

The Impact of Trade Liberalisation On Corruption in Nigeria (1990-2022)

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ABSTRACT: *The Nigerian economy needs more investment, even after adopting a policy of trade liberalisation. Foreign capital inflows could help, but corruption is a major barrier. This study focused on how trade liberalisation affects corruption in Nigeria from 1990 to 2022. Secondary data collected from the Central Bank of Nigeria Statistical Bulletin report 2022. while data on control of corruption was sourced from World Governance Indicator and the data were analyzed applying the auto-regressive distributed lag model (ARDL). The results from the ARDL estimates demonstrated that in the short run at 5% critical value, trade liberalisation had a significant and positive impact on corruption ($\Delta TLP (-2) = 0.7076; p=0.0031$) while in the long run trade liberalisation (TLP) was insignificant in influencing corruption in Nigeria. Consequently, the study concludes that anticorruption policies and trade liberalisation separately reduce corruption in Nigeria. The study therefore recommends that the recent fiscal policy of the government towards autarky is ill-advised as result of the findings of this study which has confirmed that trade liberalisation entails policy direction that enhances the capacity of the economy to attract foreign capital inflows.*

KEYWORDS: Trade liberalisation, Corruption, Capital inflow, Autoregressive Distributed Lag.

JEL Classification Codes: D73, F13, F43, P33.

INTRODUCTION.

Many governments of less developing countries (LDCS), especially Nigeria, are increasingly adopting Trade Liberalisation as a key factor for economic growth. Nevertheless, the relationship between openness to international trade and economic growth is not straightforward. Different theoretical models suggest that trade can boost growth, but the empirical evidence is inconclusive or vague (Eleanya, 2013). Trade liberalization aims is to facilitate international trade by reducing

or removing barriers between countries. These barriers comprise tariffs (taxes) and quotas. Trade liberalisation and capital inflows are expected to promote growth and reduce poverty in different economies. However, trade policy should not be designed with a narrow focus on the direct effects on poverty. It must be based on a sound overall framework (Ijeoma, 2013 & Winters, 2002). Sub-Saharan Africa faces an urgent need to adopt robust and adaptable reforms. These reforms should focus on improving revenue generation, promoting transparency, embracing digitalization, fostering trade integration, encouraging healthy competition, ensuring effective governance, and addressing climate change mitigation. This call to action was highlighted by the IMF in 2021. The projected growth rate for the region is 3.1 percent, primarily fueled by increased exports and higher commodity prices due to the global economic recovery. Additionally, there is an anticipated recovery in private consumption and investment.

However, some authors (Treisman, 2000; Elliott, 1997; Leiken, 1997) argued that trade liberalisation could have increased the chances of corruption and made it harder to detect because advancement in electronic commerce, technology and offshore financial sector development (Beare & Williams, 2000). The economy is prone to corruption when the government has a lot of power and discretion in interpreting and applying the rules (Canada- European Union Comprehensive Economic and Trade Agreement CETA,2011).

Hampton (1996) also pointed out the international aspect of the problem, saying that economic globalization can encourage corruption by increasing the flow of ‘fugitive capital’ through the ‘offshore interface’ of tax havens and offshore financial centres, which makes it easier to hide the profits from corrupt deals (Harriss-White & White, 1996). After liberalisation and increased capital inflows, corruption in Nigeria did not decrease; rather, it may have gotten worse. This contradicts the expected decline in corruption in a liberalized Nigerian economy and its negative effects on growth and development.

Based on the preceding information, this study endeavors to fill the existing research gap by investigating the impact of trade liberalization on corruption in Nigeria from 1990 to 2022, where corruption has increased after liberalisation. Hence, the primary objective of this paper is to analyze the influence of trade liberalization on corruption within Nigeria. Following the introduction which constitutes Section One, Section Two- contains literature reviews, Section Three describes methodology, while Section Four presents the results and discussion, and Section Five provides the summary & conclusion.

LITERATURE REVIEW

Theoretical Literature

Economists have divergent views on the impact of corruption on economic growth, the theory includes:

The "grease-the-wheels" hypothesis posits that corruption may yield a beneficial impact on growth by decreasing bureaucratic hurdles and expediting decision-making processes. Proponents of this view argue that corruption can help to overcome rigidities in the administrative system and facilitate investment and other economic activity.

The "sand-the-wheels" hypothesis another school of thought, known as argues corruption adversely affects economic growth. Proponents of this view argue that corruption distorts the allocation of resources, undermines the rule of law, and reduces incentives for innovation and investment. They also argue that corruption can lead to higher costs for businesses and consumers and can reduce public trust in the government. These theories provide a variety of perspectives on the causes of corruption. It is important to note that corruption is a complex phenomenon, and there is no single theory that can fully explain all its causes.

The helping hand theory of corruption, on the other hand, argues that corruption can promote FDI in some cases. This is because corrupt officials may be willing to provide foreign investors with special favour, such as access to cheap land or labour, or preferential treatment in the awarding of contracts. This theory argues that corruption in an economy is like a grabbing hand that raises the costs of doing business According to this theory, the need for foreign investors to obtain government licenses, market access, and contracts, creates an additional cost to investors. Thus, corruption disrupts the efficient allocation of resources, increases business operating cost and reduces the revenue-generating potential of foreign direct investment (Zhao, Kim & Du 2003; Wei 2000; Shleifer & Vishny,1993). Consequently, corruption is seen as a tax or dual-edged sword which reduces both the quantity and quality of foreign direct investment (Sarkar & Hasan, 2001).

Empirical Literature

Gatti (2004) analyzed the relationship among trade openness, capital flows and corruption. Utilizing the panel estimation technique, the finding observed an insignificant relationship between trade openness and corruption. Egunjobi (2013) used Granger causality and impulse response functions from a vector autoregression (VAR) model to analyze the links between corruption and economic growth as from 1980 to 2009 in Nigeria. The analysis findings indicated a unilateral causal connection from economic growth to corruption. Additionally, it was found that corruption has a direct and substantial detrimental effect on economic growth. Furthermore, corruption was found to have an indirect adverse impact on capital expenditure per worker, foreign private investment, and educational expenditure.

Allege, Adamu and Muhammad (2014) explored the link between corruption and economic development in Nigeria. Using descriptive statistics, the findings of the study showed significant reductions in corruption levels in Nigeria through the implementation of anti-corruption policies by the government. More so, the results confirm that corruption is negatively correlated with economic growth and the study noted that corruption in Nigeria hinders economic development and efficiency, results in loss of revenue, creates negative national image and devalues the quality of human life.

Muhammad (2014) examined the link between corruption and trade in a panel data analysis of 146 countries between 1984 to 2007. Specifically, the study attempts to examine the non-monotonic links between trade and corruption as well as the significance of complementary policy reforms in the relationship between corruption and trade. The study's results revealed that trade has a direct linear relationship with corruption, meaning that as trade increases, corruption tends to rise. However, when considering a non-linear specification, the impact of trade on corruption diminishes.

Ibrahim and Okunade (2016) utilized vector autoregression to examine the impact of corruption on economic development in Nigeria from 1980 to 2013. Their findings suggest that corruption has a notable and positive influence on long-term economic growth. Nonetheless, no significant impact is observed in the short term. In their (2018) study, Ben *et al.* examined how corruption influenced economic sustainability and growth in Nigeria between 1999 and 2016, utilizing the ordinary least squares regression method for estimation. Their findings revealed that corruption had a notable and positive influence on both economic growth and sustainability, implying that corruption contributes to sustainability and growth in Nigeria.

In their study conducted in 2020, Lawal, George, Oseni, and Okunleye examined the correlation between corruption and economic growth in Nigeria spanning from 1987 to 2017. Employing the ordinary least squares estimation technique, they found that corruption had an adverse and statistically significant impact on Nigeria's economic growth. Ahmend and Shujaat (2022) found a link between trade liberalization and poverty in Pakistan using the feasible generalized least square (FGLS) method. They concluded that trade policies are associated with poverty due to lower participation in the external market.

In their investigation, Dan'asabe and Mustapha (2023) explored the implications of financial development, trade openness, and economic growth in Nigeria. The researchers utilized the Auto-Regressive Distributed Lags (ARDL) and Bound test methodology to analyze the data. The results of the study confirmed a long-term cointegration between financial development (FD), trade openness, and economic growth. Additionally, the analysis unveiled that both financial development (FD) and trade openness exert positive and significant effects on economic growth.

Specifically, the effects of FD were observed in the short term, while the effects of trade openness became evident in the long term.

Moreover, Egunjobi (2013), Allege, Adamu & Muhammad (2014) and Lawal *et al* (2020) examined the influence of corruption on economic growth in Nigeria utilizing various variables and methodologies. the study's outcomes demonstrated a significant and negative effect of corruption on Nigeria's economic growth. However, according to the findings of Egunjobi (2013), it was revealed that corruption had a positive and significant impact on economic sustainability, which may be because of range of variable or estimation method adopted that might have affect the result.

The review of literature from the Nigerian economy showed research has explored the intricate connections between corruption, economic growth, and poverty. While some studies have primarily focused on the correlation between corruption and economic growth, some researchers have explored the correlation between trade openness and economic growth, whereas only a handful have investigated how corruption affects poverty levels. While studies are actually rare on the impact of trade liberalization on corruption in Nigeria.

METHODOLOGY

Theoretical framework and Model Specification

The theoretical framework utilized in this study is the Helping Hand theory of regulation, as applied by Kaufmann and Wei (1999) and modified by Ardiyanto (2012), explains how corruption can be a lubricant that reduces the negative effects of strict economic policies and government bureaucracy on foreign investment. The theory assumes a corrupt government officer and a firm that interact in a bribery game. The government officer decides how much red tape delay to impose on the firm, which can be reduced by paying a bribe. The firm, which takes the bribe price as given, decides how much bribe to pay to maximize its profit after paying the bribe. The equilibrium levels of bribe and red tape delay are determined by backward induction (see Ardiyanto, 2012). In which will be the bases of equation postulating in achieving the impact of trade liberalisation on corruption in Nigeria.

Hence, the Model Specification to examine the impact of trade liberalisation on corruption, this study adopts the model by Soudis (2009) which is specified as:

$$COR = f(OPN, X) \quad 3.1$$

In equation (3.1) *COR* is corruption, *OPN* is the trade openness, which is proxy for trade liberalisation, while *X* refers to controlled variables which include per capita income (*PCI*) and inflation rate (*INF*) (Abu & Staniewski, 2019; Kurul & Yalta, 2017). Incorporating trade liberalisation policy and the control variables into the model becomes:

$$COR = f(TLP, OPN, PCI, INF) \quad 3.2$$

Equation (3.2) is expressed in estimation form, then we have:

$$COR_t = \lambda_0 + \lambda_1 TLP_t + \lambda_2 OPN_t + \lambda_3 PCI_t + \lambda_4 INF_t + \nu_t \quad 3.3$$

In the context of co-integration and error correction, we consider the Autoregressive Distributed Lag (ARDL) approach modeling technique, equation (3.3) is written as:

$$\Delta COR_t = \lambda_0 + \lambda_1 \sum_{i=1}^q \Delta TLP_{t-1} + \lambda_2 \sum_{i=1}^q \Delta OPN_{t-1} + \lambda_3 \sum_{i=1}^q \Delta PCI_{t-1} + \lambda_4 \sum_{i=1}^q \Delta INF_t + \eta_1 COR_{t-1} + \eta_2 TLP_{t-1} + \eta_3 OPN_{t-1} + \eta_4 PCI_{t-1} + \eta_5 INF_{t-1} + \nu_t \quad 3.4$$

Where λ_0 represent the drift component in the equation; the summation signs η_i denote the error correction dynamics part of the equation, while the following segment of the equations pertains to the long-term relationship, ν_t represents the random disturbance.

The estimation of the short-run relationship among the variables in equation 3.4 is conducted using the error correction equation.

$$\Delta COR_t = \lambda_0 + \lambda_1 \sum_{i=1}^q \Delta TLP_{t-1} + \lambda_2 \sum_{i=1}^q \Delta OPN_{t-1} + \lambda_3 \sum_{i=1}^q \Delta PCI_{t-1} + \lambda_4 \sum_{i=1}^q \Delta INF_t + \mathcal{G}ECM_{t-1} + \nu_t \quad 3.5$$

The is error correction term ECM_{t-1} in the equation for the short-run model.

Estimation Techniques.

To examine the impact of trade liberalisation on corruption in Nigeria, the adoption of ARDL approach to co-integration and the error correction modeling technique, equation (3.4) was employed.

$$\Delta COR_t = \lambda_0 + \lambda_1 \sum_{i=1}^q \Delta TLP_{t-1} + \lambda_2 \sum_{i=1}^q \Delta OPN_{t-1} + \lambda_3 \sum_{i=1}^q \Delta PCI_{t-1} + \lambda_4 \sum_{i=1}^q \Delta INF_t + \eta_1 COR_{t-1} + \eta_2 TLP_{t-1} + \eta_3 OPN_{t-1} + \eta_4 PCI_{t-1} + \eta_5 INF_{t-1} + \nu_t \quad 3.6$$

The rationale for employing this estimation approach is supported by several factors. The ARDL approach offers the advantage of obviating the need for examining pre-testing variables within the model for unit roots sets it apart from alternative cointegration methodologies such as the two-step residual-based procedure introduced by Engel and Granger (1987) and Johansen's (1988) system-based reduced rank regression approach. The methodologies typically necessitate variables to be integrated of order one, as underscored by Narayan and Narayan (2003). Moreover, the ARDL co-integration approach is applicable irrespective of whether the variables are purely I (0), purely I (1), or mutually integrated. Furthermore, the ARDL estimation technique is impartial and exhibits

comparatively superior efficiency in small or finite sample sizes, this is demonstrated in the present study conducted by Oteng-Abayie & Frimpong (2006) and Narayan & Narayan (2003).

Thirdly, the ARDL co-integration approach allows for the simultaneous estimation of both the short-term and long-term components of the regression model. By conducting simultaneous estimation, the ARDL approach helps to alleviate concerns pertaining to omitted variables and autocorrelations, as highlighted in the study by Narayan & Narayan (2003).

Finally, a dynamic error correction model (ECM) term is derivable from the ARDL estimate. According to Banerjee and Newman (1993), the error correction term in the model combines the short-term dynamics with the long-term dynamics without sacrificing the important information about the long-run relationship.

Source of data and measurement of variables

To assess corruption (COR) levels, a corruption index will be utilized from the Transparency International report, Per capita income (PCI) is measured as the ratio of real gross domestic product (GDP) to population estimate, Trade openness (OPN) will be assessed by computing the proportion of total trade (exports plus imports) relative to real gross domestic product (GDP), and Inflation rate (INF) using the consumer price index (CPI), all are obtained from the Central Banks of Nigeria statistical data. The trade liberalization policy (TLP) will be measured using a dummy variable: one representing the period when trade policy was implemented in Nigeria.

RESULTS AND DISCUSSION

The ARDL and Granger Causality tests were used as estimation techniques for the study. The outcome of the estimation of the relationship between trade liberalisation on corruption in Nigeria from 1990 to 2022 were presented and discussed below:

Descriptive Statistics

The descriptive statistics for each series used in the study were presented in Table (1) and briefly discussed thereafter.

Table 1: Descriptive Analysis of trade liberalisation on corruption in Nigeria from 1990 to 2022

	TLP	OPN	COR	PCI	INF
Mean	0.84849	36.3176	18.3820	288497.7	107.635
Median	1.00000	36.0587	17.0000	288530.7	66.4379
Maximum	1.00000	53.2780	28.0000	385349.0	499.358
Minimum	0.00000	20.7225	6.90000	202704.0	2.41391
Std. Dev.	0.36411	8.70721	6.93026	67901.6	118.6544
Skewness	-1.94386	0.12373	-0.04383	0.00108	1.69628
Kurtosis	4.77857	2.30821	1.43214	1.33546	5.62551
Jarque-Bera	25.1317	0.74225	3.39059	3.80972	25.3037
Probability	0.0000	0.68996	0.18355	0.14884	0.0000
Observations	33	33	33	33	33

Source: Authors' computation, (2024).

Table (1) presents the statistical features of each of the series used in this study. The variable which did not show lots of variability (judging by the standard deviation) is inflation (INF). By employing the Jarque-Bera test to assess the normality of variables, we can determine if their distribution deviates significantly from normality. A positive value is always obtained from this test. A non-negligible value indicates that the sample data does not follow a normal distribution. Consequently, Table 1 demonstrates that all variables exhibit a normal distribution (that is, OPN, COR, PCI, INF) while TLP were not normally distributed.

Correlation Analysis

To mitigate potential multicollinearity issues arising from closely related independent variables, the variables utilized in this study were carefully examine, a correlation analysis was conducted, and the result was presented in Table (2), with a brief discussion.

Table 2: Correlation Matrix for trade liberalisation on corruption in Nigeria from 1990 to 2022

Correlation	TLP	OPN	COR	PCI	INF
TLP	1.00000				
OPN	0.18369	1.00000			
COR	0.50967	-0.35745	1.00000		
PCI	0.42924	-0.39078	0.74762	1.00000	
INF	0.44640	-0.31447	0.65224	0.69022	1.00000

Source: Authors' computation, (2024).

Table (2) displays the findings of the correlation analysis. The findings revealed that there was no evidence of multicollinearity in any of the models that incorporated the independent variables, given that their correlation coefficients were not above 0.80, according to Kim (2019).

Unit Root Test

In this investigation, two varieties of unit root tests were employed: the Augmented Dickey-Fuller (ADF) test and the Phillips-Perron (PP) test. The outcomes of these tests indicated that the series examined were mainly stationary after taking their first differences, implying that they no longer had a unit root. This finding aligns with the requirement for the application of ARDL by Pesaran & Shin (2001), it accommodates both uniformly integrated series and series with a combination of integration orders (with a maximum of I (1)). The unit root test results are provided in Table 3.

Table 3 Unit Root Tests

Augmented Dickey-Fuller (ADF) LEVEL	LEVEL			PP Unit Root Test LEVEL		
	Constant	Constant & Trend	None	Constant	Constant & Trend	None
<i>lfdi</i>	-2.3762	-2.9123	-0.5744	-2.6302	-2.5729	-0.4724
<i>lopn</i>	-2.8232	-3.3251	-0.2538	-2.8591	-3.2771	-0.2699
<i>lcor</i>	-2.0211	-3.9487**	0.2712	-1.7920	-3.7424**	1.3008
<i>lkmz</i>	-1.1141	-1.6113	1.9346	-0.4268	-1.5871	3.7613
<i>pop</i>	-1.7669	-4.4344***	0.6631	-1.2902	-1.7018	-0.0547
<i>lpci</i>	-0.8741	-1.7556	1.2630	-0.5996	-1.8130	1.3266
<i>linf</i>	-2.3842	-3.5874**	1.4025	-2.3885	-3.4724	1.4118
<i>lcoc</i>	-1.7417	-0.7795	0.5865	-1.5038	-0.9569	0.8280
FIRST DIFFERENCE	FIRST DIFFERENCE			FIRST DIFFERENCE		
<i>lfdi</i>	-6.9158***	-7.0460***	-7.0322***	-7.1917***	-7.9836***	-7.3224***
<i>lopn</i>	-6.5054***	-4.7175***	-6.6071***	-10.3754***	-14.5973***	-9.8260***
<i>lcor</i>	-5.2227***	-5.1499***	-7.1027***	-13.9388***	-14.1337***	-8.1795***
<i>lkmz</i>	-2.4207	-2.4210	-1.2741	-2.4194	-2.2978	-1.2593
<i>pop</i>	-2.1777	-1.7140	-2.0202**	-2.0310	-1.9606	-2.0953**
<i>lpci</i>	-2.9783**	-2.9162	-2.6689***	-2.9557	-2.8744	-2.574**
<i>linf</i>	-8.7377***	-6.0256**	-7.9197***	-9.7947***	-18.1012***	-7.9768**
<i>lcoc</i>	-2.7823	-11.6180***	-2.6317**	-9.3953***	-10.5980***	-8.7120***

Source: Computed by researchers' (2024).

Note: *** and ** indicate significance at the 1% and 5% levels, respectively. All variables have been transformed to their natural logarithm form.

Table 4 Bounds Test of cointegration for trade liberalisation and corruption in Nigeria from 1990 to 2022.

F-Stat	4.636289	
	I(0) Bound	I(1) Bound
10%	3.03	4.06
5%	3.47	4.57
2.5%	3.89	5.07
1%	4.4	5.72
Long-run relationship?	Yes	

Source: Researchers' computation (2024)

To confirm the presence of a long-run relationship in the series, a bounds test of cointegration was conducted, and the result was presented in Table 4. The result showed that F-stat is greater than the upper and lower bounds, it was concluded that there is a presence of a long-term relationship between trade liberalisation and corruption.

Table 5 ARDL Result for trade liberalisation on corruption in Nigeria from 1990 to 2022

Dependent Variable: *COR*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Short-run results				
$\Delta (COR(-1))$	10.426891	4.918764	2.119819	0.1014
$\Delta (TLP)$	14.108163	8.020091	1.759103	0.1534
$\Delta (TLP(-1))$	13.937155	3.497602	3.984775	0.0163**
$\Delta (TLP(-2))$	0.707607	0.105486	6.708077	0.0031***
$\Delta (TLP(-3))$	1.628769	0.459090	3.547824	0.0238**
$\Delta LINF$	10.216108	3.217667	3.175005	0.0337**
$\Delta (LINF(-1))$	0.772297	1.831928	0.421576	0.6950
$\Delta (LINF(-2))$	3.561852	1.049525	3.393775	0.0274**

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Δ (LINF(-3))	-0.276503	0.133570	-2.070099	0.1072
Δ (OPN)	0.502380	0.194662	2.580784	0.0613
Δ (OPN(-1))	-8.874296	2.988302	-2.969678	0.0412**
ECT	-0.486992	0.158518	-3.072155	0.0073***
Long-run results				
TLP	-4.275759	5.473640	-0.759103	0.4784
LPCI	-27.783426	4.794834	-5.794450	0.0044***
LINF	14.152666	2.273977	6.223752	0.0034***
OPN	2.641753	5.798273	0.455610	0.6723
C	-371.900335	58.085509	-6.402635	0.0031***
F-stat	10.03914			
	(0.0185) **			
Adj R ²	0.8179			
J-B stat.	1.06896			
	(0.5860)			
Breusch-Godfrey Serial Correlation LM test	9.7358			
	(0.2304)			
Breusch-Pagan-Godfrey Heteroskedasticity test	0.6394			
	(0.7839)			
Lag selection (SIC)	2, 3, 1, 3, 4			

Source: Researchers' computation (2024)

Note: Values in parenthesis are probability values

Note: *** and ** imply significance at 1% and 5% respectively.

Short run result.

Trade liberalisation policy (TLP) exerts a positive effect on corruption (COR) up to the third year. While the immediate impact does not exhibit statistical significance at a 5% level, the lag effects were significant at the 5% level. From the estimates, for a one percent rise in TLP, COR rises by

about 14.1 percent in the immediate period but was not statistically significant. The effect of TLP on COR becomes more pronounced in the following year, up to the third year. In specific terms, the effect of a percentage rise in TLP on COR rises by 13.9 percent, 0.71 percent and 1.63 percent respectively. These positive (lag) effects are significant at 5% level. It is observed that inflation (INF) is positively related to COR in the immediate period. That is, for every one percent rise in INF, COR rises by 10.22 percent contemporaneously. Similarly, in the lagged two periods, the impact of inflation on corruption (COR) exhibited a positive and statistically significant relationship. This indicates that a one percent increase in the inflation rate is anticipated to increase corruption by 3.56 percent. The contemporaneous and second-year effects were statistically significant at 5% level. However, the first and third lagged values of the inflation rate were found to be statistically insignificant in their effect on corruption. The effect of openness (OPN) is contemporaneously positive but not significant. The year-ahead effect on COR is negative and statistically significant. More specifically, a one percent rise in OPN indices about 08.8743 percent decline in COR after the first year. In this model, the observed error correction term (ECT) is significant at the 5% level and exhibits a negative relationship with the variables, and it is also less than one. This indicates that if there is a disturbance to the system in the current year, approximately 62 percent of that disequilibrium is rectified in the following year to restore equilibrium.

Long run result

The long-run estimates show that TLP exerts a negative effect on COR. From the estimated output, for every percent rise in TLP, COR falls by about 4.28 percent. This effect does not exhibit statistical significance at 5% level. The estimated output shows that PCI exerts a negative effect on COR. The above result, for every one percent increase in PCI, COR decreases by about 27.78 percent. This result is statistically significant given that the p-value of the t-stat of the estimated coefficient of 0.0044 is less than the threshold of 0.05. The estimated coefficient for INF shows a positive relationship with COR. From the result, for every one percent rise in INF, COR rises by about 14.15 percent. This effect is statistically significant at a 5% level. Additionally, OPN exerts a positive effect on COR. The estimated coefficient shows that for every one percent rise in OPN, COR rises by about 2.64 percent. This effect is not significant at the 5% statistical level.

The adjusted R-square of the model suggests that approximately 81.8 percent of the variations in corruption perception in Nigeria can be explained by trade liberalisation policy, trade openness, and inflation. Post-estimation results show that the error is normally distributed, given a Jarque-Berra (J-B) test that is not statistically significant. Additionally, the Breusch-Godfrey, Breusch-Pagan-Godfrey tests indicate that the error is not affected by serial correlation and Heteroskedasticity respectively.

CONCLUSION AND RECOMMENDATION

This study examined the impact of trade liberalisation on corruption in Nigeria from 1990 to 2022. The study employed the ARDL estimation technique to analyze the impact of trade liberalization on corruption.

This relationship was found to exist in the long run given the result of the bounds test. More specifically, the study found that trade liberalization had a significant and positive impact on corruption in the short term. Nevertheless, over the long term, the impact was negative and lacked statistical significance. In addition to the long-term relationship, it was observed that trade liberalization and corruption exerted a positive short-term effect but a negative in the long-term effect.

Thus, the recommends to the policy makers that the recent fiscal policy of the government towards autarky is ill-advised based on the results obtained from this study, it can be concluded that trade liberalisation is a policy direction that enhances the capacity of the economy to attract foreign capital inflows. Hence trade liberalisation policy should encourage more trading among nations, Addressing the high and escalating level of corruption in the country necessitates a resolute response from the government. This entails establishing robust institutions and frameworks to combat corruption effectively. The government should demonstrate a strong commitment to transparency, accountability, and good governance. Additionally, policymakers must implement measures to mitigate the rising inflation rates in the country.

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