International Journal of Entrepreneurship, Management and Social Sciences (IJEMSS)
Volume 2, Issue 2; ISSN: 3026-9881
email: ijemss@futminna.edu.ng

Corruption and Economic Growth: An Empirical Study of Three West African Countries

[1]Onimisi Musari Aliyu; [2]Rafatu Ometere Abdulrahman; [3]Ahmed Tijani; [4]Momoh Taiye Omeiza
[1,2,3,4]Waziri Umaru Federal Polytechnic Brinin-Kebbi.
musty.oneil20@gmail.com

Abstract

The Corruption Perception Index (CPI), since its inception in 1995, has consistently ranked Sub-Saharan African countries like Nigeria, Ghana, and the Benin Republic high in terms of bribery and misuse of public funds. Many studies have utilized the CPI to measure corruption without considering variations in its scale. It is essential to note that reliable comparisons of the CPI can only be made after 2012, when it was restructured to a 0–100 scale. This study examines both the long-term and short-term impacts of corruption on economic growth in these three West African countries from 2012 to 2022. Findings indicate support for the "Grease the Wheel" hypothesis, suggesting that a 1% reduction in corruption is linked to an average 0.25% decrease in GDP growth. While corruption impedes economic growth in the long run, this effect is not statistically significant. High levels of corruption undermine investor trust, which helps explain the minimal impact of foreign direct investment on economic growth in these countries. It is imperative to strengthen the institutions responsible for combating corruption, with the implementation of stringent laws and the establishment of special courts to prosecute corruption-related cases.

Keywords: Corruption, Economic Growth, Foreign Direct Investment, Random Effect, Panel.

ARDL JEL Classification

1.0 Introduction

Nigeria, Ghana, and the Benin Republic are sub-Saharan African countries that share borders and possess abundant mineral and human resources. Despite this wealth, these nations have experienced underdevelopment for over four decades since gaining independence. Their resources have the potential to significantly enhance the economic prosperity of their citizens.

Corruption is widely regarded as a major obstacle to the development of sub-Saharan African countries. According to Makar *et al.* (2023), corruption is seen as "the abuse of public authority" or "a bribery act involving a public servant and the transfer of material resources between two or more parties." This encompasses actions such as public servants demanding or accepting money in exchange for services, politicians misusing public funds, and corporations bribing officials for favorable deals (Transparency International, 2024).

Some studies indicate that foreign direct investment (FDI) plays a significant role in driving economic growth and promoting financial integration, which are crucial sources of funding for developing countries such as Nigeria, Ghana, and the Benin Republic. However, corruption can significantly hinder investment, which is essential for economic advancement (Transparency International, 2024). Corruption can deter investors from committing their capital, leading to reduced levels of both domestic and foreign direct investment. As a result, economic growth may decline due to this lack of investment. Research conducted by Gründler

and Potrafke (2019), Spyromitros and Panagiotidis (2021), and Daniel (2018) demonstrates that investment has a positive impact on economic growth.

In West African Countries, corruption is mostly seen in the judicial system and security agencies (Awadzie & Garr, 2021; World Justice Project, 2023). The Corruption Perception Index, 2023, shows 90% of Sub-Saharan African Countries scored below 50, meaning there is a high level of corruption in the region. However, some other African countries are doing well in the fight against corruption, such as; Seychelles, Cape Verde, and Botswana with a Corruption Perception Index score of 71, 64, and 59, respectively. In 2023, Nigeria, Ghana, and the Benin Republic were ranked 145, 70, and 70, out of 180 countries based on the Corruption Perception Index with total scores of 25, 43, and 43, respectively. This implies a low response to the corruption fight in the region.

The report of the Economic and Financial Crime Commission (EFCC) shows that despite having recovered $750 million in 2021, corruption has cost Nigeria over $550 billion since independence in 1960 (World Justice Project, 2023). According to Saeed (2023), in Ghana, the Auditor General's reports show that the sum of Ghs13.9 billion was lost to financial malpractices in Metropolitans, Municipal, and District Assemblies (MMDAs) and Ministries, Departments, and Agencies (MDAs) from the period of 2015 to 2020. According to Transparency International (2024) corruption remains a significant concern in Benin, particularly in the customs service, judicial system, and government procurement.

Some literature reviewed identified corruption as an obstacle impeding growth in Sub-Saharan Africa (Makar *et al.,* 2023; Saeed *et al.* 2023; Awadzie & Garr, 2021; Ngutsav, 2018; Asom & Ijirshar, 2017). Despite the economic growth rate of 2.9%, 2.9%, and 6.4% in 2023 for Nigeria, Ghana, and Benin, respectively, the region continues to face extreme poverty, affecting an average of 22.9% of the population based on a headcount ratio of $2.15 a day (World Bank Group, 2024). According to Transparency International (2014), corruption causes the diversion of resources and talents towards juicy "rent-seeking sectors" such as defense and refined petroleum importation, rather than productive sectors.

Highly regulated countries that have weak effective government institutions and governance systems can benefit from corruption through an increase in productivity and entrepreneurship activities (Marie, 2014). Some opinions suggest that corruption "greases the wheels" predicts a positive effect of corruption on growth, while "sands the wheels" predicts corruption to decrease growth. Corruption in other ways can benefit institutions and economic growth, and as a minor annoyance, it can help bypass red tape, bureaucratic bottlenecks, and inefficient regulation. However, an effective justice system and the rule of law are essential for stopping and preventing corruption at all levels (Transparency International, 2023).

The study measured corruption using CPI, which we believed is more suitable, like most studies reviewed. However, we cannot conclude from a previous study that corruption hurts economic growth in West African countries, because the earlier data of CPI from 1995 is not

comparable to the period after 2012. The specific objective of this study is to investigate the impact of corruption on economic growth in Nigeria, Ghana, and the Benin Republic.

2. 0 Literature Review

2.1 Conceptual Literature

Bribery involving a public worker and the transfer of material resources is considered corruption (Andvig *et al.,* 2000). The World Bank (2012) defines corruption as the misuse of authority or public position for private or individual benefit. According to Lucarelli *et al.*

(2024), corruption is defined as the use of public office holders to benefit themselves at the expense of others. Corruption relates to the abuse of power, taking advantage of benefits that are not due politically, socially, or economically.

An economy's gross domestic product (GDP) is the total monetary value of all final goods and services produced within a country's borders over a specific period of time (usually quarterly or annually) According to the World Bank (2024), GDP growth, also known as GDP per capita growth, is calculated by dividing the total gross value realized by all resident producers in a nation by the mid-year population, plus any product taxes (minus subsidies) that are not included in the valuation of output. Poverty can be reduced if we have sustainable economic growth that increases the average income of the people.

Investment involves creating new capital goods or purchasing assets with the expectation that they will generate future income or appreciate in value. Foreign direct investment (FDI) refers to acquiring an ownership stake in a foreign company or project by an investor, corporation, or government from another country. Investment is vital for economic growth, enhancing a nation's productive capacity and resulting in greater output.

2.2 Theoretical review

Economic growth theory: Modern economists like Solow and Swan (1956) identified labour, capital, and technology as the driver of economic growth in any economy (Lawal, 2019). This study, therefore, examines the argument that corruption influences capital accumulation, technological progress, and the entire government process which determines the economic growth theory.

Theory of rent-seeking: First developed by David Ricardo in the 18th century, economic rent is a surplus that is not restricted to land only. It is the extra paid in excess of the value for the best alternative uses (Mauro, 1997). The case of multiple exchange rate practices in Nigeria, and foreign exchange allocation systems constitute economic rents. These happened where there are different exchange rates for importers, tourists, and people going on pilgrimage, investors, and exporters. Hence, creates room for round-tripping and artificial scarcity leading to economic rent.

Rent-seeking is arguably the root cause of the resource curse associated with oil-rich countries like Nigeria, because it drives ineffective government expenditure, low taxation, and investment, among other factors. Thus, the practice of government subsidies in the oil and gas sector creates a source of rents. The following diagram illustrates the transmission mechanism

of rent-seeking theory:

Transmission Mechanism: Rent-Seeking Theory

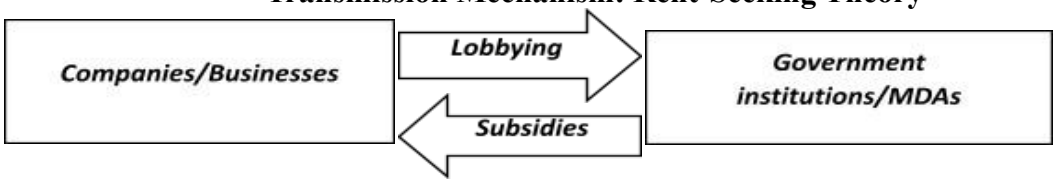


Figure. 1: Circle of Corruption in Private and Public Institutions
Source: Author's illustration

2.3 Empirical Review

Research indicates that corruption is a significant barrier to growth in West African Countries, Maker *et al.* (2023), investigated the effect of corruption on economic growth in Nigeria between 1986 and 2019. While the short-term results indicate a negligible correlation between corruption and growth in Nigeria, the long-term findings indicate that a rise in corrupt practices greatly hinders economic growth. Saeed *et al.* (2023), study shows that the high rate of corruption indicates that Ghanaian society is incredibly dishonest. The study found that corruption hinders moral decay, poor project and contract execution, economic growth and development, and public trust in government institutions.

Awadzie and Garr (2021), results indicate that the economy of Ghana will not grow significantly if corruption is not reduced to the minimum. The study suggested a political will in fighting corruption, as well as, removing corrupt government appointees from office. Ngutsav (2018) examined the impact of government spending and corruption on Nigeria's economic development using a vector error correcting mechanism. According to the study, corruption hinders Nigeria's economic development.

Asom and Ijirshar (2017) study noted how corruption in Nigeria has a detrimental effect on both cultural values and economic prosperity. The report suggests that the educational system be reoriented and that anti-corruption organizations be used effectively. On the other hand, Daniel (2018), used a multiple regression to investigate the impact of corruption on economic growth, in cross-sectional data for 101 developing countries from 2009 to 2015. The study found a negative impact of corruption on economic growth, but not statistically significant. While, investment has a significant influence on growth.

Other studies that support the hypothesis of "Sand the Wheels", includes; Miah *et al.* (2020), Susilowati *et al.* (2024), which indicates corruption hurts economic growth in Asian countries, except in the Central Asian region. The study used Two-Stage Least Square approach on panel data consisting of 43 Asian countries from the period 2012 to 2022.

Gründler and Potrafke (2019) examined the relationship between corruption and economic growth using data from 175 countries between 2012 and 2018. The findings indicate real per capita GDP will drop by 17% for every 1% increase in the CPI. Spyromitros and Panagiotidis (2021) measured the effects of corruption on the economic performance of 83 developing nations between 2012 and 2018 using AR (1) FM-OLS data processing techniques. According to the study, corruption prevents those developing nations' economies from growing.

Moderate corruption is considered a beneficial factor that can enhance economic growth. Research supporting the "Grease the Wheels" hypothesis includes studies by Lucarelli *et al*. (2024), which examine the evidence from Balkan nations (Romania, Bulgaria, North Macedonia, Serbia, Croatia, Slovenia, Turkey, and Greece). In the short-run, corruption improves economic growth and this could help in the fast-tracking bureaucratic processes, while in the long-run, corruption hurts economic growth, leading to economic, social, and political burdens.

Trabelsi and Trabelsi (2020); Mohamed (2021), demonstrates that both modest and high degrees of corruption might impede economic growth when they surpass an ideal threshold. Ighodaro and Igbinedion (2020) used panel fully modified ordinary least squares data from 2000 to 2018 to study corruption and economic growth in fifteen West African countries. The study found a positive impact of corruption on economic growth, supporting the "Grease the Wheels" hypothesis. Lawal (2019), study holds that corruption boosts economic expansion in the chosen African nations. In Fayad (2023), while some assessments suggest that corruption

has a significant effect on growth, others do not find any discernible effect. The study identified the legal system, economic development, and political system as factors that influence corruption's impact on economic growth.

3.0 Methodology and Theoretical Framework

The study uses econometric tools with secondary data based on a panel data set from 2012 to 2022 for three West African Countries (Nigeria, Ghana, and the Benin Republic). The study uses annual data and conducts a unit root test (ADF and PP) to ascertain that all variables have zero mean and constant variance. The choice of the period (2012-2022) is due to the rebasing of the corruption Perception Index (CPI) by Transparency International in 2012 on a scale of 0 to 100, with a lower value indicating higher corruption (0-highly corrupt), while countries that are corruption free are rated 100.

The International Country Risk Guide published by the Political Risk Services Group and the Quality of Government Institute also measured corruption. However, this study draws its corruption data from Transparency International because it embodies aggregated data from several sources to provide perceptions by business people and country experts about the level of corruption in the public sector (Transparency International 2023).

The study follows the corruption theories (rent-seeking theory and principal-agent theory) which explain the hypothesis of corruption as a "Grease the Wheels" of economic growth or "Sand the Wheels" of economic growth.

3.1 Model Specification:

The study adopted the model of Lucarelli *et al.* (2024)

$$Y = F(CPI) \quad \text{.....1}$$

Where Y represents economic growth, while CPI is the corruption perception index.

Also, the study is anchored on the Keynesian Model of economic growth which explains the indicators that drive growth in a closed economy. The model is specified as follows:

$$Y = F(C, I) \quad \text{.....2}$$

Where Y is the national income, C represents household consumption spending, and I is the investment. Relating the corruption theories to the economic growth theory we arrived at model (3) which represents the model of this study. It is specified as follows:

$$GDP = F(CPI, FDI) \quad \text{.....3}$$

Where GDP is measured by GDP per capita growth (annual %), CPI is the corruption perception index measured by Transparency International and FDI is the foreign direct investment, net inflows (% of GDP). All the variables (Y, CPI, and FDI) were sourced from World Development Bank Indicators.

The functional form represented in equation (3) is transformed into a mathematical equation (4) below:

$$GDP = \alpha_0 CPI^{\alpha 1} FDI^{\alpha 2} \quad \text{.....4}$$

This mathematical equation is translated to an econometric model in equation 5. The panel model of this study is shown below:

$$LGDP_{it} = \alpha_0 + \alpha_1 CPI_{it} + \alpha_2 FDI_{it} + \mu_{it} \text{.....5}$$

Where $t = (1,2,.....,11)$ signifies time and $i = (1,2,3)$ countries. $\alpha_0, \alpha_1, \alpha_2,$ are the parameters, and GDP is gross domestic product per capita growth (annual %). CPI is the corruption perception index, and FDI is the foreign direct investment.

3.2 Estimation Techniques

The first step is to determine the order of integration of all the variables using the Augmented Dickey-Fuller (ADF) and Phillips-Perron unit root test. The study adopted Panel-ARDL on the account that data are integrated at the level and first differenced. Hence, this allows the testing of the short-run and the long-run relationship.

3.2.1 Fixed Effect Model

The fixed effects model assumed that the individual-specific effect is correlated with the regressors. It recognizes the influence of variables that change over time (Miah, 2020). The coefficients of the fixed effects model or within-estimator include one-time-invariant intercepts for each cross-section country. That is the value of constants in the model changes for each of the three countries estimated in this study. The equation for the fixed effect (FE) model is given in equation (6).

$$Y_{it} = \beta_{it}\lambda_{it} + \alpha_{it} + \varepsilon_{it} \text{.....6}$$

Where Y_{it} is the dependent variable observed for each country at time t., λ_{it} is the two independent variables that are time-variant, α_{it} represent unobserved time-invariant individual effect, and ε_{it} is the error term.

3.2.2 Random Effect Model

The random effects model assumed that the unobserved individual effect or heterogeneity is uncorrelated with the regressors. In this case, the units from the population are taken randomly as representatives (Miah, 2020). The random effect is shown in equation (7).

$$Y_{it} = \beta_1 X_{it} + \alpha_i + \varepsilon_{it} + \mu_{it} \text{.....7}$$

Where ε_{it} is the between and μ_{it} is the within-entity error term

3.2.3 Panel-ARDL Model

Pesaran, Shin, and Smith (2001) expanded the Panel-ARDL model introduced by Pesaran and Shin (1999). The model is used to determine and analyze the long-run and short-run relationship. This approach is unique because the integration of data at level or first order or mixture allows an error correction mechanism to be derived from ARDL. The Panel-ARDL model for this study is given as follows:

$$\Delta Y_{it} = \alpha_{0it} + \alpha_{1it} CPI_{i(t-1)} + \alpha_{2it} FDI_{i(t-1)} + \sum_{j=0}^{n} \alpha_{3it} CPI_{i(t-1)} + \sum_{j=0}^{n} \alpha_{4it} FDI_{i(t-1)} + \sigma ECT_{i(t-1)} + \mu_{1it} \text{.....8}$$

Where σ representsthe coefficientof ECT in the model, μ_{1it} is the errorterm, Δ signifiesfirst differenceor order, $\alpha_{1it} and \alpha_{2it}$ are the long-runcoefficients,While, $\alpha_{3it} and \alpha_{4it}$ is the short-run

coefficient. The constant coefficient is represented by α_{0it} .

3.2.4 Hypothesis of the Study

H_0 = Corruption index score does not have a negative impact on economic growth

H_1 = Corruption index score has a negative impact on economic growth

Some of the studies reviewed (Maker *et al.*, 2023; Fayad, 2023; Saeed *et al.*, 2023; Asom & Ijirshar, 2017) show that corruption has a negative impact on economic growth.

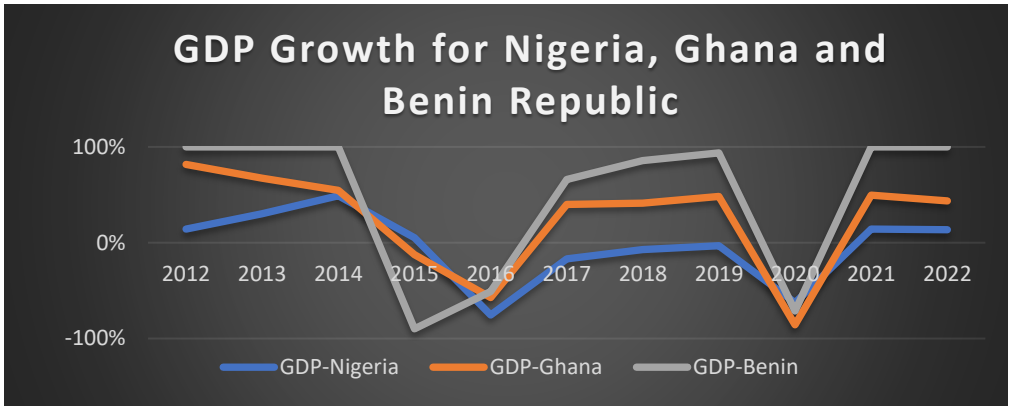
H_0 = Foreign direct investment does not have a positive impact on economic growth.

H_1 = Foreign direct investment has a positive impact on economic growth.

According to Gründler & Potrafke (2019); Spyromitros & Panagiotidis (2021); and Daniel (2018), Investment has a positive impact on economic growth.

4.0 Results and Discussion

4.1 Trend Analysis



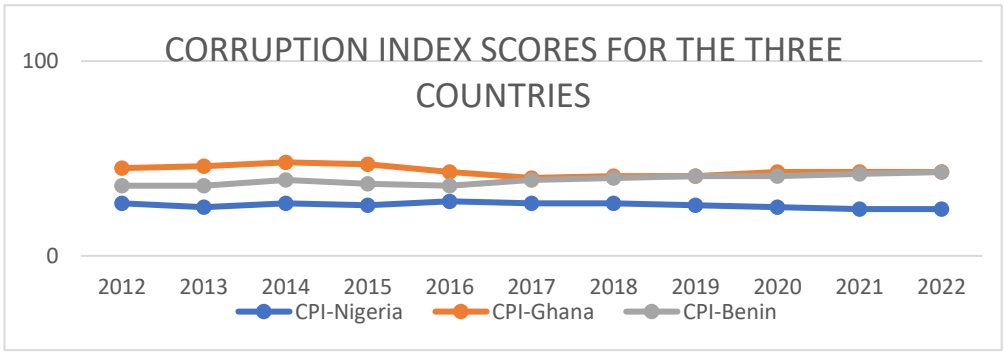


Figure 1: GDP per capita growth (annual %)

Figure 2: Corruption Perception Index Score.

Figure 1 indicates that Nigeria experienced negative GDP growth from 2015 to 2019. Additionally, due to the COVID-19 pandemic, Nigeria, Ghana, and the Republic of Benin all faced further negative GDP growth from 2019 to 2021. In Figure 2, it is evident that, despite

fluctuations in the struggle against corruption, Nigeria recorded more corruption cases from 2018 to 2022. Figure 2, equally highlights a significant decline in Ghana's efforts to combat corruption from 2014 to 2022. While the Republic of Benin made remarkable progress in its fight against corruption between 2016 and 2022.

Table 1: Descriptive Statistics

	GDP	CPI	FDI
Mean	1.723932	36.24242	2.510188
Std. Dev.	2.606621	7.893947	2.172610
Skewness	-0.402257	-0.360932	0.980139
Kurtosis	2.694184	1.611957	2.754577
Jarque-Bera	1.018555	3.365661	5.366520
Probability	0.600930	0.185847	0.068340
Observations	33	33	33

Source: Author's computation, using E-Views**,** 2025

The descriptive statistics presented in Table 1, show a total observation of 33 with CPI having the highest average value of 36.24, while GDP growth turned out with the lowest average of 1.72. The level of fluctuation is high in CPI as indicated by the standard deviation of 7.89, followed by GDP growth and FDI with a standard deviation of 2.61 and 2.17, respectively. The Jarque-Bera statistics and their probability values are greater than 5% significant level, meaning the null hypothesis of the normal distribution cannot be rejected.

Table 2: Panel Unit Root Test

Variables	Augmented Dickey-Fuller Test				Philips-Perron Test				Level of integration
	Level		First Difference		Level		First Difference		
	t-stat	P-value	T stat	P-value	T stat	P-value	T stat	P-value	
GDP Growth	16.0475	0.0135	34.4418	0.0000	15.1970	0.0188	41.8622	0.0000	I(0)
CPI	3.55068	0.7372	18.1816	0.0058	3.70757	0.7162	31.7751	0.0000	I(1)
FDI	12.9101	0.0445	20.4696	0.0023	18.5521	0.0050	36.2505	0.0000	I(0)

Note: Individual equations were estimated at a 5% significance level, without intercept and trend, and the Schwarz Info Criterion was the automatic lag selected.

Source: Author's computation, using E-Views**,** 2025.

Table 2 shows the panel unit root test which encompasses the Augmented Dickey-Fuller (ADF) test and Philips-Perron (PP) test. The test was conducted at a 5% significant level showing

GDP growth and foreign direct investment (FDI) to be stationary at level I(0), while corruption (CPI) is found to be stationary after the first difference I(1).

Having achieved the mixed order of integration we moved further to conduct the cointegration (bound test), fixed effect model and random effect model to establish whether a relationship exists among the variables in the three West African Countries. The cointegration, fixed effect and random effect estimates are presented in Table 3 and Table 4, respectively:

Table 3: Test of null hypotheses (There no relationship)

Variables	F-Statistics	Cointegration
F(CPI &FDI)	6.572888	
Critical Value	Lower Bound	Upper Bound
10%	3.17	4.14
5%	3.79	4.85
2.5%	4.41	5.52
1%	5.15	6.36

Source: Author's computation, using E-Views**,** 2025

The result of F-statistics (6.757) is higher than the 5% upper bound value (4.85) in Table 3. This result shows the existence of cointegration, a long-run relationship among the variables, as the null hypotheses cannot be accepted.Table 4: Estimate of Fixed Effects and Random Effects

Fixed effects model				Random effects model			
Variable	Coefficient	t-Statistic	Prob.	Variable	Coefficient	t-Statistic	Prob.
C	5.209481	0.759911	0.4537	C	-1.759904	-0.754629	0.4564
CPI	-0.144738	-0.756091	0.4559	CPI	0.072145	0.948057	0.3507
FDI	0.701185	1.857529	0.0738	FDI	0.346240	1.252257	0.2202
R-squared		0.314384		R-square		0.223598	
Prob(F-statistic)		0.027393		Prob(F-statistic)		0.022454	

Source: Author's computation, using E-Views**,** 2025

The condition to choose between fixed effects and random effects in analyzing the relationship among the variables depends on the result of the Hausman test. According to Table 5, the probability value of 16% is higher than the 5% significant level, therefore, we cannot reject the null hypothesis which favoured the random effects model.

The estimate of the random effects model presented in Table 4, shows that neither CPI nor FDI have a significant relationship with GDP growth as indicated by their probability values of 46% and 35%, respectively. However, both CPI and FDI show a positive relationship with GDP growth.

Table 5: Result of Hausman Test

Hausman Test			
Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	**3.707616**	**2**	**0.1566**

Source: Author's computation, using E-Views**,** 2025

Lag Order Selection Criteria

Table 6, presents the lag order selection criteria and according to sequential modified LR test statistic, final prediction error, Schwarz information criterion, Akaike information criterion, and Hannan-Quinn information criterion, one lag is estimated to be suitable for the conduct of cointegration or long run relationship.

Table 6: Lag Selection Criteria

VAR Lag Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-200.6591	NA	715.0359	15.08586	15.22984	15.12868
1	-135.8539	110.4090*	11.53167*	10.95214*	11.52807*	11.12339*
2	-126.9116	13.24775	11.93071	10.95642	11.96429	11.25611

Source: Author's computation, using E-Views**,** 2025

Results of the Panel-Autoregressive Distributive Lag Model

The estimates of the panel ARDL model presented in Table 7 showcase the long-run and short-run relationships among the variables. In the long-run, we observed a negative relationship between CPI and GDP growth, but not statistically significant. That is, a 1% increase in corruption index scores will cause GDP growth rate to fall by 0.54%, but not significant as specified by the probability value of 16% which is higher than the 5% significance level. Foreign direct investment shows a positive relationship with GDP growth but is not statistically significant at the 5% level.

In the short-run, a 1% increase in corruption index scores will lead to a 0.25% decrease in GDP growth, and it is statistically significant at a 5% level as revealed by the probability value of 0.6%. On the other hand, foreign direct investment portrays a positive impact on GDP growth, but is not statistically significant as the probability value shows 85%. The coefficient of error correction mechanism (ECM) is negative and significant at a 5% level, meaning it takes 54% speed of adjustment for equilibrium to be restored within one year.

Table 7: Long-run and Short-run Estimates

Variable		Coefficients	T statistics	Probability
Long- Run	CPI	-0.536605	-1.457054	0.1614
	FDI	0.102989	0.112628	0.9115

Short-Run	ECM	-0.534921	-4.033976	0.0007
	D(CPI)	-0.252032	-3.063428	0.0064
	D(FDI)	0.308653	0.192684	0.8493
	C	10.58174	4.213069	0.0005

Source: Author's computation, using E-Views, 2025

Findings

From the pooled data regression, we found support for the random effects model, as indicated by the Hausman test. The analysis reveals that corruption index score has a negative impact on GDP growth; however, this effect is not statistically significant. This finding aligns with the long-run Panel ARDL results, which also show an insignificant negative impact of corruption index scores on GDP growth. Overall, the study supports the "Grease the Wheel" hypothesis, as the short-run results indicate that 1% reduction in corruption is linked to an average 0.25% decrease in GDP growth. While corruption impedes economic growth in the long run, this effect is not statistically significant.

The corruption perception index (CPI) is measured on a scale of 0 to 100, where a higher score indicates lower levels of corruption. In three Sub-Saharan African countries, an increase in the corruption index score correlates with a decrease in GDP growth, showing that corruption a positive impact on economic growth in the short term. This finding aligns with the research conducted by Lucarelli *et al*. (2024), Ighodaro and Igbinedion (2020), Lawal (2019), and Igwike *et al.* (2012), which analyzed 8 countries, 15 West African countries, 18 African countries, and 100 countries, respectively. All studies support the "Grease the Wheel" hypothesis, which posits that a certain level of corruption can facilitate economic activity. Furthermore, Trabelsi and Trabelsi (2020) indicate that a moderate degree of corruption may also benefit economic growth.

On the other hand, foreign direct investment shows a positive impact on GDP growth, both in the short-run and long-run, but not statistically significant.

5.0 Conclusion and Policy Recommendations

This study was set to test Sand the Wheels and Grease the Wheels" hypothesis. The findings from study supports the "Grease the Wheel" hypothesis, as the short-run results show that 1% reduction in corruption is linked to an average 0.25% decrease in GDP growth. While corruption impedes economic growth in the long run, this effect is not statistically significant. Based on these findings, the study puts forth the following policy recommendations:

It is crucial to strengthen the justice system to ensure that offenders are appropriately punished. Establishing a special court for corruption cases and setting timelines for prosecuting corruption-related matters is essential.

Government institutions, along with agencies and commissions responsible for prosecuting corruption-related offenses, should be reinforced through constitutional amendments. The military, police, and other paramilitary forces, should implement internal mechanisms to combat corruption.

Government should demonstrate transparency and accountability through digital governance. Encouraging civic engagement, policy consistency, public participation in monitoring corruption and reducing bureaucratic red tape.

REFERENCES

Asom, S. T., & Ijirshar, V. U. (2017). The impact of corruption on economic growth and cultural values in Nigeria: A need for value re-orientation. *CARD International Journal of Management Studies, Business & Entrepreneurship Research.* 2(1), 91-113.

Awadzie, D. M., & Garr, D. K. (2021). The Impact of Corruption on Economic Growth in Ghana, *International Journal of Economics, Business and Management Research*, 5(6), 191-199.

Daniel, A. (2018). The Impact of Corruption on Economic Growth in Developing Countries. *Erasmus University Rotterdam, Faculty of Social Sciences,* 1-83.

Fayad, N. M. (2023). Evidence on the Impact of Corruption on Economic Growth: A Systematic Literature Review. *BAU Journal –Creative Sustainable Development*, 4(2), 1-21.

Gründler, K., & Potrafke, N. (2019). Corruption and Economic Growth: New Empirical Evidence, CESifo Working Paper, No. 7816, *Center for Economic Studies and Ifo Institute (CESifo),* Munich, Germany

Ighodaro, C., & Igbinedion, S. (2020). Corruption and Economic Growth in West Africa. *JEJAK: Journal of Economics and Policy*, 13(2), 265-279.

Lawal, F. (2019). Impact of Corruption on Economic Growth: A Panel Data of Some Selected African Countries. *Dalarna University*, 1-44.

Lucarelli, S., Muco, K., & Valentini, E. (2024). Short Run and Long Run Effects of Corruption on Economic Growth: Evidence from Balkan Countries. *Economics,* 12(4), p.86.

Makar, T. A., Ngutsav, A., Ijirshar, V. U., & Ayaga, J. M. (2023). Impact of Corruption on Economic Growth: An Empirical Evidence from Nigeria. *Journal of Public Administration, Finance and Law,* 27(2), 254-276.

Marie, C. (2014). The Impact of corruption in growth and Inequality. Transparency International. Mauro, P. (1997). Why Worry About Corruption? Retrieved from International Monetary Fund.

Miah, M. M., Ratna, T. A., & Majumder, S. C. (2020). The Impact of Corruption on the Economic Growth in Bangladesh, India and Pakistan: An ARDL Approach, *International Journal of Management and Production*, 12(8), 236-269.

Mitnick, B. M. (2005, rev. 2013). Origin of the theory of agency: an account by one of the theory's originators. Available at SSRN: http://ssrn.com/abstact=1020378 or http://dx.doi.or/10.2139/ssrn.1020378 (accessed 21 January 2014).

Mohamed, A.T. (2021). The impact of corruption on economic growth: A Nonlinear Evidence. *Research Square*, 5(1), 10-21.

Ngutsav, A.S. (2018). Corruption, government expenditure, and economic growth in Nigeria. *Lafia Journal of Economics and Management Sciences,* 3(1), 41-55.

Saeed, A. S., Wahaga, E. & Yankey, G. (2023). Corruption under a Microscope, a Ghana Perspective. *International Journal of Development and Management Review*, 18(1), 100-114.

Spyromitros & Panagiotidis (2021). The Impact of Corruption on Economic Growth in Developing Countries and a Comparative Analysis of Corruption Measurement Indicators*. Cogent Economics & Finance,* 10(1), 12-28.

Susilowati, I., Wicaksana, T., Imantria, B., Febi, A. & Anjarsari, L. (2024). Does Corruption Hinder Economic Growth? A Simultaneous Analysis. *Economic Development Analysis Journal*, 13(2), 211-223.

Trabelsi, M.A. & Trabelsi, H. (2020). At what level of corruption does economic growth decrease? *Journal of Financial Crime*, 28 (4), 1317-1324.

World Justice Project (October 4, 2023). Monitoring and Fighting Corruption in Nigeria: A year of impact with TransparencIT. worldjusticeproject.org