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Economic Analysis of Borrowing, Corruption and Inflation in Nigeria

ThankGod Oyinpreye Apere (Ph.D)
Department of Economics Niger Delta University Wilberforce, Bayelsa State
toapere@rocketmail.com

Warlice Joel Uche (Ph.D)
Directorate of Consultancy, Entrepreneurship, Research and Development (DOCERAD)
Niger Delta University, Wilberforce Island, Bayelsa State
Warlice_joe@yahoo.com

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ABSTRACT: *This study investigates the impact of borrowing and corruption on inflation in Nigeria. with annual time series data over the period 1990 to 2022 obtained from CBN statistical bulletin 2022, World Bank Economic Outlook 2022 were employed. This study employed two distinct analytical techniques namely the Error Correction technique. The results indicate that external debt could result in inflation or reduce inflation depending on the prevailing economic condition. On the other hand, domestic debt has a positive influence on the country's inflationary woes as increase in domestic debt produces increase in inflation. Also the study finds that corruption increase the cost of goods and services and external debt could result in inflation or reduce inflation depending on the prevailing economic condition. The findings also show that domestic debt has a positive impact on inflation as such, increase in domestic debt increase in inflation. The recommends that in order to reap the benefits of foreign debt and reduce the debt load, the Nigerian government must secure political and economic stability and additionally, the nation's ongoing democracy and the battle against corruption should be maintained.*

KEYWORDS*:* pubic deficit, corruption, inflation, fiscal theory, price level, borrowing

INTRODUCTION

Inflation invariably increases income inequality in society, which may lead to an expansion of corruption. On the other hand, there can be a bilateral impact of the link between inflation and corruption. The rise in corruption causes a decrease in public incomes (capital stocks leave the country, reducing the resources that can be taxed and, consequently, tax revenues) as well as an increase in public expenditures (in the economies where corruption is prevalent, the government carries out more public expenditures as they cannot be used effectively and pursuant), which can all lead to inflation (A-Marhubi, 2000). Furthermore, as an extra cost factor, corruption may result in an increase in the general level of pricing.

Even when countries have rigorous monetary policies, inflation can nevertheless happen. In other words, a government may purposefully increase its debt load in an effort to influence its central bank to implement an expansionary monetary policy. In a similar vein, Miller (1983) found that inflation is caused by a rise in the budget deficit because of the way the private sector responds to the government's increased borrowing. When borrowed money is used to pay for the goods and services the private sector needs, it particularly affects the outcomes of its efforts. Since the same amount of money can only buy so many products and services under these conditions, seigniorage is not being generated, yet there is still a significant amount of inflation. The central bank's independence has increased as a result of the development of institutions and policies, which also enhances the use and relevance of alternative public funding channels (Elkamel, 2019).

There are various approaches to demonstrate how corruption leads to the misappropriation of public funds. For instance, tax evasion and high tax collection costs may have a detrimental effect on tax revenue collection for the government. Government expenditure may suffer as a result of corrupt procurement authority (Olken, 2005), yet increasing spending and decreased revenue brought on by corruption may result in budget deficits. In circumstances when borrowing is challenging to get, inflationary pressures will be raised due to the increased seigniorage. Inflation may result in income loss for individuals and organisations as well as an imbalance in the distribution of income because of its features, which include lowering the level of real wages and diminishing the buying power of money. People who lose their income might turn to a variety of revenue-generating strategies to maintain their standard of living. In this regard, inflation may lead to a rise in corrupt practises including bribery, lies, juggling, lobbying, and rent-seeking. Additionally, a persistent and abrupt rise in the overall level of prices may contribute to an increase in economic life's uncertainty. The most significant contributors to the emergence and spread of corruption are uncertainties in economic processes (Elkamel, 2019).

On the other hand, governments in nations with high levels of corruption are compelled to often employ sources of income like coining money, which results in a decline in public revenues. The unfavourable circumstance brought on by the creation of money is the experience of going through an inflationary process. Additionally, coining money will once more be utilised for the essential public incomes because the public incomes in economies where rent-seeking and lobbying are widespread are not employed properly. Additionally, in countries where corruption is prevalent, bribe payments might result in a rise in the overall level of prices as an extra cost element (Sassi & Gasmi 2017).

Numerous studies have focused on the connection between public debt and inflation in recent years, but there hasn't been much agreement achieved yet. In the literature, there are several points of view on what causes inflation. Inflation is a monetary phenomenon, according to the monetarist, who contends that an expansionary monetary policy would raise real output and the general price level in the short term but primarily the price level in the long run (Friedman, 1968). According to recent research (Catao & Terrones, 2005; Lin & Chu, 2013; Nastansky & Strohe, 2015), inflation is not just a monetary issue but also a fiscal one that may result from a

fiscal imbalance or public debt. Sargent & Wallace (1981) contend that the Fiscal Theory of Price Level (FTPL) identifies the wealth effect of public debt as a second channel of fiscal influence on inflation, contradicting the monetarist notion that only monetary aggregates drive inflation. Because the money supply alone might not be sufficient to determine the time course of inflation, they emphasise the significance of fiscal policy in the inflation process. Furthermore, they contend that the effectiveness of monetary policy in controlling inflation depends on how well it works in tandem with fiscal policy; as a result, large public debt stock levels may be inflationary (Sargent & Wallace, 1981). Therefore, it is imperative that public debt buildup utilised sparingly and effectively to finance budget deficits in Nigeria in order to spur economic growth. The ability of the monetary authority to manage inflation is impacted by fiscal policy, particularly in a fiscally dominant environment when the central bank may struggle to do so (Leeper, 1991).

In the context of public finances, corruption may have an independent impact on both the revenue and expenditure sides of the government's budget. For example, corruption can change the composition of expenditures by directing resources toward areas where there is a greater opportunity to inflate spending, obtain more "commissions," and engage in covert corruption. As demonstrated by other empirical findings, corruption can also change how revenues are generated, such as by switching from tax to seigniorage revenues when a portion of the tax profits is usurped and does not go to the government. Additionally, Todorov (2020) come to the conclusion that corruption lowers total tax collections by lowering the revenues from practically all taxable sources (including income, profits, property, and capital gains). Meanwhile, excessive borrowing without a corresponding saving and or investment is retrogressive to price stability and consequently trigger inflation. Unfortunately, this trend has persisted overt time without any empirical documentation of inflation in Nigeria. This gap in knowledge which this study has filled. It is against this background that this study seeks to explore whether corruption causes a government to lose revenue, which is then compensated by seigniorage, thereby causing higher inflation specifically in the economy of Nigeria.

LITERATURE REVIEW

Theoretical Framework

The ideal taxation theory that Frank Ramsey proposed in 1927. This hypothesis holds that governments are typically inclined to exploit their power to mint and cause inflation as a source of government revenue, (Ben, Ali, & Sassi, 2016). The seigniorage channel is used to describe this. This seigniorage might be more significant in a nation where there is a lot of tax evasion. Therefore, monetary growth and inflation will increase in direct proportion to levels of corruption.

Secondly corruption may result in capital flight, which lowers the tax base and, as a result, lowers government revenues than are necessary. Large governmental deficits will result from the increase in spending and decline in tax revenue. Due to this, the government runs out of liquid assets, so the easiest solution—which the government frequently chooses—is to print

fiat currency. In underdeveloped nations with insufficiently developed deep financial markets, this is increasingly prevalent.

This work is based on the "Fiscal theory of price level" because it synthesises Fisher's Transaction Approach and the widely accepted Cambridge economist's Cash Balance Approach (CBA), two fundamental theories in the debate over money supply (creation) and inflation. The fiscal theory of price level examined how the production of new money may alter the general level of prices as well as how the government's fiscal policy may affect how inflation behaves in terms of the overall level of prices in an economy. The Fiscal Theory of Price Level (FTPL) was chosen as the theoretical basis for this study because it discusses the role of government debt, spending, taxation, and finances as it relates to inflation, which other theories reviewed did not account for.

Empirical Review

By examining corruption as a potential risk factor associated with high inflation in the Economic Community of West African States (ECOWAS) using a panel logit model, Ayodeji (2020) gave a political interpretation of inflation rates dynamics. Between 1995 and 2019, researchers identified and examined each of the 15 ECOWAS members. Estimates showed that over the long term, historical inflation shocks, the degree of corruption, real GDP, and exchange rates greatly influenced ECOWAS inflation; the relationship between inflation and money supply growth had actually eroded over time. Results in particular demonstrated that, taking other factors into account, a unit increase in corruption raised the chance of high inflation by 82.6%. Additionally, the findings suggested that seigniorage was insufficient to account for the pointing to the possibility of additional channels through which corruption may influence inflation. Additionally, despite the outlier observations from Liberia and Guinea, the logit model was able to reconstruct all instances of high inflation that occurred in ECOWAS by using 0.5 as the benchmark for forecast probabilities. The study comes to the conclusion that, among other things, the chance of experiencing high inflation increases with the degree of corruption among ECOWAS members.

While most Central European nations had switched to market-based monetary policy by the middle of the 1990s as a result of realising the inflationary potential of money creation, Belarus continued to use money emission, gaining seigniorage and inflation tax, according to Korosteleva's (2020) research. By contrasting the revenue generated by the inflation tax with the revenue that could have been generated if the amount of money had increased at a steady rate, the productivity of the inflation tax can be evaluated. The study comes to the conclusion that inflationary financing is a result of monetary policy efficacy.

In Nigeria between 1994 and 2019, Nelson & Ayawei (2020) looked into the impact of corruption on employment levels. The employment rate is employed as the explained variable, the inflation rate is investigated as the control variable, and corruption is used as the explanatory variable. Regression was used in the study's analysis. The investigation's findings showed that there is a long-term equilibrium relationship between the amount of employment and the combined influence of both corruption and inflation rate. Significantly, corruption has

an adverse effect on the rate of employment. When considered alone, the inflation rate has a major detrimental impact on the level of employment. There is a significant negative association between corruption and employment rate. Although it is a weak correlation, the employment rate and inflation rate are negatively correlated. The investigation's findings lead it to the conclusion that corruption significantly has a negative impact on Nigeria's employment rate. The inference is that rising corruption will cause employment rates to fall. As a result, it is advised that the government create new organisations to oversee the work of the EFCC and ICPC, as those officers have recently been implicated in corrupt acts.

Governments may pay their expenses via a variety of methods, according to Elkamel, (2019), but seigniorage and borrowing are the most prevalent. According to the authors, when there is corruption, using public funds may have an inflationary effect, raising the level of inflation, which then has an impact on the entire economy. This study examines whether variations in seigniorage and borrowing, along with variations in corruption levels, explain for variations in inflation rates. This study makes use of panel data from 72 nations from 1995 to 2011. Results - According to the author, seigniorage and borrowing in public finances, together with corruption, all contribute to higher inflation rates. The misuse of these public financing mechanisms, where corruption is rampant, can be addressed by this finding. The joint impact of corruption and two alternative public financing strategies, seigniorage and borrowing, on the rate of inflation in 72 nations from 1995 to 2011 is captured in this article.

Duhu & Hussain (2017) investigated the connection between inflation and corruption in Nigeria from 1996 to 2016. Transparency International provided annual time series data for Nigeria's corruption perception index, while the CBN of Nigeria's Statistical Bulletin provided information on inflation, the broad money supply (M2), and the rate of real GDP growth. Additionally, a democracy dummy variable was introduced. The long-term link between corruption and independent variables was tested using the Autoregressive Distributed Lag (ARDL) technique, which uses the limits testing procedure to Cointegration. To determine the degree to which corruption causes inflation, a large money supply, real GDP growth rate, and democracy, respectively, the Granger causality test was also performed. According to the findings, that as inflation and the money supply rise, so does corruption. The connection is insignificant, though. Corruption and democracy, as well as the real GDP growth rate, are proven to be negatively correlated. This means that corruption is decreased by democracy. Additionally, it is discovered that there is no historical causal link between corruption and inflation in Nigeria. Therefore, it is advised to pursue monetary and fiscal policies that aim to lower inflation in order to reduce the excess liquidity in the economy. Additionally, the nation's ongoing democracy and the fight against corruption should be maintained.

Ben Ali & Sassi (2016) look into the correlation between corruption and inflation for 100 developing nations selected from the Americas, Europe, Middle East and North Africa, sub-Saharan Africa, and Asia Pacific between 2000 and 2012. They use the generalised two-step technique of moment estimation (SGMM). The findings show a strong positive correlation between inflation through the seigniorage channel and all country corruption metrics. The study

comes to the conclusion that corruption is affecting inflation through different routes after accounting for the money supply (M2).

Omenka (2013) looks into how corruption affects Nigerian development. The study employs descriptive analysis to examine corruption incidents and how they affect Nigeria's development initiatives. The outcome demonstrates that corruption contributes to the dwindling of national resources. According to the study's conclusion, among other things, poverty, family pressure, and community ethnic loyalty are some of the reasons of corruption.

The macro-economic performance of the economy is impacted by corruption, which is defined as the illegal and benefit-oriented use of public power, according to a study by Akae, Ata, & Karae (2012). In this approach, corruption and inflation, two crucial economic variables, interact strongly on a cause and effect basis. According to the definition of inflation, corruption is caused by both financial factors and economic issues. This particular study attempted to evaluate the one-way relationship between inflation and corruption. In this context, the panel data method was used to examine the effects of inflation, growth, trade disparity, quality of legislation, effectiveness of government, political stability, and responsibility variables on corruption over the 2002–2010 period for a total of 97 countries from three different income-level groups. Based on actual data, it was discovered that inflation affects corruption in all 97 nations across three different income levels in a statistically meaningful and favourable way.

METHODOLOGY

Data for the analysis are annual time series data covering the period 1990-2022, which will be obtained from various publication of CBN statistical bulletin World Bank Financial Outlook and National Bureau of statistics.

Model specification

The optimal tax theoretical framework, on which this study will be based, states that countries with high levels of spending and taxes will also experience high inflation and nominal interest rates.

In order to circumvent the general time series estimation problem caused by a bivariate model's omitted variable problem, we alter Elkamel's (2019) model specification. We do this by drawing on the fiscal price level theory. In terms of function, we say:

$$INFLR = f(CORR, DOB, EXTB, PCGDP) \quad (1)$$

The above equation can be transform into its econometric form as:

$$INFLR = \gamma_0 + \gamma_1 CORR + \gamma_2 DOB + \gamma_3 EXTB + \gamma_4 PCGDP + \mu \quad (2)$$

Where:

$INFLR_t$ = Inflation rate (a measure of consumers price index); CORR = Corruption; DOB = Government domestic borrowing; PCGDP = per capital Gross Domestic Product; EXTB = Government External borrowing; while, ∂_0= Intercept term; γ_1, γ_2, γ_3, and γ_4 = Parameters to be estimated. The behavioural assumptions, the a priori, or the presumptive signs are stated as follows: γ_1,>0, $\gamma_2 < 0$, $\gamma_3 > 0$, and $\gamma_4 > 0$.

Variables Description

Inflation is measured with consumers' price index, while government ***borrowing*** will be measured by decomposing government total debt into its two major components namely borrowing from external sources and borrowing from domestic sources and ***corruption*** will be measured using Corruption Perception Index (TI-CPI) by Transparency International. To account for the degree of development across the nation, we add GDP per capita. Prices often tend to be cheaper in nations with lower GDP per capita (signifying a lower degree of development). when a result, when they catch up to other nations, greater inflation rates are anticipated.

METHOD OF DATA ANALYSIS

This study employed two distinct analytical techniques namely the Error Correction technique and the Autoregressive moving average approach with Box Jenkins procedure. The choice of these techniques is to enable us ascertain not just the effect of a set of exogenous variables on an endogenous variable but to predict by forecasting the future effect of changes in the endogenous brought by on its own past value.

Error Correction Model Approach

The accepted method for modelling time series equations is the ECM. The ECM separates the long run from the short run and allows for the handling of non-stationary data series.

Consider a long term equation:

$$Y_t = \varphi_0 + \varphi_1 X_t + \varphi_2 X_t + \mu_t \quad 3.3$$

The OLS residuals from (1) is a linear combination which is a measure of disequilibrium:

$$\Delta u_t = Y_t - \pi_0 - \pi_1 X_t - \pi_2 X_t \quad 3.4$$

Thus, we apply a stationary test to equation 3.4, thereby making this relationship a force that pulls the equilibrium error back to zero. The estimating ECM equation, is presented in equation 3.5:

$$\Delta Y_t = \sigma_0 + \sigma_1 \Delta X_t + \pi_1 \sigma \mu_{t-1} + \pi_2 \Delta X_t + \pi_3 \sigma \mu_{t-1} + \varepsilon_t \quad 3.5$$

From equation 3.5 the determination of the adjustment speed of the dependent variable 1 period to equilibrium is thus possible.

RESULTS AND DISCUSSION

This section contains the study's estimated results, as well as the study's test hypothesis and a detailed discussion of the findings.

Table 2: Descriptive Statistic

VARIABLES	INFLR	CORR	EXTD	DOD	PCGDP
Mean	13.44320	20.29600	2528.271	4432.017	13.08160
Median	11.90000	22.00000	1631.500	2169.640	10.58000
Maximum	51.60000	28.00000	9022.420	14272.64	22.75000
Minimum	0.200000	6.900000	438.8900	419.9800	5.810000
Std. Dev.	9.085244	6.566295	2367.135	4459.480	5.861095
Skewness	3.037351	-0.687582	1.281643	0.953244	0.154071
Kurtosis	13.81129	2.295334	3.919885	2.531976	1.289099
Jarque-Bera	160.1937	2.487117	7.725653	4.014317	3.148054
Probability	0.000000	0.288356	0.021009	0.134370	0.207209

Source: EViews Output

From the descriptive statistics table, it is evident that Nigeria's inflation averaged at approximately 13.44, with a minimum of 0.2 and 51.6 as its maximum values respectively over the study period. With a minimum value of 110,759.1 million naira and an average value of 764,791.5 million with a maximum recorded of 1,945,495 billion naira for the period.The minimal index of corruption stood at 22.00 with a maximum of 28.00 averaging 20.29 as perception of Nigerian corruption. Nigeria's external debt over the study period averages 252,827 billion with a maximum value of 902.24 billion with a minimum of 419.98 billion. Per capita GDP has an average value of 13.8 with a maximum and minimum values of 22.75 and 5.81 respectively. The variables are positively skewed with the exception of corruption. The JB statistics indicate the variables are not normally distributed around the mean as such they are trendy and required further statistical test to determine their stationarity. Base on the result of the JB statistics, the ADF & PP test of stationarity was used.

Table 3 Stationarity Test

Augmented Dickey-Fuller Unit Root					Phillip-Perron Unit Root						
Variable	Level	Prob	1st Diff	Prob	Level	Prob	1st Diff	Prob	Lag(s)	Model	Integration order
CORR	-0.9499	0.9319	-5.2175***		-2.4134	0.3649	-5.2924***		1	Trend & Int	1(1)
0.0014					0.0012				1	Trend & Int	1(1)
EXTD	-2.3770	0.3832	-5.7673***		-2.4086	0.3680	-13.0865***		1	Trend & Int	1(1)
0.0003					0.0000				1	Trend & Int	1(1)
DOD	-0.5835	0.9730	-7.3118***		-0.2584	0.9884	-4.3270***				
0.0000					0.0093						
PCGDP	-1.1808	0.8976	-4.7374***		-1.4128	0.8377	-4.6741***				
0.0034					0.0039						
INFLR	-2.7006	0.2431	-4.7349***		-3.0289	0.1408	-3.9819***				
0.0182					0.0205						

Source: Eviews Output

The results of the ADF unit root test in table 3 reveal that after differencing once, all of the choice variables were stationary. This is further attest to by the PP test indicating that the variable became stable and non-trendy after first difference I (1). With the variables integrated at order one I(1) and the generated error correction term is stationary at level, the application

of (ECM) by firstly testing determining the number of co-integrating equations for co-integration.

Table 4: Johansen Co-integration Based Trace Test

a. Johansen Co-integration: Trace Test

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.871756	114.1819	87.31	96.58
At most 1 *	0.752129	66.94397	62.99	70.05
At most 2	0.604763	34.86245	42.44	48.45
At most 3	0.355648	13.51225	25.32	30.45
At most 4	0.137550	3.403498	12.25	16.26

b. Johansen Cointegration: Max-Eigen Statistics

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.871756	47.23792	37.52	42.36
At most 1 *	0.752129	32.08152	31.46	36.65
At most 2	0.604763	21.35020	25.54	30.34
At most 3	0.355648	10.10875	18.96	23.65
At most 4	0.137550	3.403498	12.25	16.26

Source: EViews Output

The results of the Co-integation test show Trace Statistics and Max-Eigen Statistic. The Trace Statistic above indicates two (2) & one (1) co-integrating equation at 5% & 1% significant level while the Max-Eigen statistic two (2) and one (1) co-integrating equation at 5% & 1% significant level that is, there exists an equilibrium relationship amongst the variable, with this validate the use of ECM by firstly estimating the over-parameterized ECM results from where a parsimonious error correction result can be deduced. This is clearly demonstrated in table 5 & 6.

Estimation Results

Table 6: Parsimonious Error Correction Model

Dependent Variable: D(INFLR)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-12.59879	2.249008	-5.601934	0.0001
INFLR	1.096042	0.181540	6.037464	0.0000
D(CORR)	-0.880229	0.272320	-3.232333	0.0056
D(EXTD)	-0.001069	0.000791	-1.351122	0.1967
D(DOD)	0.000408	0.001416	0.288317	0.7770
D(PCGDP)	0.767404	0.309545	2.479140	0.0255
ECM(-1)	-0.325605	0.092303	-3.527571	0.0030

R-squared	0.804138	Mean dependent var	-0.100870
Adjusted R-squared	0.712735	S.D. dependent var	6.527189
F-statistic	8.797772	Durbin-Watson stat	1.976590
Prob(F-statistic)	0.000237		

Source: EViews Output

The error correction coefficient in table 6 is negative, less than one, and statistically significant, which is consistent with apriori assumptions, indicating that speed at which inflation will adjustment to equilibrium from any drift is 0.325 percent.

Because corruption (CORR) has a coefficient of 0.714 & 0.724 in it first and second periods respectively. This indicates that corruption increase the cost of governance and the cost of goods and services as estimate of public servant holders are high that the actual value of receipt. Nigeria external debt has a negative influence on inflation in Nigeria as increase in external debt results in 0.0041 decrease in inflation in 2022. However prior to 2021 it has been a cause of inflation in Nigerian as a unit increase in external debt causes 0.0040 percent increase in inflation. This suggests that external debt could result in inflation or reduce inflation depending on the prevailing economic condition.

On the other hand domestic debt has a positive influence on the country's inflationary woes as increase in domestic debt produces 0.005 percent increase in inflation, as domestic debt is positively related to inflation as it increases inflation increases. Inflation rate increases as Per capita GDP increase, with a unit increase in PCGDP inflation results by 1.019 percent.

To ascertain the goodness of fit of the estimated model the R^2 adjusted 0.7127 represents the degree to which the dependent variable is predicted in the overall quality of fit of the regression line. It shows how much of the variance in the dependent variable can be explained by the independent variable. The findings reveal that changes in the estimated model's dependent variable are caused by changes in the independent variables 71.27% of the time. Other fluctuations inflation, on the other hand, are accounted for by the error term. Given the D-Watson Stat of 1.976, the model is statistically and econometrically suited for forming inferences, as demonstrated by the F-stat and Prob(F-stat) values of 12.54 and 0.0000, respectively.

External debt has been a major source of government revenue in Nigeria in the last two decades. Since these debts are typically obtained in dollars, the effectiveness of monetary policies is often subpar due to the high levels of dollarization in developing countries, where foreign currencies typically account for more than one-third of all monetary aggregates.

An economy characterised with corruption will face a steady increase generally, one of the reason is that there will be a huge gap in income amongst the rich and poor with the diversion of public funds to private pockets, most especially borrowed fund by the government with inflated contract some arising from corruption will cause price to rise. Public debts are incurred with the aim of financing government capital social and investment projects aimed at improving the economy and the welfare of her citizens. But in face of heavy corruption such fund are diverted and the aim of the project defeated some of such projects are not even executed thus bring hardship to the masses. Thus, there is money in the economy but not in the hands of the general public but few individuals, so corruption erode the dividend of proper management of debt channeled to profitable ventures capable of creating job and improving government revenue base. The good fortune of government money is wasted by corruption,

which also drives up costs and affects inflation. Inflation in Nigeria is expected to take a down-smooth turn in terms of trend as it expected to decrease and the forecasted inflation is explains the actual inflationary behaviour in Nigeria.

CONCLUSSION AND RECOMMENDATIONS

Base of the result of this study Nigeria external and domestic debt has not produced the desired results and it is an inflationary channel as money supply increases given the purchasing power of the dollar to naira coupled with misappropriation arising from over-valuations of projects caused by corruption. Inflation may result in income loss for individuals and organisations as well as an imbalance in the distribution of income. People who lose their income might turn to a variety of revenue-generating strategies to maintain their standard of living. In this regard, inflation may lead to a rise in corrupt practices like bribery, lies, juggling, lobbying, and rent-seeking. Additionally, ongoing and unexpected increases in the general level of prices may contribute to an increase in economic life's ambiguity. The most significant contributors to the emergence and spread of corruption are the uncertainties in economic processes. This study recommends that in order to reap the benefits of foreign debt and reduce the debt load, the Nigerian government must secure political and economic stability and additionally, the nation's ongoing democracy and the battle against corruption should be maintained.

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