indirectly to corruption (e.g Dasukigate arm deal, the missing $20million etc). There is a total collapse of power and road network in the country today due to corrupt attitude of past leaders. It has eroded the ethical base of society: -as due diligence, excellence, honesty, merit and integrity are discouraged. It breeds all kinds of crimes and vandalism – arm robbery, kidnapping, youth agitation etc. It leads to massive brain drain – a great number of Nigeria best brains have been driven to other part of the world where they now spearhead developmental and scientific exploits (MEDIA, 2013).

According to Uzochukwu, (2016), In 2012, Transparency International deemed Nigeria one of the most corrupt nations in the world. In that year, the country ranked 139th out of the 176 surveyed countries, making Nigeria the 37th most corrupt nation. In 2013, Nigeria ranked 144 out of 177 surveyed countries in terms of transparency. The score made Nigeria 33rd most corrupt country in the world that year. The result published by the organization also showed that Nigeria scored 25% out of 100 in terms of transparency. In the 2014 ranking, Nigeria is ranked 136 out 174 surveyed countries (Transparency International 2014). The result shows that there is improvement, though things are still bad. Nigeria was the 38th most corrupt country in the world in 2014. In the year 2015, out of the 168 countries surveyed, Nigeria was seen at the bottom of the table in the category of number 136. This implies that Nigeria was the 32nd most corrupt country in the world in 2015.

In Nigeria, corruption flourishes because of distortions in the policy and regulatory regime and the weakness of institutions of restraint. Corruption affects the poor disproportionately which leads to diversion of resources meant to better the lives of the citizens/common man, due to their powerlessness to change the status quo and inability to pay bribes, creating inequalities that violate their human rights. Corruption hinders economic development, reduces social services, and diverts investments in infrastructure, institutions and social services.

What can we say about the $2.1 billion arms deal? The money which was budgeted for the procurement of arms in the fight against Boko Haram insurgency in the country suddenly was shared among politicians. This explain why corruption and social ills in Nigeria cannot be effectively be combated by the Nigerian police, the Immigration Service, the Customs Service, the Prisons Service, the SSS, the EFCC, the Courts, etc, The anti-graft/anti-corruption laws in Nigeria shows that corruption will continue despite the law, because the perpetrators do not fear any consequences (Oyinola 2011).

The objective of this study is to examine the effects of corruption on household consumption expenditure in Nigerian over a specific period. The study is divided into five sections. Section two after the introduction is literature review, section three methodologies, section four recommendations and conclusions and section five References.

Literature Review

The Word Bank defines corruption as "the abuse of public office for private gains. Public office is abused for private gain when an official accepts, solicits or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public offices can also be abused for personal benefit even if no bribery occurs through patronage and nepotism, the theft of state asserts or the diversion of state revenue."

Microsoft Encarta Encyclopedia defines it as "wrongdoing by those in a special position of trust. The term is commonly applied to self – benefiting conduct by public officials and others dedicated to public services". Morris (1991) corruption is the dishonest or fraudulent conduct by those in power, typically involving bribery. It is the illegitimate use of power to benefit a private interest. According to Watts (2008) affirms that "effects of corruption in the Nigerian society cannot be overemphasized". Ahmed (2014) Corruption is indeed a cankerworm that has eaten deep into the fabric of Nigerian society. It is a monster that all and sundry blame for the economic woes facing the country. This is because corruption is one of the major impediments to the economic development of the nation. It is perhaps, the only reason why nothing seems to be working.

Corruption is popularly defined as the abuse of public power for private gains, is a global problem and exist in varying degrees in different countries and poses a serious development challenge, it has many adverse consequences on domestic investment, on foreign direct investment, on economic growth, on the size and composition of government expenditure.

Corruption can be defined as abuse of power in any form or degree such as extortion, embezzlement, inflation of contracts, kickbacks, diversion of funds, falsification or suppression of record, perversion of justice, electoral malpractices, examination malpractices, drug trafficking, money laundering, abuse of selection

processes, nepotism, partiality, favoritism, preferential treatment, bias, discrimination etc), and lack of genuine fear of God, sexual exploitation, gratification, godfatherism and so on

According to (Chongwoo et al, 2011) investigating the microeconomic aspect of the relationship between the burden of corruption and characteristics of household's consumption is important for two reasons. First, corruption can directly affect the welfare of households, which is more relevant than conventionally used GDP growth per capita for measures of economic development. Second, to the extent that the burden of corruption may be unevenly distributed among households, corruption may affect inequality, which in turn can affect economic growth.

Corruption is worst curse of social system, which ruins all values of community and derails badly. It causes inequality in the whole chain of the economy because some parties get too much profit, while other becomes miserable, leading to several street crimes as well as moral devaluations (Ambar, 2015).

Rotini, Obasaju, Lawal and Ise, (2013) used ordinary least square (OLS) and granger causality method to determine the relationship between corruption and economic growth in Nigeria. The study observed that corruption impacts economic growth. The study fails to establish the level of impact of corruption on economic growth by stating whether it is positive or negative.

Akinpelu, Ogunseye, Bada, and Agbayangi (2013) examined the Socio- Economic Determinants of corruption in Nigeria using co-integration test and vector error correction model. The study discovered that there is a long-run relationship between conception and the social economic variables in Nigeria. This study failed to establish the level of relationship like whether significant positive or negative relationship which has policy implication in the short and long run.

Huda (2013) investigates the relationship between corruption, poverty and economic growth in Nigeria. The study employed regression analysis and granger causality test, it was discovered that there is an existence of co-integration chance tagging a long run causality relationship between corruption, poverty and economic growth in Nigeria.

Egunjobi (2013) examined the relationship between corruption and economic growth in Nigeria using time series data from 1989-2009 and found that corruption has direct effect on economic growth while indirect effect on foreign private investment, education expenditure and capital expenditure.

Samadi and Farahmandpour (2013) investigated the effect of income inequality on corruption based on the country's economic freedom by categorizing countries according to their economic freedom and the results show that there exist positive relationship between corruption and income inequality in free as well as mostly free countries as decrease in one lead to other in same way while negative relationship exist in mostly unfree countries as decrease in inequality worsen the corruption due to their monitoring system.

Ajie and Wokekoro (2012) analyzed the relationship between corruption and economic development in Nigeria using time series data from 1980-2011and found that corruption has inverse effect on economic growth in Nigeria.

Fiorino et al (2012) tested the endogeniety between corruption and economic growth using panel data set from 1980 to 2004 of 20 Italians region and found that there exists negative relationship between corruption and economic growth.

Viorică et al. (2011) investigated relationship among corruption, economic growth, FDI and the determinants of corruption in Romania using time series data from 1997 to 2009. The result revealed that corruption is significantly and negatively correlated with the Level of education and the degree of Economic Freedom while positively related with Governance.

Ade, Babatunde and Awoniyi (2011) examined Corruption, foreign direct investment and Economic growth in Nigeria, employed granger causality test and Ordinary Least Square Method in testing FDI inflow, corruption index, Exchange rate, Inflation rate, GDP for model one. The OLS result reveals that there is an inverse relationship between FDI inflow and corruption.

Adewale, (2011) investigated the crowding out effects of corruption in Nigeria using parsimonious error correction mechanism and employed experimental research design approach for the data analysis and revealed that there is a negative relationship between corruption and output growth in Nigeria.

Pulok (2010) analyzed the link between corruption and economic growth using time series data from 1984-2010. The ARDL results revealed that in Bangladesh corruption affect economic growth negatively in the long run.

Akan & Arslan (2007) examined the effect of corruption on Foreign Direct Investment using time series data from 1986 to 2006 in Turkey and found that corruption affects FDI negatively.

Abiodum, Elijah and Obayelu (2007) investigated the effect of corruption and economic reforms on economic growth and development in Nigeria, using descriptive statistics and found that there have been significant reductions in the level of corruption in Nigeria through the introduction of the anti-corruption team or instruments. But the study also found negative between the levels of corruption and economic growth.

The reviewed literatures focus on the relationship between corruption and economic growth, poverty, FDI,

government expenditure, education, health and so on. Studies on it effect on household final consumption expenditure to the best of my knowledge is scanty.

Methodology
The data used in this study were sourced from National bureau of Statistics (NBS), Central Bank of Nigeria (CBN) statistical bulletin (2014), World Bank Indicator report on Nigeria (2016) and International Transparency Organization (ITO) Data base. The time series data are; GDP, corruption perception index, Household final consumption Expenditure, Investment and population. This data spans from the period 1980 to 2015. The data for corruption proxy is only available from 1997.

Model Specification
HCE = f (CPI, GDP, INV, POP)………………….. (1)
Where HCE = Household Final Consumption Expenditure
CPI=Corruption Perception Index
GDP = Gross Domestic product
INV= Investment
POP = Population
The linear form of the model is expressed as:
$HCE = \beta_0 + \beta_1 CPI + \beta_2 GDP + \beta_3 INV + \beta_4 POP$……………………… (2)
The econometric form of the model that includes the error term is expressed as:
$HCE = \beta_0 + \beta_1 CPI + \beta_2 GDP + \beta_3 INV + \beta_4 POP + \mu$…………………….. (3)
Where
β_0 = Constant
β_1 to β_4 = the slope of the coefficient
μ = the error term
It is expected that $\beta_0 > 0$, $\beta_1 < 0$, $\beta_2 > 0$. $\beta_3 > 0$ $\beta_4 < 0$
However, if the estimates of the parameter turn up with signs or size not conforming to economic theory, they should be rejected, unless there is a good reason to believe that in the instance, the principles of economic theorizing do not hold.

Unity Root Test: Table One

Variable	ADF Statistics	10% Critical value	Prob. Values	Order of Integration
HCE	-4.396251	-3.632900	0.0013	I(0)
CPI	-5.827670	-3.639407	0.0000	I(0)
GDP	-57.57768	-3.632900	0.0001	I(0)
INV	-4.879830	-3.639407	0.0004	I(0)
POP	-4.611629	-3.699871	0.0011	I(0)

Source: Author's Computation Using E-Views
The table one shows the ADF unit root test result. The variables are all stationary at levels, so we accept the alternative hypothesis that the variables have no unit root. Since, the variables are stationary at levels we employed Ordinary Least Square Method (OLS) to run the regressors against regressand.

Dependent Variable HCE: Table two

Variables	Coefficient	Standard Error	t-statistic	Prob.
C	160.1065	38.65963	4.141439	0.0002
CPI	0.324717	0.105113	3.089206	0.0042
GDP	-0.129177	0.044902	-2.876891	0.0072
INV	-0.238301	0.124259	-1.917776	0.0644
POP	-36.02389	15.32429	-2.350771	0.0253
R^2 = 0.54, Adj. R^2 =0.48, F-Stat. = 8.97, Prob(F-stat) = 0.00, DW Stat. = 1.84				

Source: Author's Computation Using E-Views
Table two is the outcome of our regression results; it shows that corruption has a positive relationship with household final consumption expenditure and statistically significant at 5%. A unit increase in corruption lead to an average of 0.3-unit increase in household final consumption expenditure. This is not in line with our theoretical expectation but then mean that any form of corruption practice by individuals improve their consumption level because she that takes benefitted from it and same she that give to achieve a desire. Bribes can act like a piece rate or price discrimination and faster or better service to firms with highest opportunity cost.
GDP has negative relationship with household final consumption expenditure and statistically significant at 5%. A unit change in gross domestic product lead to an average of 0.1 unit decrease in household final consumption expenditure. This is contrarily to our theoretical expectation.

Investment has negative relationship with household final consumption expenditure and statistically significant at 10%. A unit change in investment lead to an average of 0.2 decrease household final consumption expenditure.

Population has an inverse relationship with household final consumption expenditure and statistically significant at 5%. A unit change population result to an average of 36.0 units decrease in household final consumption expenditure.

Recommendations and Conclusion

Corruption is Nigeria's biggest challenge. It is clear to every citizen that the level of corruption in the country is high. It's found in every sector of society. Be it a small or big sector, there is every possibility of observing corrupt practices when critically examined. Therefore, the followings are recommended:

Corruption can be defeated if we work together. To stamp out the abuse of power, bribery and shed light on secret deals, citizens must together tell their governments they have had enough

Government at each level should make laws that whoever found of any corrupt act shall serve a particular punishment irrespective of the act.

Anti-corruption agencies should be given autonomous power to discipline any offender irrespective of his/her personality.

Empowering of honest and God fearing anti-corrupt officers. Corruption is found in every aspect of Nigeria from religious down to politics. Therefore, honest people are even difficult to found but government when empowering people to certain positions background and societal upbringing should be consider.

Sustainability and continuity of whistle blower programme. The programme should be extended to all sectors of the economy at all levels of government. The government should provide enough and credible law to embark the programme for it continuity and sustainability.

It is important to emphasize that the fight against corruption in Nigeria needs real patriots, men and women who are committed to the Nigerian project, not immoral personalities who want to serve their own or narrow group interests. This is because evidence shows that as fewer people benefitted from corrupt practices they prefer the system should remain in this doom rather than seeing prosperous Nigeria. It takes high moral rectitude to exercise the moral strength required to be an anti-corruption crusader in this country because corruption always fight back

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