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# Theoretical Socio-Economic Explanation for Corruption in Nigeria

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## Abstract

*This paper attempted a theoretical explanation of corruption as a socio-economic behaviour. It was hypothesized that economic agents weigh costs and opportunities, and decide on the most beneficial behavioural option, considering the passage of time and its effects on the value of monetary benefits. There are three types of incentives identified in the study that can be influenced to motivate economic agents from corruption, namely wage-income, non-wage benefits and monitoring activities. Each of these exerts costs of administration on government and presents the problem of having to choose the optimal combination of wage, non-wage and monitoring costs of public administration that will minimize incidence of corruption. The effectiveness of the government in controlling corruption will depend on the institution capacity of government to track down and punish, besides improving the pay packages and other economic welfare packages for workers. Some cases in Nigeria are cited.*

## 1.    Introduction

Corruption is a social malignance that is due to the depletion of the trust component of moral capital, manifesting in misallocation of wealth from owner's intended purpose to the personal gain of an agent, resulting in compromise of economic capacity to produce, distribute and accumulate wealth in a society. Primarily, the problem of corruption arises as a result of social relationship, which naturally requires trust. The misappropriation of the trust or the subversion of such trust by a party in a social relationship for some private economic gains by the trust-abuser confers some elements of corruption. Modern economic activities entail work relations which are managed under organizational structure with flows of authority and responsibility. The flow chart of authority and responsibilities in any organization defines the direction of the delegation of decision-making power among individuals. The delegation of authority

is entrenched in agency relations in which the principal entrusts the economic decision authority to the agent, who acts on behalf of the principal. In the course of discharging agency responsibility, "the agent," it seems to be believed, would take candy from a baby unless the baby's parents were present and menacing, unless there was no way of escape from the baby's screams, or unless he or she does not like the particular type of candy involved" (Kindleberger, 1991). This allegory depicts that corruption entails abuse of trust in delegated responsibility due to agency problem; that its minimization requires effective monitoring and control processes; that an agent weighs the costs and benefits of his self-interest activities against being caught before undertaking a corrupt action; and that agency problem minifies the focal objective outcomes of the principal's engagement of resources under the care of the agent.

Most definitions of corruption fall into the theoretical conception of moral hazards resulting from information asymmetry which exists between agents and principals in relations that involve appropriation of economic resources. Economic agents are generally self-interested, self-loving, rational individuals or persons, who consider the costs against benefits of any action considered before deciding on a line of action, including crime or corrupt actions. This confers the fact that given the rationality of economic agents it is essentially possible for any economic behaviour to be responsive to identified economic incentives.

Corruption usually entails unauthorized appropriation of the principal's economic resources, which gives it economic dimension. However, there are also issues of violation of contractual terms in the process of misappropriation; just as there are issues connected to government disposition towards corruption; contextualization of corruption in the social value system; institutional capacity to enact and enforce laws against corruption; etc., which comprise some other social perspectives to corruption. This means that corruption has a multi-disciplinary dimension. It is possible for it to start up as an economic or political problem but ends up requiring legal, psychological and sociological solutions in addition. It is only proper thus to see corruption as a social problem of a society in the same way as poverty and under-development are considered.

Given the multi-social dimensions of corruption, many scholars have accepted the fact that there are various definitions of corruption. There is also the problem of lack acceptability of any particular definition as the most apt – this has to do with how different disciplines view corruption, besides the academic pride of contending which field the concept of corruption should domicile.

In the words of Shleifer and Vishny (1993), "corruption is both pervasive and significant around the world". This assertion is acceptable to all. Corruption is not restricted to any area: it is everywhere – in all countries, at all levels and units of society, in all economic organizations, within governmental and non-governmental institutions, and even in faith-based organizations. Within the economy, it is found in all sectors (formal and informal) and in all aspects of human employment. Corruption is not conserved to the public sector alone, neither is it observable only in the formal economic activities, nor is it limited to some geographical regions, specific population groups or any income class. Assertively, corruption is ubiquitous and pervasive. The truth about the scale and scope of corruption is that wherever the distribution of resources involves

the services of agents acting on behalf of the principal, which is universally obvious due to the social pursuit of mass production gain from specialization, then agents when insufficiently monitored have the propensity to use the information they have acquired in their relationship with the principal and resources belonging to the principal to service their personal gains. This means as specialization and mass production intensify, entrenching more agency, corruption naturally increases its in-routes into many lines of social activities.

Although the universality of corruption problems is indubitable, the focus on issues in developing economies must be understood not as an attempt to blackmail the less developed countries (LDCs) by the developed counterparts. This biased focus is due to the preponderance in the LDCs of weak institutional capacity that fails to articulate a strong legal system, marked by inadequate supervisory and monitoring expertise and weak administrative and managerial capacity, which combine with other conditions of underdevelopment to engender grander corruption even in activities in which it would not thrive in developed societies. For these reasons, attention has tended towards corruption in LDCs much more than their developed counterparts. But as long as crime is universal and ubiquitous, corruption being an aspect of crime is also everywhere.

Corruption in the public sector is also more commonly publicized than corrupt practices in the private sector. The plausible reasons include the greater commitment to the attainment of results, closeness of ownership to management of resources, greater measurability of outcomes and improved monitoring and tracking process in the private sector than the public sector. Thus, the frequency of reports of corruption in the public sector is greater. Besides, news media seem more concerned to be regarded as the vanguard for the populace given that government funds and resources are regarded as ultimately belonging to the people. Therefore, informing the masses on what happens to their resources entrusted to their agents in the government is a major role that mass media have played. This umpire news reporting is not offered freely to the private sector businesses.

## 2.    Aim and Objectives

This paper was concerned about the economic theoretical conceptualization of corruption. Since corruption involves unauthorized appropriation of the principal's economic resources by his (the principal's) agents, to that extent, corruption is clearly an economic problem which justifiably should be explained by economic reasoning. The discourse here shall only present theoretical underpinning to the concept of corruption but will also cite some Nigerian cases as examples, without necessarily using them as empirical proofs.

The subsequent flow of this paper was organized substantially into three sections besides the conclusion; namely, conceptual issues of corruption; corruption defense in Nigeria; and the challenging way-out.

### 3. Conceptual Issues in Corruption

> *The king shall protect trade routes from harassment by courtiers, state officials, thieves and frontier guards ... [and] frontier officers shall make good what is lost ...Just as it is impossible not to taste honey or poison that one may find at the tip of one's tongue, so it is impossible for one dealing with government funds not to taste, at least a little bit, of the king's wealth.* " (Kautilya, chief minister to the king in India, circa 300 BC – AD 150)

Given the unsettled issue of acceptability of a definition, the choice is to outline few basic definitions that are useful to this paper's reference and content. Tanzi (2002) observed that the World Bank uses the definition of corruption as "the abuse of public power for private gain". According to Tanzi (2002:25), "corruption is the intentional noncompliance with arm's-length relationship aimed at deriving some advantage from this behaviour for oneself or for related individuals". Shleifer and Vishny (1993:599) defined government corruption as the sale by government officials of government property for personal gain. Other issues observed concerning the conceptual definition is that some have also defined only the aspects of corruption in which they are interested. This raises the next general concern, which is the classification of corruption.

The definition of corruption as misappropriation of the principal's resources by his agent for the personal interests or gains of such an agent connotes role-specific relations that each of the economic persons performs – the principal owns resources and delegates economic employment and management those resources to agent(s). These social relations dominate modern economic systems where division of labour and specialization have generated several gains such as output expansion, economic growth, employment generation, enhancement of quality of commodities and improvement in the standard of living. In the process of discharging the delegated responsibility, the agent is placed in a vantage position of having some information about the resources in his care which the principal does not have. The agent thus uses such information along with the resources in a way that is inimical to the interest of the principal (owner) of the resources. This is the case of corruption as a manifestation of moral hazard. These can be the corruption cases in round-tripping transactions, insider activities, budget padding and other abuses by government agents.

As an economic activity (a mis-norma in this case), corruption entails the unauthorized diversion of the resources belonging to the principal to service the personal interest of the agent. The milieu for occurrence of corruption has to be hierarchical social relations with delegation of authority and responsibility in the use of economic resources which assumes existence of mutual trust. Next, there is the issue of vacation of the trust by the agent, which means that moral capital stock must be depleted before corruption (the depletion of physical and financial capital resources) can occur consequentially. Even with trust, or worse with the depletion of moral capital, agent's behaviour regarding the utilization of the resources committed to his stewardship requires monitoring – otherwise the agent might be tempted to taste the honey at tip of his tongue. For the monitoring to be effective, the rules must be well outlined and the enforcement procedures adequately empowered – that is the institutional capacity should be

developed. The reward structure should be viewed in comparative relations with the costs of monitoring and costs of enforcement of rules.

Depletion of moral capital is involved in any act of corruption. The truth of all economic relations is that there is some elements of trust. For instance, even when a consumer sees or has a feel of any commodity, his buying it is a function of the trust he has that the commodity is as good as expected – it is unadulterated and non-counterfeited. More elements of trust are required for the employment and retention of an agent, who discharges the role assignment of resources on behalf of the principal. For corruption to take place, the agent will intentionally vacate or abuse the trust in order to misappropriate the resources under his care.

Controlling for this depletion of trust in the behaviour of the agent depends on the causes of it. But in most cases, if the agent's behaviour is well monitored, indicators of intention to abuse trust can be observed; and if appropriate incentives are put in place the agent could be discouraged from behaving in a way that would hamper the flow of trust which would ultimately dismiss him from enjoying a stream of incentive returns. If the present value of life-time sum of returns (incentives) for an agent is greater than the future value of corruption booty, the agent will choose to be trust-worthy, even with minimal monitoring. Conversely, if the present value of life-time sum of returns (incentives) for an agent is less than the future value of the potential corruption booty, only very strict monitoring and draconian laws and enforcement system can restrain the agent from betraying the trust.

Let $w_i t_i$ = the wage income for an agent at time $i$; $v_i t_i$ = other pecuniary and non-pecuniary (but financially quantifiable) incentives, the incentive rate, $v$, is comparable to wage rate and earned based on labour time, $i$, exerted on the production process; $C_j$ = corruption booty, $C$, from opportunity, $j$; and $r$ = current rate of interest; then, the decision of an agent to uphold trust and not engage in corruption activities will be if the following incentive pattern is established.

$$\sum_{i}^{T} \frac{w_i t_i}{(1 + r)^i} + \sum_{i}^{T} \frac{v_i t_i}{(1 + r)^i} > \sum_{j}^{J} C_j (1 + r)^j \dots \dots \dots \dots \dots \dots \dots \dots \dots (1)$$

Inequality (1) states that if the present values of statutory wages plus the present value of non-wage incentives (both of which are earned through time $i$ to $T$) is greater than the compounded value of corruption loots (from all sources $j$ to $J$), corruption will be discouraged. If the inequality is reversed, agent will (most likely) betray trust and engage in corruption, except where maximum monitoring and high costs of enforcement are applied. This holds for agents in both the private and public sectors. Whether this condition would hold for the agents or not can be discovered at the incentive negotiation table between agents (workers) and the principal.

Monitoring agent's behaviour and maintenance of institutional arrangement for law enforcement to check aberrational behaviour entails costs which must be borne by someone given reasonable relativity of alternatives. The monitoring cost is exclusively restricted to the principal, for he understands the organizational linkages and the specific activities assigned to his agent. The cost of monitoring is an aspect of labour costs

because it is labour behaviour that requires monitoring for optimal output. Monitoring cost outlay is investment by the principal to protect both the capital base of his resources and the returns (profits) on the resource base from being pilfered by a corrupt agent. Effective monitoring cost management entails comparison of the current monitoring costs with the value added to expected returns from prudential utilization of resources by agents. The principal cannot engage resources monitoring agent's behaviour if the expected returns from resources under the agent's care would not more than offset such monitoring costs.

$$\sum w_i t_i + \sum v_i t_i < \pi_i \dots\dots\dots\dots\dots\dots\dots\dots\dots \quad (2)$$

From the above cost and benefit decision rule (2), the principal in the private sector whose goal is to maximize profit ($\pi$) made in all lines of business, the business expenditure to curb corrupt behaviour of the agent, $i$, will only be undertaken if such spending is strictly less than the profit share contributed by the agent's productivity.

Given that $\sum w_i t_i + \sum v_i t_i$ represents the non-monitored spending on labour costs comprising wage bill and non-wage incentives to workers, respectively, which would generate profits, $\pi_i$. Yet the $\pi_i$ can be increased to $\pi_m$ through incurring some costs in monitoring labour behaviour, $m_i t_i$, for conformity to terms of contracts. Then, $\Sigma m_i t_i$ can only be reasonably undertaken if improvement in profits, $\Sigma \pi m$, is more than offset that outlay of monitoring costs, $\Sigma m_i t_i$. That is,

$$\sum m_i t_i < \sum \pi_m.$$

(The monitoring rate, $m_i$, is actually associated directly with the labour time engaged, t, hence, $\Sigma m_i t_i$ as the monitoring cost outlay must be less than expected returns from such efforts, $\pi_m$.)

Monitoring cost decision in the private sector is less tasking than the consideration of funding (cost) of law enforcement by the government. This is due to the fact that the former is directly observable whereas the latter is an indirect decision taken with some intervening variables. The government derives tax revenue from economic activities undertaken by businesses or members of households, so the interest of the government lies in the expected tax revenue in most of the decisions that government undertakes. Secondly, politicians are generally interested in ensuring that they maximize the chances of re-election either for themselves as individual or for their party. So in pursuit of policies, sometimes, the expected tax returns (economic benefits) may be compromised for the enhancement of re-election chances (political benefits – but even this can be evaluated as long term expected economic benefits). The public opinion of the government in power (and therefore its re-election bid) has to do with the government disposition towards corruption, rule of law, and maintenance of law and order. So long as the government anti-corruption policy is recurrent both as an economic (measureable) objective of tax revenue as well as political (rather nebulous) objective of re-election, it is considered here that government pursuit of policy enforcement of laws against corruption is ultimately to enhance economic activities and improve government tax revenue ultimately.

$$\sum w_i t_i + \sum v_i t_i < T_m + T_n \dots\dots\dots\dots\dots\dots\dots\dots \quad (3)$$

The inequality in (3) specifies the condition for public sector decision concerning control of corruption through incentive to agents of government. The government will embark on workers' incentive policy if the tax revenue ($T_m$) and non-financial returns from such policy ($T_n$), (e.g., high re-election chances) are higher than government expenditure on the incentives. Given the pooling of $T_m$ and $T_n$ it is possible that the financial returns may be less than non-financial component yet the government undertake the policy. This accounts for what the economists regard as political decision! In the long run when $T_m$ is properly and consistently utilized for provision of infrastructure and welfare services, then re-election chances can be taken for granted and inequality (3) can simply end at $T_m$.

The afore-going assumption paves the way for merging both into economic/revenue consideration. The decision rule is that government will finance enforcement of anti-corruption law if its expected tax revenue (including taxes expected if re-elected) is greater than the costs, otherwise, corruption may be tolerable by the government. The latter part of the condition for government may seem unrealistic but it turns out most true in the Nigerian economy where oil rents account for over 80 per cent of government revenue. Adequacy of revenue for government budgets is independent of inland tax revenue or unrelated to economic performance of domestic businesses. Adequacy of oil revenue (rents) for the Nigerian governments accounted for poor governance indicators as depicted by low concern for strengthening of government capacity for law enforcement generally. Paradoxically though, the current dwindling in oil revenue could arguably result in strengthening of anti-corruption institutions and good governance. The aim of the government would thus be self-preservation through protection of domestic businesses from the cancer of corruption and by so doing increasing internally generated tax revenue.

The occurrence and treatment of corruption in the private and public sectors could have some slight differences. The treatment conceptualized above implies that the incidence occurs in the private sector and government is merely providing the regulatory services to enable the private sector curb the problem. It is nevertheless known that corruption occurs in the public sector and, it could be verifiable, with higher frequency than in the private sector. There are some reasons for the high pervasiveness of corruption in the public sector:

i. The vagueness in the specification of ultimate ownership and property right in the public sector – if, as it is defined in popular democracy, power belongs to the people; then the man in the street is too far away from understanding what his resources are in government and the employees of the people have by far more information about the resources than the people that even when employees use the resources against the interests of the masses, the people may not understand or raise any question. This distance property right location from control of the utilization of public resources is a major reason for the high frequency of corruption in the public sector.

ii.    The nebulousness in the separation of resource ownership and appropriation role from the regulatory and monitoring function – this functions though performed by different government departments yet it is within the same government apparatus. One cannot be a good arbiter in one's own case; a person cannot monitor himself well in wrong doing because even if he indicts himself in the process he, most probably, will not like to suffer the discomfort of punishment; in fact, he would rationally forgive himself. These processes of committing offence, being caught, judged, enforcing the sentence and exercising prerogative of mercy where only one person is involved; is comparable to the philosophical separation of the body, the soul, the mind and the spirit of the same person and assigning the roles of judgement to the mind, enforcement of the judgement against the body to the soul, while the spirit monitors all of their actions and offers the prerogative of mercy. No one will be convicted or, at worst, suffer any punishment! That will end up as a moral fable! Therefore, it is possible that collusion and interest sharing among different government departments may take place to support and safe-guard corrupt practices – where large outlay of money is involved, grand corruption can thrive.

iii.   Expanse of government participation in pure economic activities has generated opportunities for high frequency of agency problem and corruption. People are naturally more prodigal with other people's resources than with theirs.

iv.    For developing countries, weak institutional capacity of the government is a factor being exploited by the employees of government in their involvement in corrupt activities. Government workers have insider information about the actual capacity of the government with respect to fighting corruption and they use the information to their private advantage – participating in corrupt practices when they have weak government and abating at government demonstration of commitment to check corruption.

The theoretical configuration of corruption in the public sector thus has some adjustments added to the formulation in the private sector. The assumption is that the person at the head of government has adequate incentives to make him committed to defend the constitution and enforce the laws of the country. Then, such a head will act as the principal in the private sector, while other government functionaries and employees are agents. In this way, the agency theoretical analysis of corruption can still be applied to the public sector corruption.

Realistically, the goals of government are not as simple as the profit optimization in the private sector. The objectives of any government include pursuit of maximization of tax revenue, welfare of citizenry, and chances of re-election. Even though the maximization of these three aggregate variables may seem diverse, they however converge at the central goal of participatory growth and human-centred development. For instance, the maximization of re-election chances involves making the electorate happy by sustainably improving their welfare through avenues such as employment generation and provision of public infrastructure, which contributes positively to revenue generation objectives. It means that as government expands infrastructure, economic

activities and output expand due to fall in costs of doing business; employment, income and welfare of household members increase; tax revenue increases due to business expansion (profit taxes) and increase in employment (employee income taxes); and government has sufficient revenue to sustain economic expansion plans and provide regulatory functions, thus guaranteeing their chances in re-election.

In pursuit of each of these goals, government also has to employ the services of agents; meaning that in the process of discharging its responsibility, there is a tendency for the agency problem of corruption to occur. Agent's behaviour in the public sector is similar to that in the private sector. Agents everywhere require adequate incentives, efficient monitoring and enforcement of sanctions to guarantee their abstinence and deterrence from corruption. Government optimization behaviour also compares with the private decision rule of comparing possible options and choosing the one which maximizes the expected gains. Rationality of people is assumed about the behaviour of the principal and agents.

For government to check corruption in the public sector, the principal in the sector will have to offer adequate wage incentives to agents, provide monitoring and evaluation services and enforce anti-corruption laws. Adoption of any of these policy options or a combination of all at different scales to check corruption in the public sector depends on the government's consideration of the costs and expected benefits to the government and the society of such lines of policy. Generally, policy options that would generate greater voluntary compliance and foster economic growth and development is adjudged a good policy, the immediate budgetary impact notwithstanding.

The policy option that gives greater emphasis to wage incentive will contribute to higher income and welfare of the worker, higher income tax revenue, and ultimately the dynamic gains from higher wage, which manifest as increase in aggregate demand with associated business sector responses, will result in intensification of economic growth. Good pay incentive package to workers creates voluntary compliance and consequently minimizes the costs of monitoring and law enforcement. Since higher wage pay to government workers has net negative impact on current tax revenue, the government sometimes, it seems true, would consider the level of corruption it will tolerate in combination with some reasonably low wage rate. Again, where the institutional capacity for monitoring of workers' behaviour and enforcement of laws is weak, government could choose to pay low wages and accept some level of corruption by the workers. It is also noteworthy that wage incentives should be differentiated such that workers that are closer to government revenue points get higher pecuniary incentives than those remotely connected to revenue collection and disbursement vaults. The crucial interrelation factor in the choice of wage incentives, monitoring and law enforcement combination to check corruption is that some minimum institutional capacity is required. The issue of development of institutional capacity, which entails bureaucratic transparency, defined system of institutional controls and well developed civil society (Dabla-Norris, 2002).

Prevalence of corruption is shrouded in the existence of information asymmetry between the principals and the agents. Usually the agents in the course of such relations

have more information concerning the market value of goods or services entrusted to their administration, the demand pressure and the composition of users than the principals. Agents can adopt several strategies to engender clientele acquiescence with the terms of corruption, including restriction of supply to cause shortage, discriminatory practices that would give profit or welfare advantage to clients who cooperate with agent, etc. Those strategies are designed to create and preserve the market for corruption and to ensure that the captive public will helplessly cooperate with the agents.

Corruption can be modelled by specifying variables that relate with it in the society. Corruption, C, depends on a number of factors including, level of economic activities (y), taxation policies (t), government expenditure programmes and policies (g), level of enforcement/monitoring, m, government institutional capacity (s), level of remuneration (w),

$$C = C(y, t, g, m, s, w);$$

Where $\partial C/\partial y > 0$; $\partial C/\partial t > 0$; $\partial C/\partial g > 0$; $\partial C/\partial s < 0$; $\partial C/\partial w < 0$; $\partial C/\partial m < 0$.

The relations captured above have some additional economic characteristics. Theoretically, even between C and its explanatory variables, $x_i$, the relations are not necessarily auto-reversible, e.g., $\partial C/\partial y > 0$; but $\partial y/\partial C < 0$; and $\partial C/\partial t > 0$ (if taxes = revenue); but $\partial t/\partial C < 0$ due to the depressive effects of C on tax revenue.

i. $\partial y/\partial t > 0$ – higher output/income/economic activities yield higher tax proceeds given expansion in tax base resulting;

ii. $\partial y/\partial m > 0$ – higher economic activities requires higher expenses for monitoring and law enforcement due to increase in agency activities and higher possibility of increase in agency problems;

iii. $\partial w/\partial m < 0$ – higher wages is an incentive to less corrupt and reduce enforcement/ monitoring demand

- Tax revenue is simply *ty* from the relations above; but both *t* and *y* are negatively affected by C; therefore, corruption is inimical to tax development, public financial sustainability, and economic growth.

- Normally, depression afflicted on tax revenue (*ty*) would incentivize control of corruption by the government so that *ty* may be increased. So why is it not so in Nigeria? No, primarily because government is not sustained so much from *ty* as it is from oil revenue (rents). This makes the government to be relatively unresponsive to the negative effects of corruption to tax proceeds (*ty*).

Before leaving this section it is necessary to observe that sometimes corruption manifests as bribe or illegal sales of government property (goods/services) to a third party, who is a member of the public. The question is under what decision rule/condition will the third party be willing to offer the bribe (which is the price for the goods/services which the government agent offers illegally for sale)? The third party may be a consumer whose economic aim is to maximize his utility or a producer with the goal of profit maximization. But here the two are both treated together as a third party whose aim is to maximize his well-being (implying minimizing his discomfort). The third party will pay bribe to obtain access to government goods/services (economic opportunity) if the

expected benefits from enjoying the government goods/services are greater than the financial costs of the bribe(Mookherjee and Png, 1995); and if compared to the cost of possible alternatives to the government goods/services the bribe is cheaper. Many elements enter the computed benefits and costs for the third party apart from financial and time components. Altruistic functions, the type that Becker (1991) presented, are more adaptable than the narrow self-interest classical well-being functions.

## 3.    Corruption Defense in Nigeria

Even though discussion in this paper has some Nigerian cases and examples, the presentation has a general social applicability. The causes of corruption explained in this section are merely adding to the lists observed by others – it cannot possibly be exhaustive discourse of causes of corruption which can themselves evolve into a book. With this caution in mind, only a few prominently applicable causes are mentioned below.

*Poverty inducement of corruption* – Poverty actually contributes to the prevalence of corruption; otherwise, why is it that it is among the poor countries (LDCs) that most incidence of corruption is reported? For this rhetorical question many reasons can be given or argued: weak government institutional capacity (depicted by weak monitoring, evaluation and control processes and institutions, poorly defined administrative roles and functions, weak tracking and reporting processes, etc.); expanse of public sector (enlargement of size of government activities), cumbersome bureaucracy, leanness of private sector and overdependence of the economy on the public sector for employment and income generation, etc. All these are indicators of a poor country state of development! That is country-wide poverty. So poverty offers enabling environment for corruption to thrive. More so, when poverty at individual level is considered, the poorer agents are more prone to being corrupt.

Some of the causes of poverty can be mitigated by government welfare and infrastructure policy interventions. For instance, effective universal education and health policy can take away poverty from low income families and make them less vulnerable to corruption. Similarly, regular supply of electricity, water and sanitation and good public commuter system can alleviate the masses of poverty. Where the people bear the burden of children's education and costs of medical expenditure, make expensive private arrangements for public utilities, and are compelled to make provision for means of transportation, such people if entrusted with administration of public funds may not be able to resist the temptation of diversion of such funds to private uses.

*Poor reward structure encourages corruption* – workers who are paid less than the living wage are bound to cut corners to make ends meet. There are cases where workers who handle very sensitive responsibilities are not adequately remunerated luring them into involvement in corrupt practices. Unified wage structure by which the only pillars for decision on wage level are paper qualifications and years of service (experience) with no special differentiated incentives due to direct contact with cash is only offering grand incentive in disguise for the thriving of corruption. Nigerian civil service is still weakened by the corruption effects of unified salary structure.

***Weak institutional capacity*–** Poorly structured work relations, cumbersome bureaucratic processes, inadequate capacity for monitoring policies and programmes, lack of transparency and accountability, weak capacity to enforce laws and contracts, low expertise content in the public service, among others, are characteristics of weak institutional capacity. Where these features dominate the public sector, corruption is inevitable. Such a system will be marked by impunity and the public will become captives in the hands of few public servants who mine the state resources for personal interests. The state lacks power to make effective laws, to police offenders, to pronounce judgements, and to deter people from exploiting the state.

In Nigeria, there are clear cases of lack of public expenditure review and evaluation, especially among the lower tiers of government. Procurement processes in government ministries, departments and agencies are not transparent, some states do not have public procurement and fiscal responsibility laws. The Nigeria Police, Customs Service, Immigration Service, Federal Inland Revenue, the three arms of military (Nigerian Army, Nigerian Navy, Nigerian Air Force) are not adequately monitored and so they harbour some of the most corrupt officials. This clearly demonstrates Nigeria's weak institutional capacity.

***Availability of surplus public funds from non-tax sources*** – Earlier in this paper, it was noted that there exists some connection between the Nigerian government neglect of incentives to curb corruption and increase its inflow of tax revenue with the fact that the government derives about 80 per cent of public finance from the oil rents sources. The oil revenue allocation to some states (second tier government) in Nigeria is more than required for their current year's government budget such that they even run surplus budget (Akpan, 1999). The excessive supply of funds from the oil sector to government in Nigeria is one of the reasons for pervasive and unchecked corruption incidence among leaders in top government offices such as governors, legislators and members of executive council at state and federal levels, and other top administrative officials Nigeria.

***Hypocritical stance of the international community on corruption*** – The funds stolen by public officials from LDCs are usually laundered for seemingly cleaner use in developed economies where their banks provide the safe for the lodging of such monies. These stolen funds form interest-free capital inflow to the developed economies. These funds represent capital flight from the LDCs and a drain on the developmental resources of the exporting poor economies. Just as availability of international markets for rhinoceros guarantees the failure international stance for the preservation the endangered species; in the same way, so long as the developed western banking system provides safes for the huge corrupt booties from LDCs, the war against massive fiscal corruption in LDCs cannot attain any significant level of success. Unless the international community through multi-lateral and bilateral arrangements work out enforceable international financial measures for repatriation of LDCs' stolen monies harboured by

the banks in the western nations, especially in Europe and North America, the fight against corruption will remain a mere farce for routine discourse.

***Materialistic value system*** – Most people agree that the Nigerian social system is too materialistic. There is a craze for material position and too high value placed on material achievement. Little regard is given to intellectual contributions; little honour is bestowed on moral rectitude; scant attention is paid to the means but much consideration is offered to the end – everyone is thus motivated by the chequered drive to get rich quick. Worse still, the government until the year 2015 with the incoming of President Buhari, had never demonstrated significant seriousness at enforcing anti-corruption laws. Materialism is a major motivating factor for financial corruption in both the public and private sector. This becomes worsened by weak institutional capacity to enforce laws against offenders.

***Expectation of state failure*** – This is an important issue raised in this paper. Nigeria has been under serious threat of dissolution from its conception in the 1914 Amalgamation. There has always been mutual suspicion among her ethnic groups, which has worked out positively for its internal security administration. Nevertheless, the fear of possible liquidation of the Nigerian state has been a crucial reason for the massive looting of public funds by government officials going by the local slogan "this is our turn", as tomorrow may never come for Nigeria, given the series of threats to its survival as a nation. The uncertainty generated by fear of possible balkanization of Nigeria into several nation-states has given an ill-drive to high rate of abuse of public offices and high level of corruption among Nigerian ethno-centric leaders.

The office and ethnic insecurity generated by uncertainty about the future of Nigeria's unity, contributes to high level of corruption which results in high level of unfinanced budgetary plans. This heightens social discomfort and increases the need for private provision of alternatives to public goods/services. In order to meet such need in perpetuity (since there is no hope of effective provision in the future by the government) the present generation of government officials consider it rational to make private provision for their posterity using government funds by stealing and saving up for that generation which may not be lucky to have Nigeria (with its resources) in their time. This is nothing about psychiatric problem, as some allude to, but all about rationally planning and accommodating intergenerational expectations in demands for services and supply of funds to such plans given uncertainty about state survival. It stems from government's cut in the supply of some basic welfare services and utilities to families; making family leaders in government to divert public funds to privately acquiring their supply currently, and with high level of future uncertainty, steal even more to ensure the survival of their next neglected generations.

***Corruption perpetuation cycle*** – Corruption often works in vicious circles. Bloated government size (borne out of the need to bridge the development gap) *leads to* increase in high powered contracts; which *lead to increase* in corruption, and in turn increase the

size of government personnel requirement for monitoring generating avenue for further corruption. Weak institutional capacity of government leads to weak monitoring, leading to high corruption which leads to further weakened institutional capacity and intensification of corruption. The same vicious circle can be traced from corruption to poverty and back to corruption. Also, corruption depresses funds meant for the provision of infrastructure and other services in good governance, leading to poor economic environment, lowering private investment with retardation in the economy. Corruption in the private sector reduces profits as well as the incentives to invest, cutting down employment or increasing unemployment, increasing social misery level and poverty.

## 4. Conclusion and Recommendations

Corruption is a social problem which has some predictable, behavioural relationships. Corruption is one of the agency problems, with the characteristic moral hazard. When an agent undertakes corrupt option he chooses it because the gains are considered greater than the costs of the choice, and greater than the comparative benefits of not being corrupt. Even government decision of government to control corruption, or to tolerate some level of it, is dependent on the expected benefits compared to the costs of such policy. So the prevalence and control of corruption are socio-economic behaviours about which the agents, principals and government make rational choices. Thus, some combinations of economic and moral incentives and regulatory policies can control the incidence of corruption in the Nigerian society. Nigerian economy will gain more in terms of growth and development if corruption is brought under control.

There are ways out of corruption so long as there are known causes of the problem. The political will and the commitment of the government to the fight against corruption is the most important factor in specifying solution policy set. This falls into political leadership required for the good governance. From the discussion so far, solutions to solving the corruption problem have been advanced as follows:

i. Improved remuneration for workers – Obviously, high wage packages is an incentive to uprightness in agency activities and a disincentive to corruption. There should also be additional pay incentives for people working directly with public funds.

ii. Institutions capacity should be built up – the capacity of government to supervise, monitor, track results, enforce laws and contracts, and provide regulatory services transparently should be developed and improved consciously with target timelines and measureable out-turns for appraisal.

iii. Intensify the trust in the longevity of the Nigerian State – It is important to build up confidence in the going-concern and longevity of the Nigerian nation. It is also necessary that Nigerian leaders have a clear understanding that patriotism is a return by the people on national investment in the welfare and security of their citizens. Where the nation is not caring for the well-being of its citizenry in terms access to quality education and health, guarantee of security of lives and property, and protection of human rights, it would be too much to expect a rent of patriotism from the populace.

iv.  Reduction of dependence weight on the workers – Provision by the government of social safety-nets and welfare provisions for vulnerable members of the population (children, unemployed and aged) will relieve the workers of the enormous burden of taking care of these members of the population, which also represents extra-budgetary demand for workers. Taking away these expenditure outlets would minimize the temptation to take government funds corruptly.

v.  Empowerment of the masses with knowledge and improved quality of information – the public should be empowered with the knowledge of social vanguard, which entails access to, and active/responsive use of information pertaining corruption. Mass protest against socially anti-developmental activities should be acceptable to the society. The leadership in this direction should be given by civil society organizations and organized non-governmental organizations.

vi.  Reduction in size of government – more focused and smaller size of government which is committed to efficient provision of public goods and provision of workable business environment for the expansion of the private sector will minimize vents for corruption.

vii.  Resource control still has a role to play in the sustainable control of corruption – It is analytically true that the higher the share of tax revenue in aggregate government revenue, the greater government will invest in growing the tax revenue base through supply of infrastructure and provision of good business environment (including control of corruption). Higher natural resource rents are disincentive to control of corruption and reducing its size in government revenue will offer effective gearing to the control of fiscal corruption in Nigeria.

viii.  Restructuring of the value system – There is a need for social re-orientation of the people from materialistic value goals to moral and intellectual value system. Achievement and reward should not be evaluated in money and other material terms such as titles and qualifications only, honesty should be rewarded, outstanding demonstration of national love and patriotism should not only be acknowledged but rewarded. This will ultimately reduce the socially ill drive to get rich corruptly.

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