UNEMPLOYMENT, POVERTY AND CORRUPTION IN NIGERIA

(CLASSICAL LEAST SQUARES DOUBLE LOG AND LINEAR TREND ANALYSIS MODELS)

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ABSTRACT

Nigeria has the potential for greatness, enormously endowed with human, agricultural, petroleum, gas and large untapped solid minerals resources, yet rounded up with the problems of unemployment and poverty. Unemployment and poverty are worst form of violence. This makes it imperative for the study to investigate the contributions of unemployment and poverty to corruption in Nigeria. The study employed the Classical Least Squares Double Log and Linear Trend Analysis Models to investigate the extent unemployment and poverty contributed to corruption in Nigeria within the time frame of 2006-2016 on time series data sourced from CBN Statistical Bulletin and Institute for Economics and Peace publication of various issues. The classical Least Squares Double log model revealed that unemployment and poverty contributed positively to corruption while the linear trend analysis model revealed that about 40% level of terrorism is caused by unemployment and poverty in Nigeria within the study period. The study therefore recommended that the malevolence of unemployment should be seriously looked into by the government through employment generation for the teeming population and should be more assertively pursued as a matter of main concern by government at all tiers in Nigeria. This is because an idle mind is a devil’s workshop. Finally, government should embark on veritable poverty alleviation programmes that will impact positively on the lives of the people in order to reduce the rate of corruption in Nigeria. This is because poverty is the worst form of violence to mankind.

Key Words: Unemployment, Poverty, corruption and Linear Trend Model.

INTRODUCTION

Numerous factors have been documented by analysts and scholars as being responsible for corruption in Nigeria. The factors range from unemployment, poverty,
terrorism, religious extremism, illiteracy among others.

Corruption is also taken as having the tendency to exacerbate and cause conflicts, promote poverty, and impact negatively on the best use of human and natural resources. Some previous studies have shown that corruption remains a major hindrance to the achievement of the Millennium Development Goals (Transparency International and World Bank, 2010).

The growth of corruption level in Nigeria especially in recent times has become one of the major social problems facing the country. The dominance of corruption in developing countries increases the volatility of issue such as; unemployment and poverty (Ahmed, 2012).

The present-day Nigerian society is swallowed up by terrible acts of corruption. Unemployment rate in Nigeria has continued to be on the increase despite the abundant human and natural resources available in the country. Chronic youths’ unemployment is evident in Nigeria (Adebayo, 2013). Unemployment has become a major problem tormenting the lives of Nigerians and this poses a serious risk to the Nigerian society. The phenomenon of unemployment is psychologically and economically devastating to both the individual and the society as a whole.

The magnitude of the danger which unemployment poses to the society is better understood considering the view of Awogbenle and Iwuamadi (2010) that over 64 million youths are unemployed and 1.6 million are under-employed. Unemployment causes frustration, sadness, extreme anxiety and dependency on family members and friends who also have their own problems to compete with. This precarious situation has left the youths in a vicious cycle of poverty that daily erodes their confidence and bright future (Adebayo, 2013).

Adeyemi (2012) argued that frustration, dejection and hopelessness remain as a daily experience in their lives of many unemployed citizens in the country. This ugly experience can easily brainwash and indoctrinated unemployed and youths into illegal activities and corruption. In this case, one can deduce that corruption, poverty, among other challenges, is the price we pay for a dysfunctional federal system of government.

In Nigeria today, the magnitude and expansion of poverty and the threat it poses makes it one of the biggest challenges. The rate of poverty in Nigeria has worsened since the late 1990s, to the extent that the country is now considered as one of the twenty-fifth poorest countries of the world (Okpe, 2011). The frustration and desperation that daily torments the unemployed creates a fertile ground for crime to thrive. In recent times, there have been notable adverse social, economic and political developments in Nigeria, a consequence of unemployment and underemployment, particularly exemplified by increasing militancy, violent crimes, kidnapping, restiveness and political instability (Ajufo, 2013).
The magnitude of corruption in Nigeria is the steady rise in youth crime, nurtured in a climate of increasing national income and the simultaneous failure of employment-generation and poverty alleviation programmes. The season of discontent has special ramifications for a nation with millions of people unemployed which have resulted to tragic precipitation of violent crimes: assault, burglary, extortion and kidnapping etc. Decades of social and political turmoil has helped African nation turn into an established junction for international drug smugglers (Osalor, 2010).

Other highlights of Nigeria’s prolific crime syndicates are economic fraud usually in the form of innovative internet schemes, money laundering and racketeering. Furthermore, Adejumola and Tayo-Olajubulu (2009) contended that unemployment, poverty and corruption have been identified as the major cause of social vices like armed robbery, destitution, prostitution, political thuggery, kidnapping in the country.

Corruption, unemployment and poverty are also considered as serious socio-political problems that have been with us since ages. According to the World Bank, more than three billion people in the world live on abject poverty of less than $2.50 per day. Following this trend, poverty has killed an estimated population of 270 million people since 1990 and, fifty thousand people die from poverty-related causes everyday (Piazza, 2010).

Hsieh and Pugh (1993) justify that unemployment, poverty, and income inequality have contributed to higher violent crime rates. According to Fearon and Laitin (2003) unequal distribution of land and unequal access to material resources are principle causes of civil wars, armed ethnic and sectarian conflicts, and riots.

Following the above assertions therefore, it was discovered that most of the previous researches in this area such as the study conducted by Piazza (2010) and Chandima (2016) did not use empirical, stylized facts and geometrical analysis. Hence, the driving force of this study is to investigate the effect of unemployment, poverty and corruption in Nigeria.

CONCEPTUAL CLARIFICATION

(a) Concept of Corruption

Corruption is the use of public office for private gain. It refers to any behaviour that deviates from the norm or is socially unacceptable. There are different types of corruption each with its own characteristics. Some types of corruption include grand corruption, political corruption, economic corruption, religious corruption, moral corruption, professional corruption, organized corruption and working class corruption. Corruption may also take the form of cronyism, bribery, favoritism, patronage, extortion, influence peddling, fraud and embezzlement. The causes of corruption in
Nigeria includes; greed, the social environment, ostentatious living, societal and family pressure, get rich-quick syndrome, poor reward system, inadequate motivation and clumsy handling of corruption cases among others. The magnitude of corruption in Nigeria is alarming and disheartening. Corruption permeates every sector of the Nigerian economy and is found among the educated as well as the uneducated and also among the rich and as well as the poor.

According to Ubeku (1991), corrupt transactions usually include bribery fraud (such as inflation of contract sums by public officials), unauthorized variation of contracts, payment for jobs not executed, payment of ghost workers, overpayment of salaries and allowances to staff, diversion of government revenue by public officials, and deliberate irregularities in the management of accounting procedures.

According to Rose-Akerman (1997), bribes are the most important type of corruption. As a major component of corruption, they are usually given as incentive payments to bureaucrats in order to lower costs; to obtain contracts and concessions; to gain access to privatized public firms; to buy influence and/or votes; and to buy judicial decisions.

Nye (1970) defines corruption as a behaviour, which deviates from the normal duties of a public role because of private relationships (family, close private clique), pecuniary or status gain: or violates rules against the exercise of certain types of private relationship. This includes such behaviour as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of astrictive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses).

(b) Concept of Unemployment
Balami (2006) conceptualized unemployment as a situation where in a worker is or workers are involuntarily out of work. This means that workers are willing and able to work but cannot find any work.

The classical economists defined Unemployment as the excess supply of labour over the demand for labour which is cause by adjustment in real wage. The Classical or real-wage unemployment occurs when real wages for job are set above the market-clearing level, causing number of job-seekers to exceed the number of vacancies.

International Labour Organization (2009) conceptualized unemployment as a state of joblessness which occurs when people are without jobs and they have actively sought work within the past four weeks.

Jhingan (2001) unemployment can be conceived as the number of people who are unemployed in an economy, often given as a percentage of the labour force.

According to Aminu and Anono (2012), unemployment can be conceptualized as total number of people who are willing and able to work, and make themselves available for job at the prevailing wage but no work for them. This therefore, implies that unemployment is a state of joblessness in the country.
(c) Concept of Poverty

Over a period of time, several attempts have been made to come up with a single definition of poverty by social scientists. So far, the definitions available attempt to summarize the following understanding of poverty: a lack of command over basic consumption needs such as food, housing and medication (Aremu, 2004). According to Sen. (1999), poverty is not only income deprivation, but also capacity deprivation. This refers to material needs such as food, shelter, clothing, health, education and participation in all economic activities. This however may also refer to intangible or socio-cultural items that border on issues of fundamental human rights. This includes freedom of speech, freedom of religion, etc. The father of modern economics, Adam Smith defined poverty as "the inability to purchase necessities required by nature or custom (Smith, 1776). In this definition, the social/psychological status aspect of poverty (custom) receives implicitly the same weight as the material, purely economic condition.

According to World Bank (2011) poverty is the economic condition in which people lack sufficient income to obtain certain minimal levels of health services, food, housing, clothing and education which are necessities for standard of living. The various definitions/measures of poverty lead to two perspectives which are income poverty and lack of basic need poverty. Income poverty occurs when an individual does not have enough money to meet up with the a certain standard of living while lack of basic need poverty occurs when one is unable to meet some of the basic needs such as food, shelter and clothing as identified by United Nations Children’s Fund (UNICEF).

SYLIZED FACTS ON CORRUPTION IN NIGERIA

From the chart and graph above, we can figure out that Corruption Perception Index in Nigeria decreased to 9.01 in 2016 from 9.31 in 2015. However, it was recorded as 5.71 in 2006 Corruption Perception Index in Nigeria averaged 6.50 from 2002 until 2016, reaching an all time high of 9.31 in 2015 and a record low of 3.86 in 2002. While In 2016, Global Corruption Perception Index Index for Nigeria was 9.31 index. Global Corruption Perception Index of Nigeria increased from 8.58 index in 2014 to 9.31 index in 2016 growing at an average annual rate of 4.24 %. (Trading Economics.com, Institute for Economics and Peace, 2016).

EMPIRICAL REVIEW

Chandima (2016) carried out a study; Terrorism the Result of Root Causes such as Poverty, Oppression and Exclusion. The study ascertained that terrorism and poverty are serious socio-political problems that have been with us throughout the ages. The study used discussion approach to analyze whether terrorism is the result of root causes such as poverty, oppression and exclusion. Based on the outcomes of discussion, the study also viewed that it can be argued that fulfillment of basic human needs would make this world a more secure place for all its citizens.

Krueger (2007) discussion on what makes a terrorist provides a concise analysis by challenging the popular wisdom that economic powerlessness, poverty and deprivation, and inadequate education are the root causes of terrorism. Krueger criticizes prominent and well-intentioned scholars, world leaders and religious figures by writing that “uneducated, impoverished masses are particularly unlikely to
participate in the political process through either legitimate or illegitimate means”. Terrorism is purely motivated by geopolitical grievances, not desperation and, as Krueger writes, “the West is often a target not because it is rich, but because it is influential and because terrorism has a greater chance of succeeding when it is perpetrated against a democracy than an autocracy”.

Krueger and Maleckova (2003) viewed that the connection between poverty, education and terrorism is indirect, complicated and probably quite weak. Instead of suggesting terrorism as a direct response to low market opportunities or ignorance, they suggest that it is more accurately viewed as a response to political conditions and long-standing feelings of indignity and frustration that have little to do with economics.

Martin-Groski (2002), for instance, provides some empirical evidence justifying the view that poverty is not a root cause of terrorism. He provides some examples of typical Islamic militants in Egypt, who are from the middle, or lower-middle-class with high achievement and motivation, upwardly mobile, with science or engineering education. In Turkey, 25 percent of the members of an Islamic militant party are engineers; Bangladesh, Yemen and Niger, which are three of the poorest Muslim countries, have not become hotbeds of militant Islam.

Piazza (2010) provides a compelling analysis by pinpointing weaker aspects of the poverty - terrorism debate, and discusses other possible root causes of terrorism that merit more attention. Based on international statistics on poverty and political violence, Piazza explains that changes of global terrorism rates are out of sync with changes in global poverty rates and measurements of global inequality, which do not show cyclical dynamics. If we think, poverty is the root cause of terrorism, it would be reasonable to expect that poorer regions would experience the most terrorism and would produce a greater number of terrorists than wealthier nations, which is not the case. Referring to the ten poorest countries in the world, Piazza argues that though many of these countries have experienced civil wars, terrorism has not been a major issue in their lists of security challenges. Guinea Bissau, Mozambique and Central African Republic, for example, have no experienced or produced terrorism whatsoever during the period 2000-2006. It is interesting to note that in 2007, Sri Lanka, the Philippines, Georgia, Venezuela and Uzbekistan were amongst the countries with the fastest-growing significant terrorism challenges.

Angela and Nkemakolam (2014) conducted a study on Corruption and the Challenges of Insecurity in Nigeria: Political Economy Implications using discussion method. This paper examines the issue of corruption and insecurity in Nigeria and the challenge this poses to the development of the country. The paper shows that corruption is a major cause of insecurity in the country and it is therefore suggested that the Nigerian Government should find lasting solutions to the crises while giving top priority to eradication of corruption in its transformation agenda.
THEORETICAL FRAMEWORK

The study which is unemployment, poverty and corruption in Nigeria is built on the framework of the Frustration-Aggression Theory supported by Adeyemi (2012). The theory stipulates that aggression is the result of frustration which results from an individual’s inability to attain their goals. Accordingly, insecurity is the product of aggressive behaviour which results from issues such as poverty and unemployment among others. Applying this to the study, corruption in the country has resulted in abject poverty, unemployment, environmental degradation, injustice, absence of infrastructure, ethnic conflicts, militancy which in turn has resulted in insecurity often carved out of corruption in Nigeria.

RESEARCH DESIGN AND DATA

Analysis research design was used for the study. Secondary data (time series data) mainly from the publications of the Central Bank of Nigeria (CBN) namely; CBN Statistical Bulletin (2016) and Trading Economics.com (Institute for Economics and Peace) were used in the study. The study aimed to investigate unemployment, poverty and corruption in Nigeria within the timeframe of 2006 to 2016.

MODEL SPECIFICATION

The study used descriptive and analytical tools. The descriptive tool consists of the use of table in order to analyze the data employed to conduct the study. The analytical tool consists of the use of Classical Least Squares (CLS) double log method of regression analysis. The model specified Nigeria Corruption Perception Index (NCPI) as proxy for corruption and while unemployment rate and poverty rate were used as the explanatory variables as specified in the model presented in Equation [1]

\[ NCPI_t = F(UEMP_R_t, POVR_t) \]

The mathematical form of the model is specified in Equation [2] as;

\[ \ln NCPI_t = \beta_0 + \beta_1 \ln UEMP_R_t + \beta_2 \ln POVR_t \]

The stochastic form of the model is specified in Equation [3] as;

\[ \ln NCPI_t = \beta_0 + \beta_1 \ln UEMP_R_t + \beta_2 \ln POVR_t + \mu \]

The variables were as earlier defined in equation [1] and on a priori, we expect the estimates of $\beta_1 > 0$ and $\beta_2 > 0$. This is because based on a priori expectation ground, we expect that rise in unemployment and poverty rates will lead on the average lead to rise in the amount of corruption in Nigeria.
RESULT AND FINDINGS

Dependent Variable: NIGERIA CORRUPTION PERCEPTION INDEX (lnNCPI)

Method: Least Squares
Date: 12/12/17  Time: 08:07
Sample: 2006 2016
Included observations: 11

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>23.03466</td>
<td>8.544762</td>
<td>2.695763</td>
<td>0.0273</td>
</tr>
<tr>
<td>lnUEMPR</td>
<td>0.009961</td>
<td>0.098331</td>
<td>0.101300</td>
<td>0.9218</td>
</tr>
<tr>
<td>lnPOVR</td>
<td>0.389312</td>
<td>0.127708</td>
<td>3.048457</td>
<td>0.0159</td>
</tr>
</tbody>
</table>

R-squared             0.756311  Mean dependent var 7.626364
Adjusted R-squared    0.695389  S.D. dependent var 1.422204
S.E. of regression    0.784937  Akaike info criterion 2.580574
Sum squared resid     4.929008  Schwarz criterion 2.689091
Log likelihood        -11.19316 Hannon-Quinn criter. 2.512169
F-statistic           12.41438  Durbin-Watson stat 1.516996
Prob(F-statistic)     0.003526

SOURCE: Author’s Computation using Eviews version 9.5

The intercept of the regression model in the table 1 above is 23.03466. All things being equal, it represents the value of Nigeria Corruption Perception Index (NCPI) if unemployment rate (UEMPR) and poverty rate (POVR) are individually equal to zero.

The regression coefficient of unemployment rate (UEMPR) is 0.009961. It shows that a 1% increase in unemployment rate (UEMPR) will on the average lead to 0.9961% increase in Nigeria Corruption Perception Index (NCPI). It is positive showing a direct relationship between unemployment rate (UEMPR) and Nigeria Corruption Perception Index (NCPI). Hence, unemployment rate (UEMPR) contributed positively to the magnitude of corruption in Nigeria within the study period.

The regression coefficient of poverty rate (POVR) is 0.389312. It shows that a 1% increase in poverty rate (POVR) will on the average lead to 38.9312% increase in Nigeria Corruption Perception Index (NCPI). It is positive showing a direct relationship between poverty rate (POVR) and Nigeria Corruption Perception Index (NCPI). Hence, poverty rate (POVR) contributed positively to the degree of corruption in Nigeria within the study period.
The coefficient of determination is 0.756311. The estimated result shows that about 76% of the total variation in Nigeria Corruption Perception Index (NCPI) is caused by the independent variables i.e. unemployment rate (UEMPR) and poverty rate (POVR) while the remaining 24% are inexplicable by the changes in other factors which are not incorporated in the model but captured by the stochastic or omnibus variable. Since the $R^2$ is close to one, we can conclude that the model is a good fit and robust for forecasting or predicting the degree of corruption in Nigeria using the classical least squares double log regression model.

The F-statistic (12.41438) is greater than F-critical value obtained from the F-distribution table with the degree of freedom (2, 9) yielding the value 4.26. Hence, we can generalize the overall parameters are statistically significant at 5% level of significance.

If D.W statistic is less than 2, we will conclude that there is positive autocorrelation, if D.W Statistic is greater than 2, we will conclude that there is a negative autocorrelation and lastly, if D.W is equal to 2, we will conclude that there is no autocorrelation. Since the D.W statistic = 1.516996, we can therefore conclude that there is no autocorrelation in the model since the D.W is approximately equal to 2.

GEOMETRICAL TREND ANALYSIS ON UNEMPLOYMENT AND POVERTY RATES IN NIGERIA

From the graph above depicting unemployment rate in Nigeria. We can figure out that between 2014 to 2016 when there was serious unemployment in Nigeria, massive unemployed Nigerians were used as instruments of corruption.
From the graph above depicting poverty rate in Nigeria. We can also figure out that between 2014 to 2016 when there was abject poverty in Nigeria, this led to instantaneous increase in the magnitude of corruption in Nigeria.

**LINEAR TREND ANALYSIS MODEL PLOT ON NIGERIA CORRUPTION PERCEPTION INDEX (NCPI)**

From the linear trend model above, we can figure out that at any point in time within the study period, a 1% rise in the level of unemployment and poverty on the average led to 40% rise in corruption in Nigeria. This is presented in the form of $Y_t = 5.172 + 0.4091X_t$

CONCLUSION AND RECOMMENDATIONS

Unemployment, poverty and corruption have become central issues in Nigeria that often cry for solutions, but based on the findings in this study, it is audible to the deaf and visible to the blind that unemployment and poverty are positive causal factors of corruption in Nigeria within the study period. Hence, the study haven identified unemployment and poverty as causes of corruption in Nigeria; therefore, the following recommendations are made based on the research findings to reduce corruption in Nigeria to the barest minimum level. This implies that; the malevolence of unemployment should be seriously looked into by the government. Employment generation for the teeming population should be more assertively pursued as a matter of main concern by government at all tiers. This is because an idle mind is a devil’s workshop. Government should embark on veritable poverty alleviation programmes that will impact positively on the lives of the people. This is because poverty is the worst form of violence to mankind. Finally, reduction in the level of unemployment will translate into cutback in corruption, and stimulate sustainable growth and development in Nigeria. Therefore, any act taking towards creating employment is an action towards poverty reduction vis-à-vis diminution in the magnitude of corruption in Nigeria.

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