EMPIRICAL ANALYSIS OF CORRUPTION, UNEMPLOYMENT AND POVERTY: EVIDENCE FROM NIGERIA

IBRAHIM Musa Salisu [1], ALHASASAN Mohammed Aminu [2], KASSIM Fatima Abdulkadir [3], TABARI Umar Yero [4]& MUHAMMAD Zainab Inuwa [5]

[1,3,4,5] Department of Social Science Education
Kaduna State University, Kaduna Nigeria.
Email: musa.salisu@kasu.edu.ng
07030952840/ 09079313003

[2] Department of Economics and Development Studies,
Federal University, Dutsinma, Katsina State

Abstract

Corruption and unemployment are twin socioeconomic problems breeding poverty that thus, hold actions of government towards eradication of poverty rate in Nigeria to ransom. In this regard, this study analysed the connections among corruption, unemployment and poverty in Nigeria. The study relied on time series data obtained from such sources as National Bureau of Statistics and World Governance Indicator, and subsequently, utilized Johansen Cointegration and granger causality to analysed the obtained dataset. Essentially, the study reveals that, there exist long run relationship among corruption, unemployment and poverty in Nigeria. Also, the study discovered that, poverty rate is responsive to sudden shocks in both corruption and unemployment in Nigeria while uni-directional causality exists between unemployment and poverty flowing from unemployment to poverty in Nigeria, the uni-directional causality exists between corruption and poverty flowing from poverty to corruption in Nigeria. Hence, the study concluded that, corruption and unemployment are bane to the government efforts towards eradication of poverty in Nigeria. The study then recommends among others, that deliberate and strategic efforts be directed by Nigerian government towards significantly decreasing both unemployment and corruption, in order to reduce the number of poverty-ridden individuals. Also recommended by the study that, anti-corruption war must be strengthened and advanced in Nigeria to match the changing ways of perpetrating corruptions by public office holders so as to abate the upsurge of corruption among public office holders thereby suppressing the hiking level of poverty in the country.

Keywords: Corruption, Unemployment, Poverty, Nigeria

1. INTRODUCTION

Nigeria progressed to the twenty-first century with multiple socioeconomic problems of unemployment, corruption and poverty. Previous studies such as Gelbach and Lant (2002), Desai (2007), Christiaensen et al. (2002), Bigsten (2014), International Monetary Fund_IMF (2014), Sembene (2015), considered these developmental challenges separately, while some strenuous investigative thoughts holds that they are socioeconomic problems that should be investigated simultaneously rather than

separately. The report of World Bank (2009) had it to say that approximately 2.8 billion persons of the world's population lives on below $2 per day, and 1.4 billion on below $1 per day. Similarly, United Nations Children's Fund (2012) held that, the real measure of poverty is beyond the World Bank's measure and consequently, arrived at an estimated 4.3 billion people (59 percent of the world's population) and 50% of the world's children (1.1 billion) lives in poverty; hence, argued that, it would take a century (i.e. 100 years) to lift up the world's poorest to the previous poverty line of $1.25 a day.

The utmost conspicuous reality of these estimates is that about 35.2% of these estimated lives in Sub-Saharan Africa in which Nigeria is located and within the region regarded as the nation with the highest incidence of poverty. About 48.5% of the population, according to United Nations Development Programme (2015), lives on less than $1.25 per day, and 69.9% on less than $2.00 per day. Evidences in Nigeria show that the number of those in poverty trap has continue to increase same as unemployment also continues to increase. In 1980, poverty incidence in Nigeria was 28% and unemployment rate on average was 6.4.

In 1985, poverty rate rose to 46% simultaneously with unemployment rate falls slightly to 6.1%. However, in year 2000, poverty rate drastically shoots up to 74% the same ways unemployment rate in multiply fold rise up from 6.1% in 1985 to 18.1%. Though, unemployment rate to 11.8% in 2004 but rise back to 21.1 in 2010 and was about 25% by the end of 2016. The devastating strain was the assertion contained in Onodugo et al. (2017) that, approximately 25 million Nigerians out of estimated 95 million persons in the labour force are unemployed as at 2016. This figure (25 million) is almost equal to the total population of Mozambique which is about 24.9 million (Onodugo, et al., 2017). Going by common knowledge and experiences, an increase in the rate of unemployment will consistently reduce aggregate output and consequently retards growth. This implies that the economy will shrink and further increase the number of people below the poverty line.

In the same vein, corruption is posing a devastating challenge to the Nigerian progress. For example, in 2022, Transparency International (TI) (2023) posited that Nigeria is ranked as among the top corrupt nations of the world. Similarly, Transparency International (2022) and McCormick (2015) held that corruption is extensively and deeply embedded in the economic, political and social fabrics of many African countries including Nigeria. As such, corruption remains a major development issue in Nigeria as it is in many African countries and various efforts and policies by national and international anti-corruption agencies are yet to yield the desired results. Hence, the phenomenon of corruption has become a serious threat to Nigeria progress, thereby confirming the Nigerian economic growth tragedy identified by various scholars and writers (Fashina, 2022; Mustafa, 2012). In addition, Fashina (2022) expressed that, 1% increase in the corruption level reduces the growth rate by about 0.72%. In addition, his study also confirmed that corruption reduces the level of human capital and the share of private investment; hence, deepen the poverty rate more. Against this background, this study seeks to investigate nexus among unemployment, corruption and poverty in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Clarification

2.1.1 Poverty

The concept of poverty is multi-dimensional concept that attracts several definitions and as such, no single unified definition of poverty exists in the literature (Mustafa & Adebayo, 2015). However, World Bank (2003) described poverty as a denial of choices and opportunities, a violation of human dignity, lack of basic capacity to participate effectively in society, not having enough to feed and clothe a family, not having access to standard school or healthcare facility; not having the land on which to grow one's food or a job to earn one's living and not having access to credit, a state of insecure, powerlessness and exclusion of individuals, households and communities, susceptibility to violence, and living on marginal or fragile environments, without access to clean water or sanitation. Similarly, Ajakaiye and Ayodele (2000) conceptualized poverty as a situation of deprivation of an individual or group of individuals from the opportunity to contribute in societal occasions like associations, membership of organizations, access to places, choice of career, choice of partner, village meetings, etc. Also, Umo (2007) referred to poverty as a condition of destitution or extreme/abject poverty. However, for the sake of analysis, poverty can be viewed in monetary terms and so, the United Nation Development Program (UNDP) (2013) classified poverty as any individual living below USD2.00 per day over a period of time. Hence, this study adopts the definition of UNDP (2013) because of its adoption of monetary measure of poverty thus, any individual is categorised as absolutely poor if such lives below USD2.00 per days.

2.1.2 Unemployment

Generally speaking, unemployment is a state of jobless in the country. But technically speaking, Aminu and Anono (2012) regarded unemployment as the total number of people out of working population who are able and willing to work by availing themselves for the available job at the prevailing wage rate but could not find the job to do. In the same vein, International Labour Organization (ILO) (2018) refers to unemployment as a state of joblessness arising from individuals willing and are actively searching for work but could not get for themselves an economically gainful employment over a period of time. Balami (2006) conceptualized unemployment as a situation whereby a willing and able-bodied individuals are involuntarily not working. Therefore, unemployment is calculated as a percentage by taking the ratio of unemployed individuals to the total number of individuals present in the labour force at a particular point in time.

2.1.3 Corruption

Technically speaking, corruption can be said to mean the attitude of public office holders which deviates from accepted norms in order to satisfy his or her private desires. Hence, it is a measure of the lack of effective state institutions, where public officials undermine their institutional roles to exogenous demands (Huntington, 1968). Moreover, the Economic and financial crimes commission (EFCC) Act in Nigeria, 2004 viewed corruption as actions of individual or groups in an organized manner that involve in the non-violent criminal and illegitimate activities like bribery, stealing of public resources,

fraud, money laundering, and nepotism, among others, with aim of earning and accumulating wealth illegally, thereby disrupting the existing legislations governing the economic activities of government and its administration. Also, Onimajesin (2010) viewed corruption from the realm of the public sector, and acknowledged it to mean deal(s) between two parties (state agent and non-sate agent) where the former bypasses the existing law and regulations for the aim of acquiring for himself private gains. Therefore, corruption is a private wealth-seeking attitude of the state's agent at the cost of the general society.

2.2 The Nexus between Poverty and Unemployment, and Corruption in Nigeria

It is factually observed that, the twin socioeconomic evils of corruption breeds unemployment that subsequently escalate the poverty among Nigerian populace. For example, the root cause of poor facilities like healthcare facilities and educational facilities which are the core centres where skilled and healthy labour forces can be nurtured is adduced to spreading waves of corruption thereby leaving many Nigerians with little or skills to undertake high tasky jobs that have high pays in returns. The corrupt individuals at the helms of government institution saddled with the responsibility of utilizing national resources for the betterment of overall economy ends up with those resources in their private coffers (Aidelunuoghene, 2014 and Adebayo, 2013). Similarly, Ucha (2010), Chetwynd, et al (2003) and Gupta, Davoodi, and Alonso-Terme (2002) maintained that, the consequences of corruption is so overwhelming that it imposes constraints on several macroeconomic goals like economic growth and deterred several policies of the government from delivering on the specific motives that produces such policies.

For example, National Poverty Eradication Program (NAPEP) was launched in 2001 to significantly cuts down the soaring rate of poverty in Nigeria through promoting self-empowerment and self-reliance, and tactically reducing poverty. The program was unable to record much success due to pervasiveness corruption rate that the earmark funds for the program was siphoned into private pockets of those individuals implementing the program. Hence, corruption has been a bane to the abatement of the scourging unemployment and poverty rate in Nigeria. Therefore, the fight against poverty cannot be won significantly in Nigeria in the presence of high rate of unemployment engendered by pervasive corruption among public office holders. This is because corruption inflicts indirect and negative effects on macroeconomic indices of a Nation like poverty through unemployment; hence, an indirect relationship exists between poverty and corruption through unemployment. This asserted relationship has gained some corroborations from several empirical studies like that of N'zue and N'guessan (2006) which opined that, there exist indirect relationship between corruption and poverty.

To this end, corruption penetrate into the system when those entrusted with the responsibility of leading the affairs of this country become greedy and self-centred by diverting public owned resources to their private coffers. A typical example is acts demonstrated by the former Accountant general of the Federation that diverted about =N=107 billion to his private pocket and former CBN governor that acquired and possessed about 753 units housing estate while in the office as the governor of CBN (Mustafa & Alhassan, 2025). These two offices are the offices directly responsible for

implementing government policies on development issues that bears direct influence on poverty status of individuals in the country and this thus, make it not surprising that Nigerians are languishing in unemployment and poverty state (Adebayo 2013). Therefore, corruption is the consuming fire that eats up funds that would have otherwise been utilised to rescue a lot of people from the pains and pangs of want thus, it remains the biggest barrier to reducing unemployment and stand in the way of progress to ends extreme poverty in Nigeria.

2.3 Theoritical Framework

2.3.1 Theory of Poverty Trap

In the famous book of Collier (2007) titled "The Bottom Billion", discovers that the wellbeing of the world's bottom billion have deteriorated for more than 40 to 50 years ago while, the rich sustained the riches. Consequently, he posits that the extreme poverty of the 58 countries that harbours the poorest billion individuals is due to one or the combination of the four traps which can hinder economic development and trap countries in poverty. The traps include Conflict, Natural resource, Landlocked with bad neighbours and Bad governance. Therefore, conflict trap means that a country that is characterized by conflicts is more susceptible to remain poor because violence and instability would undercut her growth and development process. Similarly, natural resource trap submits that nation that rely basically on her natural resources like oils and minerals for exports is more probable to encounter hitches in the diversification of her economy and Nigeria is the typical example of this case. Hence, the country can be trapped in poverty whenever there is instability in the prices of exported resources and when such resources face depletion.

Also, landlocked with bad neighbours' trap connotes that landlocked country with poor or conflict-ridden countries and because of this factor may encounter grim in accessing markets and hence, be trapped in poverty. A good example often cited is that Niger Republic will never prosper unless Nigeria does. Finally, bad governance trap implies a nation with corrupt or weak state institutions would have to struggle to attract investments, especially foreign direct investment (FDI) and this alone could stimulate poverty in that country (Mustafa & Alhassan, 2025). Moreover, Collier (2007) contends that these four (4) traps highlight the complex and interconnected factors that can contribute to poverty and underdevelopment through rising rate of unemployment. Hence, the traps offer a framework for comprehending the encounters the countries like Nigeria face in breaking out of poverty and attaining growth and development (Mustafa & Alhassan, 2025).

Amusingly, these four poverty traps appear to illuminate the reasons Nigeria still continued to struggle for development since gaining independence in the 1960. Amazingly, Nigeria would take seven (7) steps forward and multiple 33 backwards because of long periods of non-devoted leadership and bad governance, which provides the enabling environment for the perpetuation of corruption, lawlessness, resource-curse and conflicts, among others. It is therefore not surprising that Nigeria, which is regarded as the largest economy in the continent, was declared the world headquarters of poverty in 2018 by the World Poverty Clock and also, one of the most corrupt countries in the

world according to the Transparency International (TI). In this connection, leaders in Nigeria must rise-up from incompetence and non-devoted governance to rescue the country of abundance and prosperity by domesticating and symbolizing the ideals and principles of good governance such as sincerity, honesty, discipline, transparency, accountability and integrity, among others, so as to achieve genuine and sustainable development.

2.4 Empirical Review

Eseyin, Adama, Olopade, Ahmed and Ogbaro (2023) examined the implication of corruption on unemployment in Nigeria from 1996 to 2021. The study utilized the VAR model to analyse the obtained time series data and reveals that, corruption elicits positive impact on unemployment showing that as corruption cases rises, the unemployment rate rises and by implication lowering the level of employment. And consequently, throng more citizen into the pit of poverty in the country. Hence, socioeconomic variables like poverty assume the worsening state through corruption and unemployment rate in Nigeria. Ogunwole, Uche and Gushibet (2021) analysed the linkage between corruption and poverty in Nigeria using Granger causality model. The study shows the evidence of uni-directional causality between poverty and corruption flowing the direction of corruption in Nigeria.

More so, Wada (2018) studied the unemployment, corruption and poverty nexus in Nigeria using classical least squares double log and linear trend analysis model as a tool of investigation. The study therefore, reveals that there exists positive linkage among unemployment, poverty and corruption in Nigeria. Put differently, corruption tends to exert positive impact on the poverty rate the same way the poverty rate is greasing the corruption wheel in the long run in Nigeria thus, positing bi-directional causation between poverty and corruption in Nigeria. Umar and Joseph (2019) studied the relationship between the poverty and unemployment in Niger state of Nigeria. The study utilized descriptive statistics and logistics regression on the sampled respondents from whom the data of the study was obtained and reveals that, there exist positive relationship between unemployment and poverty such that, unemployment elicits direct and proportionate impact on poverty in Niger state, Nigeria. Also, Okorie and Anowor (2017) empirically examined the appraisal of nexus between unemployment and poverty in Nigeria using correlation and granger causality as tools of analysis to found the existence of positive and significant correlation between unemployment and poverty in Nigeria. While, the result of causality reveals uni-directional causality between unemployment and poverty flowing from the direction unemployment to poverty in Nigeria.

Similarly, Enofe, Oriaifoh and Omagbon (2016) investigated the nexus among poverty, unemployment and corruption in public sector of the Nigerian economy, with corruption proxy by corruption ranking of Transparency International where country with 1 order of ranking indicates that such country is a least corrupt nation and country with 10 orders of ranking shows that such country is a most corrupt country. The study employed OLS regression technique to estimates the specified model and found that, there exist positive but insignificant connection between unemployment and corruption in Nigeria such that, reduced level of unemployment meant a lower rate of corruption following the ranking order; hence, there exist direct link between corruption and unemployment in Nigeria.

Similarly, poverty and corruption are positively related though, at insignificant level of statistics, meaning that lower level of poverty would results in lower ranking order of corruption (according to the TI ranking) in Nigeria.

Again, Siyan et al. (2016) empirically examined the impact of unemployment on poverty level in Nigeria from 1980 to 2104 using VEC for short-run analysis, Johansen co-integration technique and Granger causality as tools of analysis. Consequently, the study revealed the existence of long-run positive relationship between poverty and unemployment such that, unemployment bears positive impact on poverty while, the result of causality found the existence of bi-directional Granger causality between poverty and unemployment flowing from the direction of unemployment to poverty in Nigeria.

3. METHODOLOGY

3.1 Type and Sources of Data

The study used secondary data from 1992 to 2022. The time series data for poverty and unemployment were obtained from National Bureau of Statistics (NBS) (2023); time series on data corruption were sourced from Transparency International (TI) (2023) while, time series data on institutional quality were obtained from World Governance Indicator (2017. The dataset for institutional quality is by the source from where the dataset was obtained stopped at 2017 and that necessitate the adoption of autoregressive integrated moving average (ARIMA) to extrapolate for the missing data points to complete the dataset to 2023 (being the scope of the study).

3.3 Model Specification

Following the postulations of the theory of poverty traps that underpinned the study, the model for this study is expressed in a functional form as:

Pov. =f(Corr, UNM) …… (i)

Where Pov. is poverty rate, Corr. is corruption index and UNM is unemployment rate. However, any actions or programs of the government to eradicate poverty level in Nigeria cannot be fruitful without the quality of institutions that would be anchoring such programs and the quality of institutions plays a crucial role in ensuring the success of the policy actions of the government. Therefore, institutional variables according to Tharanga (20218) is indexed by the six of the indicators of governance; namely, government accountability, bureaucratic quality, absence of internal conflicts, rule of law, government stability and control of corruption. Therefore, the equation (I) is restated as:

Pov. =f(Corr, UNM, Inst.Q) ……. (ii)

Where Pov. is poverty rate, Corr. is corruption index, UNM is unemployment rate and Inst.Q. is institutional quality. Thus, the mathematical specification of equation (ii) is presented as:

Pov. = Cor + UNM + Inst.Q ……... (iii)

The econometric specification of the equation (ii) to accounts for possible error term is expressed as:

$Pov.t = \beta_0 + \beta_1 Corr._t + \beta_2 UNM_t + \beta_3 Inst.Q._t + \varepsilon_t$……. (iv)

3.4 Estimation Techniques and Procedures

3.4.1 Model Pre-test

Investigating the relationship among corruption, unemployment and poverty in Nigeria, the data set for the variables employed in the study were subjected to stochastic investigation in order to determine the appropriate estimation technique for analysis. The complementary test of ADF and PP unit root tests was used in this study for robustness' sake since, that PP is generally considered to have a greater reliability than the ADF due to its robustness in the midst of serial correlation and heteroscedasticity (Hamilton, 1994). Thus, the unit root model was specified with both trend and intercept as:

$\Delta Pov._t = + \beta_0 + \beta_1 Pov._{t-1} + \beta_2 T + \sum_{i=0}^{n} \varphi i \, \Delta Pov._{t-1} + \varepsilon_t$ ..... (vi)

Where, β_0, β_1, $\beta_2$and φi... φ_n are parameters to be estimated, and ε_t is the disturbance error term.

Following the determination of stochastic properties of data set of the variables using Dickey-Fuller (ADF) and Philips Perron (PP), the result of the unit root test suggests utilization of Johansen cointegration using VAR approach as a technique of analysing the data for the study. Thus, the Johansen cointegration model is specified as:

$\Delta Z_t = \sum_{i=1}^{p-1} \mu + \Gamma_i \Delta Z_{t-k} + \Pi Z_{t-1} + \delta_t$…… (v)

Where Z_t is an (n x1) column vector of p variables; μ is an (n x1) vector of constant terms and Π represent coefficient matrices; Δis a difference operator; k denotes the lag length and; $\varepsilon_t \sim N(0, \Sigma)$. The coefficient matrix Π is known as the impact matrix, and it contains information about the long-run relationships. The estimation of Johansen Cointegration specified in equation (v) follows that the residuals are used to compute two likelihood ratio test statistics: the trace test and maximal eigenvalue (λ – max) test. The trace test considers the hypothesis that the rank of Π is less than or equal to r cointegrating vectors (i.e there are at most r cointegrating vector), and it is expressed as:

$Trace = -T \sum_{i=r+1}^{n} In(1-\boldsymbol{\lambda})$ …… (via)

Alternatively, the maximal eigenvalue test (λ – max) computes the null hypothesis that there are exactly r cointegrating vectors in the system and it is given as:

$\lambda - \max = TIn(1-\boldsymbol{\lambda}_r)$…….. (vib)

The distributions for these tests are not given by the usual chi-square distributions. The asymptotic critical values for the two likelihood ratio tests are calculated via numerical simulations. The null hypothesis is rejected when the estimated likelihood ratio tests

statistics exceeds critical values. Since each of the two tests have their strength and limitations, it is preferable to make inference using both tests.

3.4.2 Granger Causality Test

Conversely, the establishment of long-run equilibrium relationship among the variables implies the existence of at least one-way causality between the variables (Granger, 1999). Thus, the causality model is specified as;

$$Pov._t = \beta_0 + \beta_{11}Pov._{t-1} + \ldots + \beta_{1p}Pov._{t-P} + C_{11}UNM_{t-1} + \ldots + C_{1p}UNM_{t-P} + U_{1t} \ldots\ldots \text{(viia)}$$

$$UNM_t = \beta_0 + \beta_{21}UNM_{t-1} + \text{----} + \beta_{2p}UNM_{t-p} + C_{21}Pov_{t-1} + \ldots + C_{2p}Pov._{t-p} + U_{2t} \ldots\ldots \text{(viib)}$$

$$Pov._t = \beta_0 + \beta_{11}Pov._{t-1} + \ldots + \beta_{1p}Pov._{t-P} + C_{11}Corr._{t-1} + \ldots + C_{1p}Corr_{t-P} + U_{1t} \ldots\ldots\ldots \text{(viiia)}$$

$$Corr.t = \beta_0 + \beta_{21}Corr._{t-1} + \text{---} + \beta_{2p}Corr._{t-p} + C_{21}Pov.._{t-1} + \ldots + C_{2p}Pov.._{t-p} + U_{2t} \ldots\ldots \text{(viiib)}$$

$$Pov._t = \beta_0 + \beta_{11}Pov._{t-1} + \ldots + \beta_{1p}Pov._{t-P} + C_{11}Inst.Q._{t-1} + \ldots + C_{1p}Inst.Q._{t-P} + U_{1t} \ldots\ldots\ldots \text{(ixa)}$$

$$Inst.Q._t = \beta_0 + \beta_{21}Inst.Q._{t-1} + \text{---} + \beta_{2p}Inst.Q._{t-p} + C_{21}Pov._{t-1} + \ldots + C_{2p}Pov._{t-p} + U_{2t} \ldots \text{(ixb)}$$

3.4.3 Post Estimation Residual Diagnostic Tests

In order to ensure that, the estimated result is free from problem of misspecification, autocorrelation and abnormality of the distribution, the following diagnostic tests were conducted; VAR Heteroscedasticity; VAR residual normality test; and VAR residual correlation for autocorrelation.

4. Results and Discussion

4.1 Pre-estimation tests

4.1.1 Descriptive Statistics

Table 4.1: Result of Descriptive Statistics

Statistics

Variables	POV	UNM	Corr.	INST__Q
Mean	61.15131	16.38696	-1.188338	22.49397
Median	59.86711	19.70000	-1.180776	21.92000
Maximum	88.00000	27.40000	-0.900949	27.08000
Minimum	30.30000	1.800000	-1.502068	18.00000
Std. Dev.	10.69179	9.063754	0.140214	1.989699

Skewness	-0.089174	-0.432529	-0.322878	0.561298
Kurtosis	4.910774	1.627158	2.473633	3.222030
Jarque-Bera	4.757037	3.400985	0.896497	1.691462
Probability	0.092688	0.182594	0.638746	0.429243
Sum	1895.691	507.9959	-36.83849	697.3130
Sum Sq. Dev.	3429.434	2464.549	0.589800	118.7671
Observations	31	31	31	31

Source: Author's computation (2025).

The statistics properties of the dataset for the variables employed in the study shown in the Table 4.1 depicts that with the exception of corruption ranking that has negative mean and median, all other variables in the model of the study portends positive mean ad median. The standard deviation for all the variables positive and in a single digit except for the poverty that is in double digits while, all variables are negatively skewed except the institutional quality that is positively skewed. All variables of the study exhibit normality of distribution because, the probability value of the Jarque-Berra test is greater than 0.05 level of statistical significance.

4.1.2 Correlation

Table 4.2: Correlation Matrix

Variables	POV	UNM	COC	INST__Q
POV	1.000000	-0.051934	-0.418889	-0.136177
UNM	-0.051934	1.000000	0.527939	-0.692679
COC	-0.418889	0.527939	1.000000	-0.155801
INST__Q	-0.136177	-0.692679	-0.155801	1.000000

Source: Author's computation (2025).

The results of correlation matrix presented in the Table 4.2 shows that, all the explanatory variables such as corruption, unemployment and institutional quality are negatively correlated with the poverty in Nigeria and the magnitude of correlation is low since, the coefficients of correlation for all the variables are not approximatable to one which satisfy the statistical property of non-severity of relationship between the explained and explanatory variables.

4.1.3 Lag Length Selection Criterion

Table 4.3: Result of Lag Length Selection

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-236.4573	NA	187.1417	16.58326	16.77186	16.64233
1	-168.3104	112.7950*	5.203486*	12.98692*	13.92988*	13.28224*
2	-155.4300	17.76600	6.925552	13.20207	14.89940	13.73365

Source: Author's computation (2025).

The optimal lag length selected is one (1) as presented in the Table 4.3. The one (1) period lag length selected for the study is unified among all the test criterion such as likelihood ratio (LR), final prediction error (FPE) Akaike information criterion (AIC), Schwarz information criterion and Hannan-Quine information criterion.

4.1.4 Unit Root Test

Table 4.4: Results of ADP/PP Unit Root Tests

Variables	Order of integration	Critical Values		Test Critical Values			Decsions
		ADF	PP	1%	5%	10%	
Pov.	I(1)	-6.954*	-6.986*	-4.310	-3.574	-3.222	Stationary
UNM	I(1)	-4.556*	-4.514*	-4.310	-3.574	-3.222	Stationary
Corr.	I(1)	-6.911*	--6.770*	-4.310	-3.574	-3.222	Stationary
Inst.Q.	I(1)	-7.325*	-16.730*	-4.310	-3.574	-3.222	Stationary

Source: Author's computation (2025).

The complementary tests of unit root shown in Table 4.4 reveals that all of the variables are non-stationary since they are all integrated at order I/1 and that, at order one they are stationary at 5% level of statistical significance.

4.2 Results of Estimation

4.2.1 Johansen Cointegration

Subsequent to the investigation of the stochastic properties of the dataset for the variables of the study, the cointegration test using Johansen cointegration framework owing to the results of the unit root tests that shows that all variables of the non-stationary variables

integrated at order one (1) level of integration. Thus, the result of Johansen cointegration test is presented in the Table 4.5

Table 4.5: Result of Johansen Cointegration Test

Trace Test					Maximum Eigen Test				
H_0	H_1	Stat.	CV(at 5%)	P-value	H_0	H_1	Stat.	CV(at 5%	P-value
r=0	r≥1	78.8347.86		0.00	r=0	r=1	43.4827.58		0.00
r≤1	r=2	35.3629.80		0.01	r=1	r=2	18.4621.13		0.11
r≤2	r=3	16.9015.50		0.03	r=2	r=3	13.3814.26		0.06
r≤3	r=4	3.523.84		0.06	r=3	r=4	3.523.84		0.06

Source: Author's computation (2025).

The results of Johansen cointegration presented in the Table 4.5 shows that by the Trace statistics, there are three cointegrating equation in the model because, the Trace statistics for the three cointegrating equations is greater than the critical values at 5% level of statistics. Also shown in the Table 4.5, the Maximum Eigen value statistics exhibit one cointegrating equating equation in the model because, it is only one cointegrating equation with Maximum Eigen value statistics greater than 5% critical value. And so, the null hypothesis that, there is no presence of a long- run relationship or co-integration among unemployment, corruption and poverty in Nigeria is rejected and the averred that, there is presence of long relationship among unemployment, corruption and poverty in Nigeria.

4.2.2 Impulse Response Function Analysis

Impulse responses were undertaken to quantify the responsiveness of the explanatory variables to structural shocks or changes in the system. This was applied to each variable to determine its effect on the VAR system used by the study. In other words, impulse responses provide information of reaction of one variable towards the changes or shocks in other variables as detailed in the Fig. 4.1.

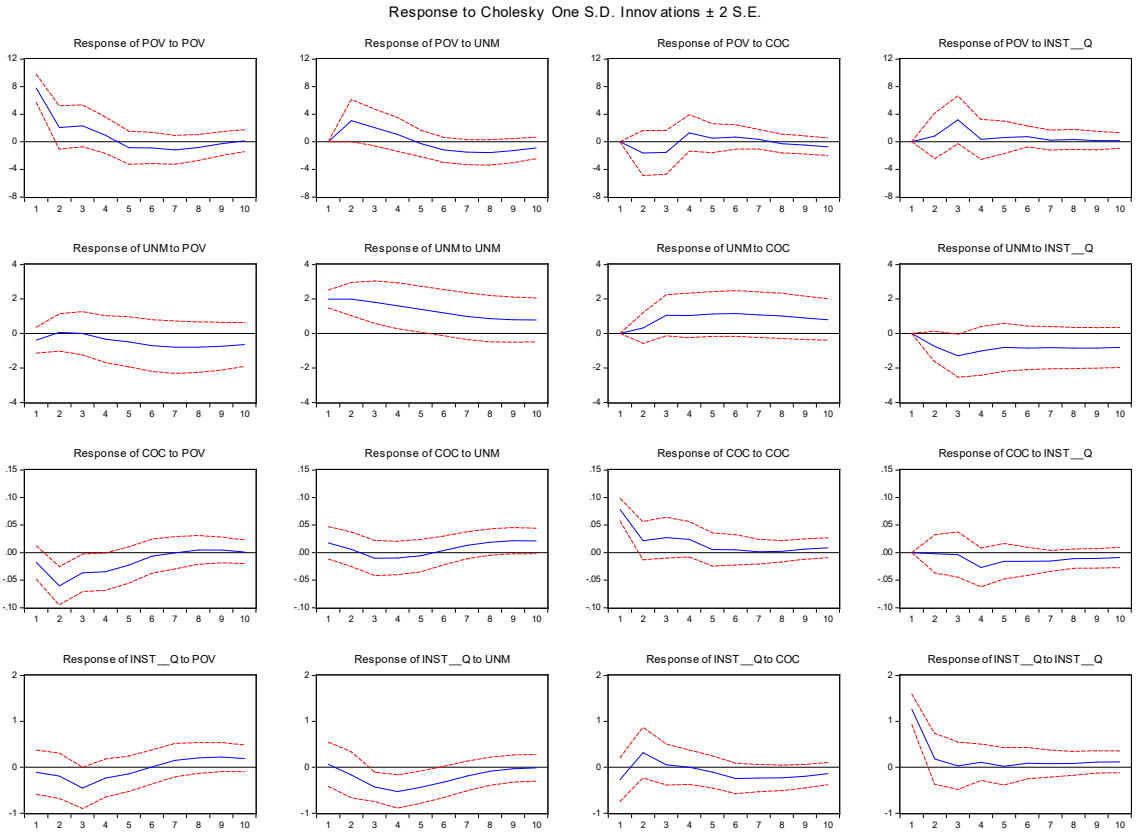


Fig. 4.1

The Fig. 4.1 shows a generalized impulse response is a better tool in interpreting impulse response of the VAR system, as it averages the past and present shock of variables in order to predict the future (Koop et al., 1996: 129). Using Y and X axes, the former represents percentage changes in a variable, while the latter indicates the time-length it takes a variable to respond to the change in the system. The generalized impulse response of poverty to the shock or improvement in the Nigerian unemployment rate indicates a decline in poverty from quarter 3to 7 and then stabilizes up to quarter 9 and starts to rise slightly again. This indicates that the positive and significant impact of unemployment rate (UNM) on poverty rate is sustainable over a long period. With regard to corruption ranking (Corr.), the generalized impulse response function of poverty rate to the shock in corruption ranking increases the poverty rate from quarter 2 to 6, and then, stabilizes from quarter 6 through quarter 10 thus, indicating that poverty rate can be deteriorate quarter 2 up to quarter 6 and then, stabilizes. Nevertheless, the generalized impulse response function of poverty rate to the shock institutional quality falls from quarter 1 to 3, rises from quarter 3 through quarter 7 and then, stabilized through quarter 10. This indicates that, deteriorate level of poverty is hugely attributed to the weak institutions in Nigeria.

4.2.3 Variance Decomposition

The results of variance decomposition of each of the used variables over the 31 years is presented in Fig.4.2. The result of each year is not presented – but rather, every four years.

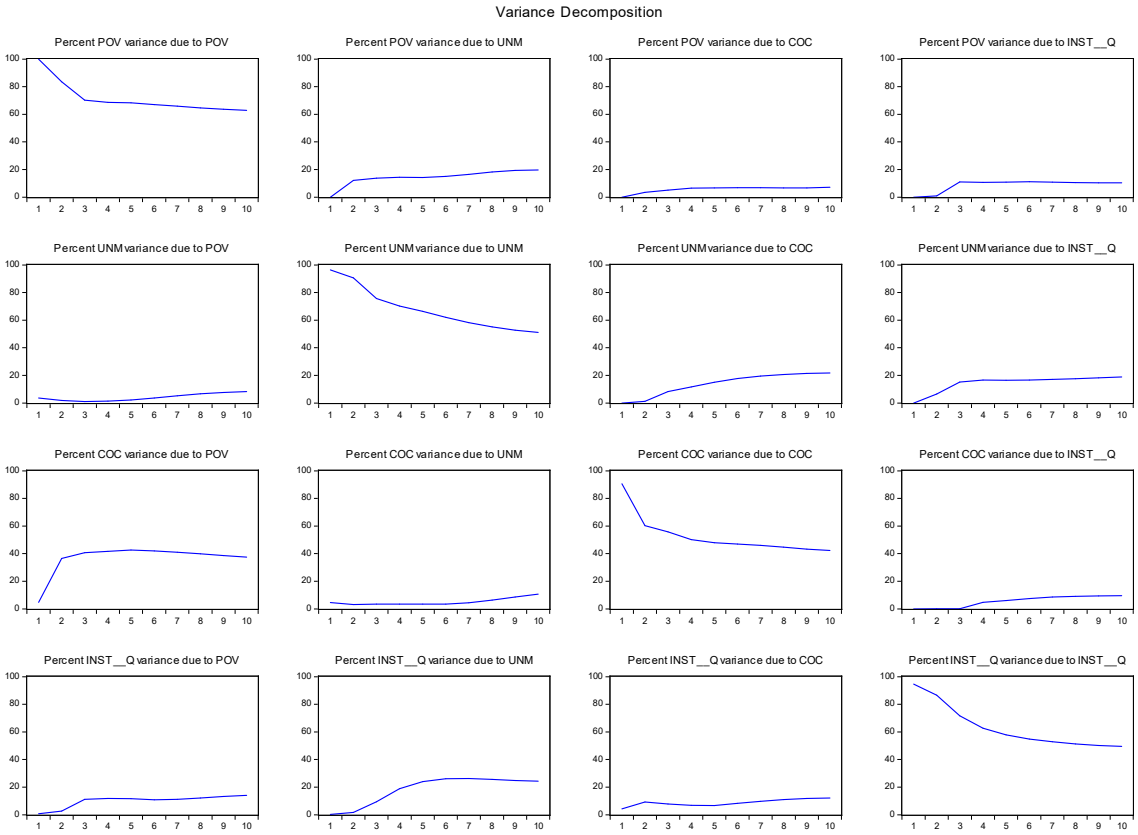


Fig.4.2

The fig.4.2 shows that, the higher changes (decline) in poverty rate was caused by poverty rate itself (own shock). However, the own shock of poverty rate (Pov) decreases drastically, at the end of the first three quarters, and then, declines gradually through the remaining period under the investigation. The second variable to cause fluctuations in poverty rate is unemployment rate (UNM), and its contribution stabilises the poverty rate at the first four quarters and from the fifth quarters began exert negative shocks on poverty rate thus, indicates that, poverty rate positively and significantly responds to changes in unemployment rate in Nigeria. Unlike unemployment rate (UNM), the corruption ranking causes poverty rate to increases rapidly from the first quarters to second quarter and then, declines gradually through the last quarter of the study period. This thus, indicates that, poverty rate is both positively and negatively responds to change in corruption ranking in Nigeria. Lastly, institutional quality contributes as stabilizing and deteriorating factors to the poverty rate in Nigeria. From the first to third quarters of the study period, shocks in institutional quality contributes to rising rate of poverty and beyond third quarter, it began to act as stabilizer to the poverty rate in Nigeria.

4.2.4 Granger Causality

Table 4.6: Results of Granger Causality Test

Variables	Chi-sqdf	Prob.	Remarks
UNM granger cause Pov.	6.226	20.0445	Uni-directional
Pov. granger cause UNM	1.321	2	0.5166
Corr. Granger cause Pov	1.443	2	0.4859
Pov. granger cause Corr.	16.624	2	0.0002	Uni-directional
Inst.Q. granger cause Pov.	8.7453	2	0.0126	Uni-directional
Pov. granger cause Inst.Q.	0.9824	2	0.6119

Source: Author's computation (2025).

The results of granger causality test presented in the Table 4.6 depict uni-directional causality between poverty and unemployment flowing from unemployment to poverty in Nigeria. Also shown in the Table 4.6, a uni-directional causality exists between poverty and corruption ranking in Nigeria flowing from poverty rate to corruption ranking in Nigeria while, uni-directional causality exists between poverty and institutional quality flowing from direction of institutional quality to poverty in Nigeria.

4.3 Post Estimation Diagnostics

The estimated VAR models was subjected to such diagnostic tests like diagnostic tests VAR Heteroscedasticity VAR residual normality test and VAR residual correlation for autocorrelation as presented in the Table 4.7

Table 4.7: Results of Post Estimation Diagnostics Tests

Tests	Chi.Sq.	Prob.
VAR Heteroscedasticity	109.30	0.0633
VAR Residual Serial Correlation LM Tests	8.23	0.9418
VAR Residual Normality Tests	0.16	0.9233

Source: Author's computation (2025).

The results of post estimation diagnostic test presented in the Table 4.7 reveals that, the estimated model is free from such problems like VAR heteroscedasticity correlation and normality of residuals because, the respective probability values like VAR

Heteroscedasticity (0.0633), VAR Residual Serial Correlation LM test (0.9418) and VAR Residual Normality test (0.9233) is greater than 5% level of statistical significance thereby, validating estimated models for policy usage.

4.4 Results and Discussion

The empirical finding of this study reveals the existence of long run relationship among unemployment, corruption and poverty in Nigeria thus, confirming to the apriori expectation of the study. This finding also confirms to the empirical findings of the study by Eseyin, Adama, Olopade, Ahmed and Ogbaro (2023); Eseyin, Adama, Olopade, Ahmed and Ogbaro (2023); Ogunwole, Uche and Gushibet (2021) and Okorie and Anowor (2017) that, unemployment and corruption hold a long run relationship with the poverty rate in Nigeria. Because, unemployed individual lack required financial strength to meet up with the basic necessity of life like feedings, clothing and sheltering thereby, estranging those individuals from having a moderate living style. Similarly, corruption particularly, when it became a norm in a society like it is in Nigeria impedes not only development process but distorts equitable distribution of resources among competing sections of the society and breeds wastefulness and misappropriation of scarce resources which in turns, aggravate poverty level in the country.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study has brought to limelight that the poverty rate in Nigeria is largely attributed to the twin problems of unemployment and corruption ravaging the country. And as a result of rising waves of unemployment and corruption coupled with the weak institutions in the country, the successive governments in Nigeria found incommensurable success of the programs and actions targeted towards eliminating poverty thereby, leaving more than half of the Nigerian population wandering in extreme poverty.

5.2 Recommendations

On these notes, the following recommendations are hereby proffered:

i. The study recommends that, the concerted efforts must be decisively instituted to addressed the problem of unemployment through launching and strengthening of self-empowerment programs and social investment programmes (SIPs), especially the N-power and GEEP to provide more employment opportunities for Nigerian youths, in order to enhance earning capacity of individual to strengthen them to meet up with moderate living condition thereby, abating the level of poverty in the country.

ii. Government at all levels must acts in a way to promote and exemplify good governance ideals like rule of law, transparency and accountability in the discharge of public responsibilities especially as it relates to misappropriation of public funds and diversion of national resources from the purposes the resources are meant for. This would in turns, guarantee the success of the

government programs and policies directed towards poverty eradication in Nigeria.

iii. Advancing the country's anti-corruption agency with more impetus to match the changing ways of perpetrating corruption among the public office holders particularly the political office holders as a way of entrenching good governance thereby abating poverty in country.

REFERENCES

Adebayo, A.A. (2013). The nexus of corruption and poverty in the quest for sustainable development in Nigeria. *Journal of Sustainable Development in Africa,* 15(7), 54 – 68.

Aidelunuoghene, O.S. (2014). The paradox of poverty in Nigeria: What an Irony. *Research Journal of Finance and Accounting*, 5(4), 76 – 95.

Ajakaiye, D. O. & Ayodele, A. I. (2000). The imperative for energizing the industrial transformation in Nigeria. *Bullion*, 24(2): 51-58.

Aminu, U. &Anono, A. Z. (2012). An empirical analysis of the relationship between unemployment and inflation in Nigeria from 1977-2009. *Business Journal, Economics and Review*, 1(12), 42-61.

Balami, D. H. (2006). Macroeconomic theory and practice. Salawe prints, Off Leventies, Wulari, Maiduguri, Nigeria.

Bigsten, A. (2014). Dimensions of African inequality. UNU-WIDER, WIDER Working Paper 2014/050.

Chetwyd, E., Chetwyd, F., & Spector, B. (2003). Corruption and poverty: A review of recent literature. Management System International. New York.

Christiaensen, L., Demery, L. & Paternostro, S. (2002). Growth, distribution, and poverty in Africa: messages from the 1990s. World Bank Policy Research Working Paper Series 2810.

Collier, P. (2007). The bottom billion: Why the poorest countries are failing and what can be done about it. Oxford University Press.

Desai, R. M. (2007). The political economy of poverty reduction—scaling up antipoverty programs in the developing world. Wolfensohn Center for Development at the Brookings Institution: Washington, DC.

Enofe, A. O., Oriaifoh, C. L., &Omagbon, P. (2016). Poverty and Unemployment and Corruption in Nigerian Public Sector. *IIARD International Journal of Economics and Bussines Management*, 2(2), 79–90.

Eseyin, O., Oloni, E., Ogunjobi, O. & Abiodun, F. (2020). Governance and youth unemployment in Nigeria. *International Journal of Financial Research*, 12(1),

220 – 231. Url: http://www.sciedupress.com/journal/index.php/ijfr/article/view/19777/12099

Fashina, O. (2022). Financial development, institutions and poverty reduction: An empirical evidence from sub-Saharan Africa. Linnaeus University Sweden.

Gelbach, J. & Lant, P. (2002). Is more for the poor is less for the poor? BEP Topics in Economic Analysis and Policy, 2(1), 23 – 41. Available: https://www.degruyter.com/view/j/bejeap.2002.2.issue1/bejeap.2002.2.1.1027/bejeap.2002.2.1.1027.xml

Gupta, S., Davoodi, H., & Alonso-Terme, R. (2002). Does corruption affect income inequality and poverty? *Economics of Governance*, 3, 23-45.

Hamilton, J. D. (1994). Time series analysis. Princeton University Press, Princeton, New Jersey.

Huntington, S.P. (1968). Political order in changing societies. London, Yale University press. International Labour Organization (2018). Global employment trends - update, international labour office, Geneva. Available:www.ilo.org

International Monetary Fund_IMF (2014). World economic outlook. International Monetary Fund (IMF). Washington, DC.

McCormick, C. (2015). Corruption and conflict: Economic crisis and civil war in Africa. *Conflict Studies Press, 3*(7), 114-132.

Mustafa, D. (2012). *The effectiveness of IDB's foreign aid on economic growth: An empirical study of African Muslim countries*. PhD Thesis submitted to the College of Business, Universiti Utara Malaysia (UUM).

Mustafa, D. & Adebayo, R. I. (2015). The operations of Islamic banking and finance in African emerging economies: Thematic analysis. *Bayero International Journal of Islamic Finance, 1*(2), 45-69.

Mustafa, D. & Alhassan, M. A. (2025).Development Traps in Nigeria: Conceptual and Theoretical Perspective Utilizing Stylized Facts and Trend Analysis. CBN Bullion.

National Bureau of Statistics (2023). Social Statistics in Nigeria. Abuja: The NBS Publication, Abuja, Nigeria.

N'zue, F. F., &N'guessan, C. J. F. (2006). The causality between corruption, poverty and growth: A panel data analysis. Secretariat for Institutional Support for Economic Research in Africa (SISERA), *Working Paper*2006/1.

Ogunwole, B. E., Uche, A. O. &Gushibet, S. T. (2021). The nexus between poverty and corruption: The case of Nigeria. I*nternational Journal of Economics and Development Policy (IJEDP)*, 4(1), 135 – 150.

Okorie, G. C. &Anowor, O. F. (2017). Empirical appraisal of poverty-unemployment relationship in Nigeria. *International Journal of Economics and Financial Research*, 3(6), 91 – 97.

Onimajesin, S.I. (2010). Corruption in Nigeria: Corruption implication, complications and control. *Ilorin Journal of Sociology*, 2(2), 29 – 42.

Onodugo, V. A., Obi, K. O., Anowor, O. F., Nwonye, N. G. & Ofoegbu, G. N. (2017). Does public spending affect unemployment in an emerging market? Risk Governance & Control. *Financial Markets & Institutions*, 7(1), 32-40.

Siyan, P., Adegoriola, A. E., & Adolphus, J. A. (2016). Unemployment and inflation: Implication on poverty level in Nigeria. *MPRA Paper* No. 79765

Tharanga, M. (2018). *Impact of governance on economic growth.* Munich Personal RePEc Archive (MPRA), 1-51.

Transparency International (2023; 2022). *2022 Corruption perceptions index: Explore the global corruption ranking. Transparency.org*.https://www.transparency.org/en/cpi/2022

Ucha, C. (2010). Poverty in Nigeria: Some dimension and contributing factors. *Global Majority E-Journ*al, 1(1), 46-56.

Umar, F. M. & Joseph, D. (2019). Relationship between poverty and unemployment in Niger State, Nigeria. *Journal Ilmu Ekonomi,* 8(1), 71 – 78.

Umo, J. U. (2007). Economics: An African perspective. Millennium Text Publishers Limited.

United Nations Children's Fund (2012). UNICEF Annual Report. United Nations Children's Fund (UNICEF).

United Nations Development Programme (2013). Human development report. United Nations Development Programme (UNDP). Washington, D.C.

United Nations Development Programme (2015). Human development report. United Nations Development Programme (UNDP), Washington, D.C.

Wada, E. O. (2018). Unemployment, poverty and corruption in Nigeria. Online *Journal of Multidisciplinary,* 12(1), 620 – 632.

World Bank (2009; 2003). World development report. New York.

World Governance Indicator (2017). ICRG (2017). Political risk ratings for 140 countries: 1984-2017. Available on: https://www.prsgroup.com