

The Effect of Remittances and Corruption on Economic Growth in Nigeria

Adewara Sunday Olabisi

Department of Economics, Faculty of Social Sciences, Redeemer's University, Ede, Nigeria
and Department of Business Management and Economics, Walter Sisulu University, South Africa

DOI: <https://doi.org/10.47772/IJRISS.2026.100600848>

Received: 19 June 2026; Accepted: 24 June 2026; Published: 07 July 2026

ABSTRACT

This study examined the dual roles of remittances and corruption on economic growth in Nigeria over the years and their interrelationships. Secondary data on the variables were extracted from the World Development Indicators (WDI). The study uses the Autoregressive Distributed Lag (ARDL) approach for the realization of its objectives. The results indicated that in the long run, remittances, corruption, labor force, and gross fixed capital formation all positively and significantly affect economic growth in Nigeria at 5%, 10%, 5%, and 1%, respectively. In the short run, remittances, labor force, capital formation, and inflation are expected to negatively affect the Nigerian economy. The negative impacts of these variables in the short run, however, could be reduced with the right economic policies. Based on the study's empirical findings, the government of Nigeria should strive hard to channel remittances being consumed in the country to the productive sectors of the economy. Such remittances could be channeled to agriculture, manufacturing, and infrastructure development in the country. Also, accountability institutions such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) should be strengthened to check corruption in the country. By doing so, such institutions would be able to prevent corrupt practices in the country without allowing positive activities in the country to be affected. Such a scenario would promote a better business environment and would also attract investment to the country.

Keywords: Economic Growth, Corruption, Remittances, ARDL, Nigeria

INTRODUCTION

Over the years, Nigerians have travelled in large numbers, both domestically and internationally, in pursuit of better living circumstances, safety, and economic opportunities. This migration has become a vital financial lifeline for many Nigerian households. Funds sent home by migrants, known as remittances, have become an essential part of Nigeria's economy. According to Olaniyi et al. (2025), remittances are household income from foreign economies that primarily result from people moving there temporarily or permanently. Migration is significantly shaping the global economy, with substantial impacts on both the countries that migrants relocate to and the countries they leave behind. A range of socioeconomic, political, and environmental factors has long influenced migration patterns in Nigeria. Remittance inflows to Nigeria have consistently been among the largest in sub-Saharan Africa and account for a sizable share of the country's GDP (World Bank, 2023).

The significance of remittances as a source of foreign currency and household income is illustrated by the fact that these flows frequently surpass official development assistance and foreign direct investment (World Bank, 2023). Remittances are essential to the welfare of many Nigerians, supporting household spending, financing healthcare and education, and reducing poverty. In low- and middle-income countries, remittances represent one of the most direct links between migration and development, outpacing both official development assistance and foreign direct investment (Olaniyi et al., 2025). Remittances are understood to affect economic growth through three principal channels. First, by accelerating capital accumulation, they lower the cost of capital in the recipient country and improve the accumulation of both human and physical capital, which can also stabilise the economy by reducing volatility. Second, remittances can affect labour force participation, as remittance income may

substitute for labour income in recipient households. Third, by raising total factor productivity, remittances can affect investment efficiency (Oladipo, 2020).

However, the degree to which remittances directly or indirectly affect economic growth depends on supportive government policies and an environment conducive to investment. Ratha (2005), as cited in Olulu-Briggs and Sunday (2021), argues that, by facilitating more rapid access to international capital markets to fund infrastructure and development projects, remittance flows can enhance a recipient country's creditworthiness, economic expansion, and development over time. According to Shobowale et al. (2024), remittances typically improve macroeconomic stability and reduce poverty in developing nations. Because they expand the resources available to households, remittances help to increase national savings, which in turn promotes investment and capital formation (Olusuyi et al., 2017). While views on remittances differ, they can also be seen as a form of support for individual entrepreneurial activity.

Some scholars, however, regard remittances as potentially harmful to an economy. Iheke (2012) and Kaasschieter (2014) contend that remittances may pose a risk to an economy by contributing to 'Dutch disease', whereby large inflows deteriorate a nation's financial position and the financial security of non-recipient families. Barguelli and Zaiem (2013) similarly found that remittances can widen the income gap among a country's inhabitants. Remittances are beneficial to nations when channelled towards investment or philanthropic purposes, but they can also affect the exchange rate in ways that lead to lower economic output and the Dutch disease syndrome (Lopez, Molina & Bussolo, 2007, as cited in Eze, 2023): an increase in remittances may cause the exchange rate to appreciate, which in turn can reduce productive activity and slow economic development. Empirical research specifically examining the joint relationship between remittances, corruption, and Nigeria's economic growth remains scarce; previous studies have generally examined the impact of remittances on the economic growth rate in isolation (Asafo Agyei, 2021; Barguelli & Zaiem, 2013; Iheke, 2012; Olusuyi et al., 2017).

Corruption these days comes in different shapes and forms. It is present to a larger or lesser extent in almost all countries around the world (World Bank, 1997; Makar et al., 2023). Not only are so-called developing and less developed countries affected by the negative impact of corruption on the economic and social development of a country, but also already developed countries. Various organizations and institutions around the world try to fight corruption in their effort to promote development and stability in the world. In this context are, among others, the World Bank, TI, and IMF referring to in this study. The negative effects of corruption on economic activities and on the development of less developed countries have become a major concern for the World Bank (Makar et al., 2023). According to the World Bank, corruption is capable of undermining the rule of law and the institutional framework needed for development. According to the World Bank, corruption is "the single greatest obstacle to economic and social development" (World Bank, 1997). Already in 1996, World Bank's then-president, James D. Wolfensohn, described corruption as "a cancer" and called upon everybody to fight it wherever it occurs.

In view of the fact that corruption affects employment and ways to do business and invest (Šumah, 2018), corruption can affect many social programs, too. Thus, resources may not be distributed evenly, and some individuals might even earn extremely high incomes, while others are left to battle with low wages in order to survive. As a result, corruption affects economic development negatively in the long run, and it affects equity too. According to Transparency International (2014), corruption affects growth by affecting key determinants of growth, such as investment, taxation, and public spending. Thus, factors that can decrease growth become the priority of every country, i.e., factors that can drive economic growth. In essence, growth refers to increased economic productivity, leading to higher levels of production of goods and services with minimum waste (Makar et al., 2023). The study, therefore, aims to investigate the effects of remittances and corruption on economic growth in Nigeria over the period of 1996 to 2024.

LITERATURE REVIEW

Habib (2024) explored the idea that improved governance can enhance the responsiveness of remittances to economic growth. Using the system Generalised Method of Moments (GMM) approach to address endogeneity and unobserved heterogeneity, the study employed panel data for 12 Middle East and North Africa (MENA)

countries from 2002 to 2020. The findings showed a direct negative correlation between remittances and economic growth, largely because migrant remittances are predominantly spent on consumption. The interaction between remittances and the governance composite index may mitigate this detrimental effect; however, when disaggregating governance into its various dimensions, only the interaction between remittances and control of corruption exhibited a positive and significant effect on growth, while the interactions with the other five governance quality measures were negligible or unfavourable. This suggests that economic growth in MENA countries is impeded by remittances channelled through informal channels, which are encouraged by political instability, inefficient governance, and weak regulation.

Amadi and Abe (2024) also employed the ARDL estimation approach to examine how migrant remittances affected Nigeria's economic growth between 1986 and 2022, finding a strong and favourable relationship between remittances and economic expansion that holds in both the long run and the short run, with both private investment and foreign direct investment playing a major role in growth. Mbadiwe and Egesimba (2024) examined the impact of remittances on Nigeria's economic growth between 1986 and 2021 using the Error Correction Mechanism, finding that remittances significantly supported Nigeria's economic growth over the study period. The impact of remittances on economic growth for Nigeria over the period 1981 to 2021 was investigated in a study by Omoniyi and Owoeye (2024). The error correction model was used, and the results revealed that remittances have a slightly negative effect on GDP growth in the short run but a positive effect in the long run for GDP.

Fredrick and others (2025), in their study on remittances dynamics within the context of migration in Nigeria, utilized National Bureau of Statistics (NBS) and Central Bank of Nigeria (CBN) secondary data from 1994 to 2023 time series to investigate the relationship between remittances and economic development using various theoretical frameworks. The authors employed an error correction model to investigate short-run and long-run relationships between remittances and human capital, as well as other determinants of economic growth. The findings revealed a very strong positive correlation between remittances and human capital, and the results showed that 1% increase in remittances would result in 44.9% increase in economic development. Foreign direct investment ($t = 0.741$, $p = 0.477$), gross capital formation ($t = 0.598$, $p = 0.564$), and consumer price index ($t = 0.214$, $p = 0.836$) do not have significant correlations with economic growth. In conclusion, the study posited that remittance-receiving countries, including Nigeria, should strive to create and implement a sound macroeconomic environment and policies. Such policies include a stable exchange rate, good infrastructure, and market integration that would sustain long-run growth.

Ojewunmi Ojewunmi (2025), analyzed the sources of corruption and their effects on democratic governance in Nigeria using secondary data sources. He identified corruption as one of the serious social problems affecting the economic development and growth of Nigeria. The study's analysis further reveals that the prevalence of bribery declined in three of Nigeria's six geopolitical zones between 2016 and 2019, while continuing to rise in the other three zones.

Corruption is identified as one of the most prevalent forms of crime, contributing to transnational crime, wasting public funds, destabilising nations, and obstructing good governance; among its principal drivers in Nigeria are bribery, dishonesty, tribalism, nepotism, materialism, the get-rich-quick syndrome, and wealth inequality. The study identifies a range of detrimental impacts of corruption in Nigeria, including poor decision making, wasteful spending on unsustainable projects, and erosion of public trust in government, and recommends that Nigerians adopt a collective resolve to minimise corruption to a manageable level through morally upright and honest living, with political leaders expected to set an example through transparency, commitment to national development, and a reduction in ostentatious and wasteful living.

Makar et al. (2023) evaluated the impact of corruption on economic growth in Nigeria from 1986 to 2019 using the Johansen cointegration test and a vector error correction model. The study found that, while increases in corrupt practices have a negligible short-run effect at the 5 percent level of significance, corruption substantially impedes Nigeria's economic growth over the long run. The study further shows that corruption has a limited transmission effect on Nigeria's economic growth through government spending, domestic and foreign direct investment, household consumption, and the country's trade in goods and services.

METHODOLOGY

Theoretical Framework

This study is anchored on the neoclassical growth theory of Lewis (1954), which posits that labour emigration results from imbalances in the labour market and discrepancies between labour supply and demand. The theory holds that individuals migrate from low-wage areas to regions offering higher income, improved infrastructure, and enhanced socioeconomic opportunities, driven primarily by incentives such as remittances and foreign income. This incentivises labour migration, as remittances serve as valuable alternative income sources for participating households: the resulting inflow enhances productivity and stimulates economic growth in the migrants' country of origin. At the micro-level, the emigrant's immediate household benefits directly from remittances, while the broader economy also gains from investments made by remittance-receiving households (Afen-Okhai, 2023). The neoclassical theory is adopted here for its emphasis on the role of remittances within the migration–economic growth relationship.

Model Specification

The study used data from the World Development Indicators (WDI) to capture the effect of remittances and corruption on Nigeria's economic growth. The model specification adapts the frameworks of Kaufmann et al. (2010), Barro (1996), and Knack and Keefer (1995), as adapted by Habib (2024). The baseline model is specified in Equation (1) as:

$$GDP_{it} = \beta_0 + \beta_1 GDP_{i,t-1} + \beta_2 REM_{it} + \beta_3 COR_{it} + \beta_4 INF_{it} + \beta_5 GCF_{it} + \beta_6 LAB_{it} + \varepsilon_{it} \dots (1)$$

Where:

GDP_{it} = real gross domestic product growth rate (economic growth) at time t

$GDP_{i,t-1}$ = one-period lagged real GDP growth rate

REM_{it} = personal remittances received, as a percentage of GDP

COR_{it} = control of corruption (institutional quality indicator)

INF_{it} = inflation rate

GCF_{it} = gross fixed capital formation

LAB_{it} = labour force participation

ε_{it} = the error term

Converting Equation (1) to its short-run ARDL representation, the model is expressed in Equation (2):

$$\Delta GDP_{it} = \beta_0 + \phi ECM_{i,t-1} + \sum_{p=1} \alpha_{1j} \Delta GDP_{i,t-j} + \sum_{qj=0} \alpha_{2j} \Delta REM_{i,t-j} + \sum_{qj=0} \alpha_{3j} \Delta COR_{i,t-j} + \sum_{qj=0} \alpha_{4j} \Delta INF_{i,t-j} + \sum_{qj=0} \alpha_{5j} \Delta GCF_{i,t-j} + \sum_{p=1} \alpha_{6j} \Delta LAB_{i,t-j} + \varepsilon_{it} \dots (2)$$

where i indexes the cross-sectional unit, t denotes the time period, β_0 represents the intercept, and α_{1j} to α_{6j} are the short-run dynamic coefficients of the respective first-differenced regressors, with p and q denoting the optimal lag orders selected by the model selection criterion. Once a long-run relationship between the dependent variable and the regressors has been established via the bounds test, the Error Correction Model (ECM) representation incorporating both the short-run dynamics and the long-run relationship is specified in Equation (3):

$$\Delta GDP_{it} = \beta_0 + \phi ECM_{i,t-1} + \sum_{pj=1} \alpha_{1j} \Delta GDP_{i,t-j} + \sum_{qj=0} \alpha_{2j} \Delta REM_{i,t-j} + \sum_{qj=0} \alpha_{3j} \Delta COR_{i,t-j} + \sum_{qj=0} \alpha_{4j} \Delta INF_{i,t-j} + \sum_{qj=0} \alpha_{5j} \Delta GCF_{i,t-j} + \sum_{pj=1} \alpha_{6j} \Delta LAB_{i,t-j} + \sum_{pj=1} \alpha_{7j} GDP_{i,t-j} + \sum_{qj=0} \alpha_{8j} REM_{i,t-j} + \sum_{qj=0} \alpha_{9j} COR_{i,t-j} + \sum_{qj=0} \alpha_{10j} INF_{i,t-j} + \sum_{qj=0} \alpha_{11j} GCF_{i,t-j} + \sum_{pj=1} \alpha_{12j} LAB_{i,t-j} + \varepsilon_{it} \dots\dots\dots(3)$$

where $ECM_{i,t-1}$ is the lagged error correction term and ϕ is the speed-of-adjustment coefficient, expected to be negative and statistically significant, indicating convergence towards long-run equilibrium following a short-run shock. The α coefficients in Equations (2) and (3) represent the short-run coefficients, while the long-run coefficients of economic growth, remittances, corruption, inflation, gross fixed capital formation, and the labour force are obtained from the corresponding long-run ARDL solution.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1 presents the descriptive statistics for the variables employed in the study.

Table 1: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Minimum	Maximum
GDP	28	4.696	3.500	-1.794	15.329
COR	28	-1.154	0.129	-1.502	-0.900
REM	28	3.940	2.223	0.159	8.333
GCF	28	16,149.00	19,121.44	1,494.751	65,227.13
LAB	28	1.845	0.058	1.769	1.916
INF	28	13.195	5.414	5.388	29.268

Notes: GDP = real GDP growth rate (%); COR = control of corruption index; REM = personal remittances received (% of GDP); GCF = gross fixed capital formation (constant US\$, millions); LAB = labour force participation (log); INF = inflation rate (%).

The descriptive statistics of the variables are presented in Table 1. Average GDP growth for the studied period was 4.7%. On the other hand, the average corruption perception index rose to a low negative value between the periods covered by this study for the country, indicating very unstable institutions. Remittances averaged 3.9% of GDP, but with wide dispersion between low and high values for the country. The country suffers from very low and fluctuating levels of gross fixed capital formation as a percent of GDP. The value of this variable oscillates within the studied period. Also, the labor force was relatively constant. Finally, the average inflation rate was 13.2%, fluctuating greatly between years of very mild, moderate, and severe inflation.

Correlation Analysis

Table 2 presents the pairwise correlation matrix for the variables.

Table 2: Correlation Matrix

Variable	GDP	REM	COR	LAB	GCF	INF
GDP	1.000					
REM	-0.091	1.000				
COR	0.037	0.525	1.000			
LAB	-0.190	-0.624	-0.403	1.000		
GCF	-0.377	0.294	0.337	0.176	1.000	
INF	-0.070	-0.073	0.191	0.302	0.372	1.000

Notes: Variable definitions as in Table 1.

From the results of the correlation analysis presented in Table 2, it is clear that Economic growth is not correlated with remittances, corruption, the labor force, gross fixed capital formation, and inflation. While the correlations between economic growth and the other variables in the model. There is, therefore, no concern for multicollinearity or serial correlation, which may render the results unreliable if present. The rest of the analysis is considered more statistically reliable based on the correlation results.

Unit Root Test

Table 3 presents the results of the Augmented Dickey–Fuller (ADF) unit root test for each time series. The null hypothesis, $H_0: \sigma = 0$, posits that the variable is non-stationary, while the alternative hypothesis, $H_1: \sigma \neq 0$, asserts that the variable is stationary.

Table 3: Augmented Dickey-Fuller (ADF) Unit Root Test

Variable	ADF Statistic	p-value	Order of Integration
GDP	−7.182	0.000	I(1)
REM	−5.116	0.004	I(1)
COR	−5.308	0.003	I(1)
LAB	−5.797	0.001	I(1)
INF	−4.597	0.001	I(0)
GCF	−2.691	0.080	I(1)

Notes: Variable definitions as in Table 1. The unit root test was conducted at first difference for all variables except INF, which is stationary at the level.

The unit root test results reveal a mixed order of integration: INF is stationary at level, I(0), while GDP, REM, COR, LAB, and GCF are stationary only after first differencing, I(1). Since the variables exhibit a combination of I(0) and I(1) series with none integrated of order two or higher, this mixed order of integration justifies the application of the ARDL bounds testing framework.

ARDL Bounds Test for Cointegration

Table 4 presents the results of the ARDL bounds test for cointegration.

Table 4: ARDL Bounds Test

Test Statistic	Value	k (Number of Regressors)
F-statistic	15.772	7

Significance Level	I(0) Bound	I(1) Bound
10%	1.92	2.89
5%	2.17	3.21
2.5%	2.43	3.51
1%	2.73	3.90

Note: Critical value bounds for $k = 7$ regressors. The computed F-statistic (15.772) exceeds the upper bound I(1) critical value at all conventional significance levels, including the 1% level (3.90).

The ARDL bounds test result reports an F-statistic of 15.772, which exceeds the upper critical bound value at the 5 percent significance level (and, indeed, at all conventional significance levels up to 1 percent). This implies rejection of the null hypothesis of no cointegration, confirming the existence of a long-run equilibrium relationship among the variables. Consequently, there is justification for the estimation of long-run coefficients and the associated error correction mechanism to capture short-run adjustments.

Autoregressive Distributed Lag (ARDL) Estimation Results

Table 5 presents the long-run and short-run ARDL estimation results, with GDP growth as the dependent variable.

Table 5: ARDL Estimation Results (Dependent Variable: GDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Long-run estimates				
Constant	-37.471	27.788	-1.348	0.235
GDP(-1)	0.157	0.525	0.299	0.776
REM	-1.001	0.380	-2.635**	0.046
COR	-13.952	5.773	-2.416*	0.060
LAB	36.335	12.496	2.907**	0.033
GCF	0.001	0.000	6.026***	0.001
INF	-0.025	0.156	-0.162	0.877
Short-run estimates				
ECM(-1)	-0.157	0.008	19.210***	0.000
ΔREM	-1.907	0.126	-15.053***	0.000
ΔCOR	10.626	1.606	6.614***	0.001
ΔLAB	-67.592	5.461	-12.376***	0.000
ΔGCF	-0.003	6.31E-05	-6.098***	0.001
ΔINF	-0.259	9.51E-05	-15.249***	0.000

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. $R^2 = 0.980$; Adjusted $R^2 = 0.963$.

Table 5 presents the results from the Auto-Regressive Distributed Lag (ARDL) of the relationship between REM, COR, and economic growth in Nigeria. The upper part of the table presents the long-run results, while the lower part presents the short-run. REM coefficients are negative and statistically significant at 5% level. This means that a 5% increase in remittances would lead to a 1.00% decline in economic growth. These results are in line with Habib (2024) and Omoniye and Owoeye (2024), amongst others. However, contrary to findings by Amadi and Abe (2024) and Mbadiwe and Egesimba (2024), amongst others, remittances do not increase economic growth. Such funds may be used for consumption instead of investment.

The study further found that corruption negatively affects economic growth. The variable COR (corruption) has a negative and significant relationship with growth at 10% significance level. Ojewunmi (2025) and Makar and others (2023) observed and supported the study's finding on the adverse effect of corruption on economic growth. Corrupt practices divert funds meant for development projects, such as the construction of roads, the provision of pipe-borne water, health, and education services, into individuals' accounts, where such monies are spent on luxuries rather than on human capital and industrial development. In essence, corruption stifles economic growth and even perpetuates poverty and inequality in society.

However, the study finds that the labor force has a positive and significant impact on economic growth at 5% significance level. This indicates that a large, productive workforce is a prerequisite for the country's economic development. Thus, a skilled and active labor force would promote economic activities and growth in the country. Additionally, the study also finds that gross fixed capital formation (GCF) has a positive and significant impact on economic growth at 1% significance level. This indicates that capital formation promotes economic growth by increasing productive capacity, creating infrastructure, and encouraging technology transfer. Inflation is not a significant determinant of economic growth in the long run, based on the results.

The study also examines the short-run effects of the independent variables on economic growth. The results show that REM, LAB, GCF, and INF are negatively related to economic growth in the short run and are all statistically significant at the 1% level. This implies that in the short run, remittances, labour force, gross fixed

capital formation, and inflation hurt economic growth. The negative impact of remittances on economic growth in the short run can be attributed to households' increase in consumption expenditure rather than investment. The negative impact of the labour force on economic growth in the short run can be attributed to the fact that an increasing workforce can place a burden on the nation, particularly if it is not absorbed into employment, leading to increasing levels of unemployment and underemployment. The negative impact of gross fixed capital formation on economic growth in the short run can be attributed to a lag between investment and returns on capital. Finally, the negative impact of inflation on economic growth in the short run reflected the shock and negative effects on consumers' welfare and purchasing power.

In contrast, corruption (COR) is positively related to economic growth in the short run and is statistically significant at the 1% level. This finding may seem counterintuitive, as corruption is generally considered to be detrimental to economic growth. However, the positive short-run relationship between corruption and economic growth can be attributed to the "greasing the wheel" effects of corrupt practices, which can facilitate transactions and secure approvals that would otherwise be stalled due to a lack of institutional frameworks and a weak bureaucracy. Nevertheless, it is essential to note that this positive relationship is short-lived. In the long run, corrupt practices have negative effects on economic growth, as corroborated by the findings of Habib (2015) and Ojewunmi (2016).

The error correction term, $ECM(-1)$, is negative and statistically significant at the 1% level, which confirms the convergence of the model towards the long-run equilibrium. The $ECM(-1)$ of -0.157 implies that 15.7% of any error or disequilibrium in the previous period is corrected in the next period. This confirms that the growth model under study is an error correction model with a strong overall fit, as evidenced by the R^2 of 0.980 and the adjusted R^2 of 0.963. The high R^2 and adjusted R^2 values imply that the independent variables in the model explain about 98.0% of the variation in the dependent variable, suggesting that the model is a good fit for the data. Overall, the study provides valuable insights into the relationship between remittances, corruption, labour force, gross fixed capital formation, inflation, and economic growth in Nigeria, highlighting the need for policymakers to implement policies that promote economic growth and development.

Justification of the Positive Effect of Corruption on Economic Growth in Nigeria

The notion that corruption has a positive effect on economic growth in Nigeria is supported by the study's short-run findings, which indicate a significant and positive relationship between the two variables at a 1% level of significance, with a ΔCOR coefficient of 10.626. This outcome aligns with the "greasing the wheels" hypothesis, a theoretical framework introduced by Leff (1964) and further developed by Huntington (1968). According to this hypothesis, in economies characterized by inefficient bureaucracies, excessive regulations, and red tape, corruption can serve as a catalyst for decision-making, facilitate market entry, and remove administrative obstacles that hinder economic activity. In such environments, corruption can be seen as a second-best solution, effectively lubricating the economic machinery and compensating for institutional deficiencies. Several empirical studies have documented similar positive short-run associations between corruption and economic growth, lending credibility to this finding. For instance, Aidt, Dutta, and Sena's (2008) study, which employed a two-regime model, demonstrated that the relationship between corruption and growth is contingent upon institutional quality. In environments with weak governance, corruption can yield positive growth outcomes by compensating for institutional failures, whereas in environments with strong institutions, it is unequivocally detrimental. Similarly, Méon and Weill's (2010) analysis of 69 countries found that corruption is less harmful to efficiency, and may even enhance it, in countries with poor institutional quality – a finding that is particularly relevant to Nigeria, which consistently ranks low on composite governance indices. Furthermore, Swaleheen's (2011) study, which utilized dynamic panel data methods, found a non-linear relationship between corruption and growth, with corruption positively associated with growth in the short run before its detrimental long-run effects materialize. These findings are consistent with the ARDL results of the present study. In the Nigerian context, the positive short-run relationship between corruption and economic growth can be attributed to several interconnected mechanisms. Firstly, in an economy where regulatory approvals and public procurement processes are plagued by delays and bureaucratic inertia, informal payments can enable businesses to bypass these obstacles and bring goods and services to market more quickly, thereby generating short-term output and employment. This mechanism is likely to operate in Nigeria's regulatory environment, which is characterized by multiple layers of bureaucratic oversight across various sectors. Secondly, in a context where formal credit

markets are underdeveloped and access to finance is constrained, informal networks sustained by corrupt relationships can channel capital to entrepreneurs and small-scale producers who would otherwise be excluded from productive investment, resulting in a short-term boost to output. Thirdly, the Nigerian economy's heavy dependence on the oil sector means that corruption-linked rent allocation can stimulate ancillary economic activity in construction, trade, and services as oil-derived funds circulate through the economy. The asymmetry between the short-run and long-run effects of corruption found in this study is also consistent with the theoretical framework advanced by Acemoglu and Verdier (1998). According to this framework, some degree of corruption may be tolerated or even implicitly incentivized by governments as a short-run strategy to attract private sector participation and investment, particularly in environments where the government lacks the capacity to enforce contracts or protect property rights. In such circumstances, corrupt intermediaries provide an informal substitute for formal institutional guarantees, enabling transactions that would otherwise not occur. However, over time, this dynamic entrenches rent-seeking behavior, erodes the rule of law, and crowds out productive investment, ultimately reversing any short-run growth gains and producing the negative long-run relationship between corruption and economic growth. It is essential to note that the empirical support for a positive short-run relationship between corruption and economic growth should not be interpreted as a policy endorsement of corruption. Rather, it highlights the critical importance of institutional reform. The positive short-run association arises precisely because institutions are too weak to provide the regulatory and market-enabling functions that should not require informal payments. Strengthening institutions through measures such as judicial independence, transparency in public procurement, digitization of government services, and rigorous enforcement by agencies such as the EFCC and ICPC would eliminate the conditions that give rise to the "greasing the wheels" phenomenon, making the short-run positive effect redundant while averting the damaging long-run consequences of corruption on growth, investment, and equity.

Directions for Future Research

The study's findings have created several opportunities for future research to further explore the relationship between corruption and economic growth in Nigeria and similar developing economies. One potential area of investigation is to introduce an interaction term between corruption and institutional quality, such as the rule of law or regulatory quality, to determine if the "greasing the wheels" effect is dependent on the level of institutional development. This could be achieved by incorporating variables from the World Bank's Worldwide Governance Indicators into an ARDL or panel VAR framework, allowing researchers to identify the exact threshold at which institutional quality makes corruption unequivocally harmful and providing more practical guidance for policymakers. Another direction for future research is to examine the non-linear dynamics of the corruption-growth relationship in Nigeria using threshold autoregressive models or smooth transition autoregressive models. These approaches would enable researchers to determine if there are distinct regimes, such as a low-corruption regime that promotes growth and a high-corruption regime that hinders it, and provide more nuanced estimates of the impact of corruption on growth across its distribution. This would build upon and expand the linear ARDL approach used in the current study. The inclusion of additional variables in future models would also enhance the analysis's explanatory power and policy relevance. For instance, incorporating foreign direct investment as a moderating variable would allow researchers to investigate if the positive short-term effect of corruption on growth is partly due to its impact on FDI flows, and if corruption acts as a substitute for formal investor protection. Similarly, including a measure of shadow economy activity would enable researchers to assess if the positive short-term growth effect of corruption is partly transmitted through an expansion of informal economic activity. Furthermore, disaggregating the corruption index into its constituent dimensions, such as bribery and embezzlement, using data from Afrobarometer or the Varieties of Democracy project, would allow researchers to identify which specific forms of corruption are responsible for the short-term growth boost and which are most harmful in the long run. A promising methodological extension is the use of Quantile ARDL estimation, which would enable researchers to examine how the short-term and long-term effects of corruption on economic growth vary across the conditional distribution of GDP growth. This would be particularly insightful in the Nigerian context, where GDP growth has fluctuated significantly, and the relationship between corruption and growth may differ across various economic states. Finally, extending the analysis to a panel of West African or sub-Saharan African economies using panel ARDL or the pooled mean group estimator would allow for a comparative assessment of whether the positive short-term effect of corruption on growth is unique

to Nigeria's specific conditions or characteristic of resource-dependent developing economies with weak governance frameworks.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

This section summarizes the key findings and recommendations derived from analyzing the relationships between remittances, corruption, and various economic indicators, including their impact on growth. The results indicate that remittances have a significant and negative influence on growth in both the short and long term, at 5% and 1% significance levels, respectively. This suggests that despite the growth of remittances, they are unlikely to stimulate economic growth, potentially due to the poor allocation of remitted funds or structural weaknesses in the economy that hinder their effective use. The relationship between corruption and economic growth is complex. In the long run, corruption has a negative impact on growth, as it erodes trust in institutions and undermines the investment climate. However, in the short run, corruption has a positive and statistically significant effect on economic growth, at a 1% level of significance. This phenomenon can be attributed to the "greasing the wheels" effect, where bribes facilitate business transactions and create a more conducive environment for firms. In the absence of strong institutions, corruption can actually promote economic growth in the short term. The labor force has a significant impact on economic growth, but with opposing effects in the short and long term. In the long run, the labor force has a positive and significant coefficient at a 5% level, indicating that human capital drives economic growth through increased productivity and innovation. In contrast, the short-term coefficient is negative and significant at a 1% level, possibly due to factors such as a weak labor market, high unemployment, underemployment, and low wages, which render the labor force unproductive and unable to generate sufficient income to stimulate economic growth. Inflation is negatively correlated with economic growth in both the short and long term. While the short-term correlation is significant at a 1% level, the long-term correlation is not significant. High inflation in the short term can therefore hinder economic growth.

Based on these findings, the study recommends the following policy interventions:

1. Channeling remittances into productive investments: To mitigate the negative short-term effects of remittances on economic growth, the government should design policies to direct remittances into productive sectors of the economy, enabling them to have positive long-term effects on growth. This can be achieved through initiatives such as diaspora investment bonds, matched savings schemes, and remittance-linked small business investment incentives.
2. Strengthening anti-corruption institutions and enforcement: Corruption can have severe short-term consequences, including deterring investments and diverting funds from productive activities. In the long run, corruption can have negative effects on the economy. Therefore, robust accountability institutions and enforcement mechanisms are essential to combat corruption. The Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) are two key anti-corruption agencies in Nigeria. Consistently prosecuting high-profile corruption cases and exposing those involved is crucial in the fight against corruption and its impact on economic growth, without affecting legitimate business activities.
3. Promoting labor market absorption for increased productive employment: The positive long-term growth effect of the labor force must be translated into productive employment. To achieve this, active labor market policies, labor market and vocational training programs, and promotion of private sector employment generation are essential to mitigate the negative short-term growth effects of the labor force.
4. Ensuring efficiency in capital project execution: Given the short gestation lag for capital projects in the long run, but negative effects in the short run, the government and its agencies must ensure that all capital projects are executed efficiently. This requires timely completion of all project stages, including planning, procurement, and implementation, to minimize the period of expenditure without generating productive capacity.
5. Maintaining macroeconomic stability through inflation control: As inflation hinders growth in both the short and long term, the Central Bank of Nigeria's monetary policy should focus on reducing and stabilizing inflation to create an environment conducive to productive investment.

REFERENCES

1. Abee, O. O., Adewale, O. T., & Mathew, A. A. (2025). Migration and economic growth in Nigeria: Do migrants' remittances matter? *Journal of Identity & Migration Studies*, 19(1).
2. Afen-Okhai, F. (2023). *Migration, remittances, and household welfare in Nigeria*. Lagos: University of Lagos Press.
3. Amadi, K. C., & Abe, I. I. (2024). Migrant remittances and economic growth in Nigeria: An ARDL approach. *Nigerian Journal of Economic Studies*, 12(2), 45–62.
4. Asafo Agyei, D. (2021). Remittances and economic growth in Sub-Saharan Africa. *African Development Review*, 33(2), 211–228.
5. Barguelli, A., & Zaiem, M. H. (2013). Remittances, education and economic development. *Journal of Economics and International Finance*, 5(5), 162–169.
6. Barro, R. J. (1996). *Determinants of economic growth: A cross-country empirical study* (NBER Working Paper No. 5698). Cambridge, MA: National Bureau of Economic Research.
7. Eze, O. R. (2023). Remittances, exchange rate dynamics, and Dutch disease in Nigeria. *International Journal of Development Economics*, 8(1), 33–49.
8. Fredrick, A. E., Onuorah, A. C., & Osuji, C. C. (2025). Dynamics of remittances and economic development in Nigeria. *Review of International Economic, Taxation, and Regulations*, 1(1), 47–58.
9. Habib, H. (2024). Are institutions improving the contribution of remittances to economic growth? A panel data analysis. *Institutions and Economies*, 16(1), 29–52. <https://doi.org/10.22452/IJIE.vol16no1.2>
10. Iheke, O. R. (2012). The effect of remittances on poverty and inequality in Nigeria. *International Journal of Economics and Management Sciences*, 1(11), 1–9.
11. Kaasschieter, G. (2014). *Remittances and Dutch disease: A review of the evidence*. Amsterdam: Tinbergen Institute.
12. Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). *The worldwide governance indicators: Methodology and analytical issues* (World Bank Policy Research Working Paper No. 5430). Washington, DC: World Bank.
13. Knack, S., & Keefer, P. (1995). Institutions and economic performance: Cross-country tests using alternative institutional measures. *Economics and Politics*, 7(3), 207–227.
14. Lewis, W. A. (1954). Economic development with unlimited supplies of labour. *The Manchester School*, 22(2), 139–191.
15. Makar, A. T., Ngutsav, A., Ijirshar, V. U., & Ayaga, M. (2023). Impact of corruption on economic growth: An empirical evidence from Nigeria. *Journal of Public Administration, Finance and Law*, 27(1), 254–276. <https://doi.org/10.47743/jopaf-2023-27>
16. Mbadiwe, M., & Egesimba, C. (2024). Remittances and economic growth: A case study of Nigeria. *International Journal of Entrepreneurial Development, Education and Science Research*, 8(1), 308–324.
17. Ojewunmi, A. (2025). Corruption and democratic governance in Nigeria: Origins and effects. *Journal of African Political Studies*, 14(1), 88–107.
18. Oladipo, O. S. (2020). Migrant workers' remittances and economic growth: A time series analysis. *The Journal of Developing Areas*, 54(4). <https://doi.org/10.1353/jda.2020.0038>
19. Olaniyi, O. A., Olanrewaju, T. A., & Adekanmbi, A. M. (2025). Migration and economic growth in Nigeria: Do migrants' remittances matter? *Journal of Identity and Migration Studies*, 19(1), 16–26.
20. Olulu-Briggs, O. V., & Sunday, D. D. (2021). Dynamics of remittances and aids in economic development in Nigeria. *International Journal of Economics, Commerce and Management*, 9(4).
21. Olusuyi, A. E., Adebayo, A., & Ojo, T. (2017). Remittances, savings, and capital formation in Nigeria. *West African Journal of Economics*, 6(2), 101–118.
22. Omoniyi, O., & Owoeye, T. (2024). Effect of remittance inflow on economic growth of Nigeria. *Journal of Applied and Theoretical Social Sciences*, 6(1), 74–87. <https://doi.org/10.37241/jatss.2024.104>
23. Ratha, D., & Riedberg, J. (2005). *On reducing remittance costs* (Unpublished paper). Development Research Group, World Bank, Washington, DC.
24. Shobowale, D., Ajayi, O., & Bello, K. (2024). Remittances, macroeconomic stability, and poverty reduction in developing economies. *Journal of Development Finance*, 11(1), 22–41.
25. Šumah, S. (2018). Corruption, causes and consequences. In *Trade and Global Market*. IntechOpen. <https://doi.org/10.5772/intechopen.72954>

-
26. Transparency International. (2014). Corruption Perceptions Index 2014. Berlin: Transparency International.
 27. World Bank. (1997). World development report 1997: The state in a changing world. Washington, DC: World Bank.
 28. World Bank. (2023). Remittances remain resilient but are slowing: Migration and development brief 38. Washington, DC: World Bank. https://www.knomad.org/sites/default/files/publication-doc/migration_and_development_brief_38_june_2023_0.pdf