

Research Article

Judicial Corruption, Financial Development, and Economic Growth: Fresh Evidence from Nigeria

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Abstract: This paper attempts to juxtapose the relationship among judicial corruption, financial development and economic growth in Nigeria over the period of 1980 to 2016 using Autoregressive Distributed Lag (ARDL) Model and Granger-Causality Test. The former takes care of both long-run and short-run dynamic effects of judicial corruption and financial development as it affects economic growth while the latter captures the flow of causality among the variables. Therefore, the ARDL Bound test result reveals cointegration implying a long-run relationship among judicial corruption, financial development and economic growth. The short-run result shows that judicial corruption is negatively and significantly related to economic growth while in the long-run, a positive but insignificant relationship exists. It also reveals that rule of law is positively and significantly related to economic growth in the short-run. However, the results of the Granger-causality test show that there is unidirectional causality running from judicial corruption to economic growth. In all, the study concludes that justice delayed is growth denied. The study, therefore, recommends that the institution of justice be reformed, civil litigations are discharged on time and judicial independence be restored accordingly.

Keywords: Judicial Corruption, Financial Development, Economic Growth, Institutions, ARDL, Granger-Causality.

1.0 INTRODUCTION

Over the years, corruption in Nigeria has been a major problem militating against its economic progress, as it continues to frustrate the prospect for growth and development of the Nigerian economy. This single reason has accounted for the great interests shown by various researchers to unearth the causes of corruption and the magnitude of its effects on economic growth in general and the disastrous erosion it causes on foreign direct investment inflows and financial development at large. Today, despite the abundance of resource blessings, Nigeria as a nation is enjoying, it still finds it difficult to path its way to development. This is because corruption has eroded virtually all sectors of the Nigerian economy of which financial sector is inclusive, thereby making public officials as well as private individuals neglecting their official discharge on account of bribery, embezzlement, fraud, collusion, patronage, clientelism, and nepotism which are obvious manifestation of corruption in the public space and even private sector.

The judiciary is not left out in this ugly trend as the institution of justice in the country now records a higher degree of corruption, thereby making the cost of justice relatively high for the common people. No degree of substantive law improvement, even the world "best practice" substantive law will bring the Rule of Law to a country without effective enforcement (Bhattacharya and Daouk, 2004). A sound judiciary is a key to law enforcement. No doubt some technical laws can be enforced by administrative means, but a Rule of Law, in the primary economic sense of protecting life and property, and enforcing contracts, requires an effective judiciary to resolve disputes between private parties. And protection against the state itself is made easier where the judiciary can resolve a controversy raised by a private party against the state based on constitutional provisions or parliamentary legislation. One conclusion widely agreed upon, not just in the economic literature but also among lawyers and legal scholars, is that the judiciary is a vital factor in the Rule of Law and more broadly in economic and financial development.

Quick Response Code



Journal homepage:

<http://www.easpublisher.com/easjebm/>

Article History

Received: 15.02.2019

Accepted: 25.02.2019

Published: 17.03.2019

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DOI: 10.36349/easjebm.2019.v02i03.002

A number of studies show some of the positive benefits of strong and effective judiciaries. The degree of judicial effectiveness is correlated with economic growth (Iheanacho, 2016; Akinlabi, Hamed and Awoniyi, 2011; Feld and Voight, 2004; among others). Better performing courts have been shown to lead to more developed credit markets. A stronger judiciary is associated with more rapid growth of small firms as well as with larger firms in the economy Islam (2003). Rose-Ackerman (1997) states that "widespread corruption is a symptom that the state is functioning poorly." In fact, the entrenched characteristic of official corrupt practices is rooted in the abuse of market or organizational power by public sector officials (Buscaglia, 1997). Many studies have already shown that the presence of perceived corruption retards economic growth, lowers investment, decreases private savings, and hampers political stability (Iheanacho, 2016; Akinlabi, Hamed and Awoniyi, 2011; Alfaro, Sebnem, Areendam and Selin, 2000; Sghaier & Abida, 2013; Maoro, 1995; Schleifer and Vishny, 1993). Moreover, foreign direct investment has demonstrated a special negative reaction to the presence of corruption within the public sectors in developing countries (Leiken, 1996; Lambsdorff, 1998) shows that the degree of corruption in importing developing countries also affects the trade structure of exporting countries.

Many scholars have provided path-breaking contributions to the economic analysis of corruption. Studies focusing on describing corrupt practices as well as analyzing the impact of corruption on financial and economic development are abundant but there is no study specifically on the relationship between judicial corruption, financial development, and economic growth. Low compensation, weak regulating and monitoring systems are traditionally considered to be the main causes of corruption. In Becker-Stigler (1974) and Klitgaard (1991), official corruption through bribery of public officials reduces the expected punishment faced by potential criminals and thus hampers deterrence. In this context, increasing the salaries of public enforcers or paying private enforcement agencies for performance or both would tend to improve the quality of enforcement in a country.

The above-cited works have explicitly dwelled on corruption and its attending effects. But it is apparent that these studies have been silent on how corruption in the judiciary affects financial development and economic growth using empirical evidence from Nigeria. Thus, this, therefore, shows that there is a dearth of empirical literature ascertaining the impact of judicial inefficiencies on the economic performance of Nigeria. More so, unveiling the magnitude of this effect has been lost in previous researches. It is therefore against this background that this study seeks to answer the following research questions;

- To what extent does judicial corruption affect financial development in both the short run and the long run?
- To what extent does judicial corruption affect economic growth in both the short run and the long run?
- To what extent does judicial corruption cause financial development and economic growth or vice versa?

The paper is organised as follows. Following this introduction is Section 2, which reviews the conceptual, theoretical and empirical literature. Section 3 contains the type and sources of data, variables measurement, empirical model and econometric methodology. Section 4 explains the data employed in the analysis and its interpretation. Section 5 reports and discusses the econometric results. Finally, Section 6 concludes, recommends and suggests areas for further studies.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

The paper reviews relevant theories that establish the connections between corruption and economic growth. These theories are:

2.1.1 Theory of Distributive Corruption

The theory of distributive corruption highlights the weakness of the state in its relationship with society. This theory is based on empirical evidence in some countries like Russia or Bangladesh where state failure has gradually been caused by the power of patronage networks. This theory is characterized by the dominance of one social group (ethnic or regional) or economically powerful enough to challenge the state in all its authority. Through bribery, this class derives enormous benefits of their activities, for example, requiring officials to work towards their favor. Thus these groups may receive particular policy makers, public goods and services; advantages in terms of regulation. In return, the policymaker is guaranteed the political support of these powerful lobbies. At this level, the main beneficiaries of public resources are not diverted politicians or bureaucrats, but these resources are distributed to the powerful clans in social or economic consideration (hence the term distributive corruption) in the form of tax exemptions, grants, leases, pensions, health coverage, and housing etc. However, these groups earn more than they bring in terms of investment or public projects, aid for internal development. Moreover, the loser is undoubtedly the state and its regulatory power. All its capacity to mobilize revenue, to implement consistent policies and priorities becomes eroded (Amundsen, 1997). Indeed, distributive corruption affects the poor, because the basic public services including education, health, social security... are allocated based on the ability of individuals to influence policy and to pay bribes. In the literature, the "feudalization" term is used to describe

this state of powerlessness. This refers to the feudal system that was characterized by exploitation and manipulation of a majority by a minority group. In short term, those in power may benefit from political support of the clans in terms of loyalty; in the long run, the unity of the state is jeopardized.

2.3.2 Theory of Extractive Corruption

Unlike the previous case, this theory postulates that the state is the strongest in its relationship with society. It is even considered too strong. This theory is based on the authoritarianism of the ruling class in some countries. At this level, the ruling elite use the state apparatus as a tool for extracting the wealth from society. This analysis refers to the famous quote that supports that all power tends to corrupt but absolute power corrupts absolutely. This is particularly the case in many African countries. Indeed, the powers that are trying to develop arrangements and sophisticated modifications to the image of the party system, the appointment of rivals to reduce the power-sharing. The lawlessness, violation of human rights and electoral fraud also become instruments on which dictatorship. Thus violence is taking over the charisma and persuasion. Political corruption is also becoming the preferred instrument of private appropriation of collective resources. Corruption in mining, the state is inefficient and resources are not distributed according to needs. Investments are not made in productive areas. Appointments and promotions in the public sector are not based on merit, but they depend on political and economic interests.

Corruption stems from the extractive neo-patrimonial system present in many African countries, Latin America and Asia. This concept is widely used in political science to describe undemocratic regimes characterized by assimilation of public ownership to private ownership, as well as a strong presence of the patron-client relation. In a neo-patrimonial system, public resources are distributed in the form of employment, contracts, grants and other public resources to allies and friends. In some countries in sub-Saharan Africa, the neo-patrimonial and clientelism practices are the foundation of the hegemony of the ruling class. Amundsen's survey (1997) shows that countries like Côte d'Ivoire and Cameroon, are led by a group of about 50 families who have control over public resources of the state. Many civil wars in Sierra Leone, in particular, Liberia and Congo/Brazzaville originate from the grip of the ruling class on the collective resources.

2.3.3 Hedonistic Theory

The hedonistic theory posits that nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do. The theory of hedonism holds that it is an essential aspect of human nature to seek pleasure and

avoid pain; human beings cannot act in any other way. A human being will always act in a way that, to his understanding, will produce what he/she perceives as the greatest pleasure, or protect him/her from undesirable pain. Therefore, hedonistic theory views the human being as rational, in other words, one who calculates his actions views the consequences before he/she acts. To describe the corrupt nature of the judiciary in Nigeria, this theory asserts that judges deliberately choose to act in a corrupt way in order to maximize pleasure and to avoid pains. To reduce corruption, however, laws must be written and made known to all and punishments must slightly outweigh the advantage to be gained from the crime perpetration. In addition, a law enforcement system must be established in a way that guarantees punishment for any crime irrespective of one's status in society. Strict adherence to these will result in strengthened conduct of economic activities and the market place will be devoid of unwarranted uncertainties.

However, hedonistic theory implied an explanation of crime; people who commit a crime (corruption) do so because they gain more than they lose. The assumption that practically everyone is capable of committing a certain kind of crime sets Beccaria's explanation of crime apart from those of many other criminologists. Beccaria believes that a threat of legal punishment sufficient to deter one person would discourage most people as well. Therefore, the rampant cases of corruption exist because of the weak judicial system in the country

For the purpose of this research, however, the hedonistic theory of judicial corruption is adopted. This decision is borne out of the consistency of the theory towards establishing the direct quest of judges in accruing greatest pleasure to themselves and protecting themselves against undesirable pain.

2.3 Empirical Literature Review

Enrich and Lui (1999) investigated the relationship between corruption, government and economic growth covering the period 1960-1992. It is found that corruption and per capita income are negatively related across different stages of economic development, owing to the dependence of corruption on investment in political capital as a ticket for entry to a bureaucratic rank. Thus, Mo (2001) estimated a direct and indirect effect of corruption on economic growth using a long term growth rate of per capita GDP from 1970 to 1985. The study identified three transmission channels namely, investment, human capital, and political stability. The result indicates that one unit increase in the corruption index reduces the growth rate by about 0.545 percentage point. However, the direct effect of corruption becomes insignificant.

Furthermore, Ramello and Melcrane (2016) while examining the impact of judicial delay on economic growth in 175 countries over the period of

2004-2015 and found that judicial delay turns out to be a relevant and significant determinant of growth, as every extra year needed to dispose (on average) private litigation lowers growth rate by over 1%. Del Monte and Papagni (2001) studied the relationship between corruption and economic growth (1963-1991) for 20 Italian regions. It is found a significant negative relationship between corruption and economic growth. Gyimah-Brempong (2002) examined the effect of corruption on economic growth in 21 African countries from 1993 to 1999. The finds indicated that corruption decreases economic growth directly and indirectly through decreased investment in physical capital. Also, Abed and Davoodi (2002) investigated the impact of corruption in 25 transition economies over the period of 1994-1998. It is found that higher economic growth is associated with lower corruption.

Similarly, Pellegrini and Gerlagh (2004) investigated direct and indirect transmission channels through which corruption affects economic growth levels. It is found that there is a negative relationship between corruption and economic growth. One standard deviation increase in the corruption index is associated with a decrease in investments of 2.46 percentage points, which in turn will decrease economic growth by 0.34 percent per year. Ozfolat, Guven, Ozsoy, and Bahar (2016) investigated the impact of institutional structure on economic growth in 20 countries over the period of 2002-2015. The study used the Generalised Method of Moments (GMM) and found a significant positive relationship between institutional structure and economic growth.

In another study by Valeriani and Peluso (2011), the impact of institutional quality on economic growth was investigated in 181 countries over the period of 1950-2009. The study revealed that there is a positive and significant relationship between institutional quality and economic growth. In a similar study, Egunjobi, (2013) examined the impact of corruption on economic growth in Nigeria from 1980 to 2009. The finds show that corruption negatively influences workers' productivity as corruption per worker poses a negative influence on output per worker directly and also indirectly on foreign private investment. Rotimi, Obasaju, Lawal, and Joseph (2013) investigated the causal relationship between corruption and the gross domestic product (GDP) and found a significant positive relationship between corruption and economic growth.

More so, Claessens and Laeven (2003) assessed the relationship between financial development, property right, and growth using data on the sectoral value generated from a large number of countries including Nigeria by employing OLS regression and instrumental variable analysis. The authors used the ratio of private credit to GDP as a proxy of financial development three broad indices of

property rights and two indices of intellectual property rights as well as a specific index of patent rights (i.e. economic freedom) as proxies for the level of property rights protection. They found that the weak property rights hinder efficient allocation of resources and growth of firms, therefore, the strength of country's property rights determine the level of firm's optimal allocation of resources which in turn stimulate firm's growth. That is, a functioning legal system determines the degree of financial sector development through protecting the returns to assets. Therefore, better property rights lead to higher growth through efficient asset allocation and this growth effect is economically important as that of improved access to finance due to greater financial development. Therefore, greater financial system development increases the availability of external resources for firm investment. Likewise well property rights settings determine efficient asset allocation that stimulates growth. Moreover, their results also revealed less growth in countries with less secure property rights as a result of the inefficiency of firm's asset allocation and also less growth in countries with lower financial development due to lack of firms' access to finance, therefore firms underinvest.

FitzGerald (2006) investigates the impact of financial development on economic growth. The author found that financial development leads to economic growth while in turn depends on the level of institutional quality. Conventional measures of financial depth (in terms of private assets) and financial development (as moving from banks towards capital markets) are not associated with higher rates of economic growth. Moreover, financial liberalization leads to more efficient and liquid financial intermediation but does not raise the rates of aggregate domestic savings and investment. The efficiency gains from financial liberalization in terms of investment allocation and corporate governance induce economic instability due to short-term foreign capital flows

3. Data and Methodology

The paper examines the relationship between judicial corruption, financial development, and economic growth in Nigeria over the period of 1980-2016. The data are sourced from the National Bureau of Statistics data bank, World Bank, Central Bank of Nigeria (CBN) and the International Country Risk Guide (ICRG). In the context of this study and consonance with the existing literature, economic growth is measured as Gross Domestic Products at 2010 Constant Price (US \$); Adjudgment of Court Cases (ADCC) is a proxy for judicial corruption; 'Delayed justice' connotes the time consumed in the disposal of court cases, in excess of the time within which a case can be reasonably decided by the Court (Sabharwal, 2006). Unnecessary delay in keeping civil litigation under control exposes economic actors to uncertainties thus hindering transactions on markets, worst still erodes investors confidence in the economy, while

investment is an engine of growth. This conforms to the work of Ramello and Melcrane (2016).

Financial Development: This means some improvements in producing information about possible investments and allocating capital, monitoring firms and exerting corporate governance, trading, diversification, and management of risk, mobilization, and pooling of savings, easing the exchange of goods and services. An efficient financial system is necessary for attracting capital investment, as a secure capital and money market would provide the necessary financial assistance and a sure way to exist. In this study, the ratio of broad money (M2) to GDP as used by Ntim and Emilia (2014) and Ndebbio (2004) is used as a measure of Financial Deepening. This is because of the dearth of sufficient data on other variables that can be used to measure financial deepening.

3.1 Technique of Data Analysis

The study intends to use secondary data in the form of time series spanning the period of thirty-seven (37) years as earlier stated, time series macroeconomic data are notably not stationary due to change in their time trend. As such, this study tends to apply Augmented Dickey-Fuller (ADF) and Phillips Peron (PP) tests for stationarity so as to investigate the unit root. This is to find out whether the series used are stationary or not. In order to investigate the impact of judicial corruption on economic growth, this study employs the Autoregressive Distributed Lag (ARDL) model as developed by Pesaran *et al.*, (2001). The model is a more robust econometric technique for estimating the level of relationship between a dependent variable and a set of independent variables that may not necessarily be integrated of the same order. Autoregressive distributed lag (ARDL) model provides consistent estimation in the presence of a mixture of stationary and non-stationary series (Pesaran *et al.*, 2001). This model is superior to other approaches such as VAR and Johansen co-integration models because it allows a mixture of I(0) and I(1) variables as repressors thereby making pretest for unit root become unnecessary. Furthermore, the model can differentiate dependent and independent variables and allow testing for the relationship between them and also allows different variables with a different number of lags. Finally, the ARDL model is not only suitable for estimating small or finite sample size but also capable

of estimating both short-run and long-run parameters of the model simultaneously Pesaran *et al.*, (2001).

3.1.1 Unit Root Tests

The standard approach for testing stationarity of time series data is a unit root test. Unit root tests determine if a variable is stationary (i.e. zero mean and constant variance) or not. If not, what is the order of integration I(d) i.e. the number of times it is differenced to attain stationarity? The examination of the time series characteristics of the variables will be done using Augmented Dickey-Fuller (ADF) and Phillips Perron (PP) tests.

3.2 Model Specification

The basic model for this study is specified in equations (i) and (ii) below.

$$RGDP_{T-1} = \beta_0 + \beta_1ADJCAST_{-1} + \beta_2FIN_DEV_{t-1} + \beta_3RoL_{t-1} \dots\dots\dots 1$$

Where:

β_0 = Constant parameter

$\beta_1 - \beta_3$ = Coefficient of independent variables

RGDP = Real Gross Domestic Product

ADJCAS = Adjournment of Court Cases

FIN_DEV = Financial Development

RoL = Rule of Law

t-1 = Lag Value of other determinants of Economic Growth

4.0 Data Presentation and Analysis

This section presents the data estimation, analysis of findings and discussion of results. It consists of stationarity and unit root test, Autoregressive Distributed Lag Bound Test approach to Co-integration Test, post-estimation diagnostic test and discussion of results.

4.1 Unit Root Test

Order of Integration of both dependent and independent variables were determined to adopt Augmented Dickey-Fuller (ADF) and Phillips Perron tests. Stationarity tests were carried out on intercept, trend, and intercept at both level and first difference. From table 4.2 using Augmented Dickey-Fuller technique, the unit root tests indicate that all the variables are stationary at level i.e. I(0) except Real Gross Domestic Product, Financial Development and the Rule of Law. Meanwhile, upon taking the first difference, all variables become stationary and are integrated of order one I(1).

Table 4.1: Unit Root Test Result: Augmented Dickey Fuller

Variables	Levels 1(0)		First Difference 1(1)	
	Intercept	Trend and Intercept	Intercept	Trend and Intercept
Lgdp	1.3520	-3.0357	-4.8386***	-5.0632***
Ln_adjcas	-1.1296	-4.9923*	-11.9683***	-11.7852***
Fin_Dev	-2.2891	-2.5794	-5.7401***	-5.6525***
Rol	-0.8861	-1.6756	-9.4832***	-9.3258***
	Critical Value	Critical Value	Critical Value	Critical Value
	1%=-3.632900	1% = -4.234972	1%=-3.626784	1% = -4.243644
	5%=-2.948404	5% = 3.540328	5%=-2.942542	5% = 3.544284
	10%=-2.612874	10% = -3.202445	10%=-2.611531	10% = -3.204699
Significance at 1% (***) , 5% (**) & 10% (*)				

Source: Author's computation Using E-view, Version 9.0

Table 4.1b presents the Phillips-Perron Test of unit Root at both level 1(0) and first difference 1(1) which shows that all the variables are not stationary at level except Adjourned Cases (Adjcas). However, all variables become stationary after the first differences, which implies that they are all integrated of order one i.e. 1(1) using Phillips-Perron Unit Root Test. Hence, the result suggests that we can now proceed to run our regression.

Table 4.1b: Unit Root Test Result: Phillips-Perron

Variables	Levels 1(0)		First Difference 1(1)	
	Intercept	Trend and Intercept	Intercept	Trend and Intercept
Lgdp	1.0896	-2.9745	-4.8349*	-5.0141***
Ln_adjcas	-2.2712	-5.1443***	-15.1439***	-14.394***
Fin_Dev	-2.3083	-2.7069	-6.3764***	-6.1961***
Rol	-1.4582	-3.0615	-8.9343***	-8.8076***
	Critical Value	Critical Value	Critical Value	Critical Value
	1%=-3.632900	1% = -4.234972	1%=-3.626784	1% = -4.243644
	5%=-2.948404	5% = 3.540328	5%=-2.942542	5% = 3.544284
	10%=-2.612874	10% = -3.202445	10%=-2.611531	10% = -3.204699
Significance at 1% (***) , 5% (**) & 10% (*)				

Source: Author's computation Using E-view, Version 9.0

4.1.1 Autoregressive Distributed Lag Model (Model I)

This section presents the cointegration test using Autoregressive Distributed Lag (ARDL) bound test.

Table 4.1.1: Auto-Regressive Distributed Lag (ARDL) Bounds Test

Test Statistics	Value	K
F-Statistic	3.621131	7
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.03	3.13
5%	2.32	3.5
2.5%	2.6	3.84
1%	2.96	4.26

Source: Author's Computation using E-views 9.0

Table 4.1.1 presents the Auto-Regressive Distributed Lag (ARDL) Bound Test Approach to cointegration estimation result for Model 1. The Bound Test F-statistics is 3.621131. This clearly exceeds 5% critical value for the upper bound, suggesting that we reject the null hypothesis of no long-run relationship. Thus, there exists cointegration among the variables incorporated into the model.

4.1.2 Error Correction Mechanism (ECM)(Model 1)

Table 4.1.2: Error Correction Mechanism (ECM) (Model I)

Dependent Variable: GDP		
Variables	Coefficient	t-statistics
Constant	0.0121	1.9017*
Δ(GDP(-1))	0.4658	2.3886**
Δ(Adjourned Cases (-1))	-0.0131	-1.2005*
Δ(Financial Development(-1))	0.0009	0.8829
Δ(Rule of Law)	0.0126	1.8989*
ECM(-1)	-0.7855	-2.3026**
R-squared	0.433882	Durbin-Watson stat 2.038367
F-statistic	2.043775	
Prob(F-statistics)	0.078435	

Significance at 1%(***), 5%(**) & 10%(*) Source: Author’s Computation using E-view 9.0

Table 4.1.2 presents the short-run results for the model. In the analysis, it is clear that the Error Correction Mechanism (ECM) is properly signed with negative value (-0.7855) and it is statistically significant at 5 percent. This implies that there is a relatively high adjustment mechanism from disequilibrium. Precisely, it connotes, in case of any disequilibrium, about 78.55 percent of disequilibrium is corrected annually because of converse adjustment in explanatory variables. It is also clear from the table that Rule of Law is positive and significant predictor of economic growth at 10% level of significance respectively. This implies that an increase in its coefficient will translate into about a 10% increase in the level of economic growth. Meanwhile, it

is clearly depicted in the result that Financial Development at lag one exerts a positive and insignificant impact on economic growth.

The leading variable, judicial corruption, however, at lag one exerts a negative and significant impact on the level of economic growth; implying that an increase in the level of judicial impunity will translate into about a 13% decline in the level of economic growth. This is so logical to believe that the more justice is delayed, the sluggish the conduct of economic activities and the lower the rate of growth becomes.

Table 4.1.3: ARDL Long-Run Result

Dependent Variable: GDP		
Variables	Coefficient	t-statistics
Constant	1.0638	2.1309*
LGDP(-1)	0.9025	15.9406***
Adjourned Cases(-1)	0.0089	0.9266
Financial Development(-1)	0.0006	0.7139
Rule of Law	-0.0052	-1.7531*
R-squared	0.9927	
F-statistic	43.6498***	
Durbin-Watson stat	2.1449	
Significance at 1%(***), 5%(**) & 10%(*)		

Source: Author’s Computation using E-view 9.0

Table 4.1.3 presents the long-run coefficients where it is clearly shown that only rule of law is statistically significant at 10 per cent level; whilst other variables are statistically insignificant; implying that the judicial corruption and financial development do not determine economic growth in Nigeria over the period of the study which contests the short-run result for the same model and defies the a priori expectation. The justification of this as mostly noted in administration in succession is the fight against corruption which the current administration has taken with utmost priority. This could be used to mean that in the long run, if government efforts towards restoring normalcy and

efficiency back to the judiciary are sustained, a positive result would be achieved. More so, the coefficient of financial development is positive but insignificant. Given that this variable captures the degree at which financial services are available to users, it connotes that in the long-run, the effect of financial development on economic growth is positive. However, the coefficient of rule of law at lag one indicates that increase in disobedience to the rule of law has an amplifying negative impact on economic growth in the long-run. This is obvious from the negative coefficient of (-0.0052) which is statistically significant at 10%.

4.2 Granger Causality Test

This sub-section presents the Granger Causality Test. In this section, the flow of causality between and among variables will be revealed.

Table 4.2.1: Granger Causality Test

Null Hypothesis	F-Statistic	Prob.	Status	Remarks
LN_ADJCAS does not Granger Cause LGDP	8.91583	0.0053***	Significant	Causality exists
LGDP does not Granger Cause LN_ADJCAS	22.9055	3.E-05	Not significant	No causality
FIN__DEV does not Granger Cause LGDP	1.49654	0.2299	Not significant	No causality
LGDP does not Granger Cause FIN__DEV	2.62819	0.1145	Not significant	No causality
ROL does not Granger Cause LGDP	0.25213	0.6189	Not significant	No causality
LGDP does not Granger Cause ROL	2.45791	0.1265	Not significant	No causality
Significance at 1%(***), 5%(**) & 10%(*)				

Source: Author's Computation using E-view 9.0

Table 4.3.1 presents the Granger causality test results where the direction of relationships between variables is clearly depicted. It is clear from the table that there is only causality between judicial corruption and Economic growth. It also depicts that the flow of causality is from judicial corruption to economic growth. This implies that judicial inefficiency can explain in part, the level of growth a nation attains. Aptly, it can be put that the lower the rate of unnecessary delay in civil litigation, the smoother the conduct of economic activities and the higher the level of economic growth.

4.3 Report and Discussion of Results

This study examines the relationship among judicial corruption, financial development and economic growth in Nigeria. More so, to examine whether judicial corruption and financial development promote or hinder economic growth. The paper employs Auto-Regressive Distributed Lag Approach, meanwhile, and Granger Causality Test.

Hypotheses formulated for this research were tested based on the foregoing empirical results obtained from the model. The bound test result revealed that all the variables in the model are cointegrated, hence, the rejection of the null hypothesis of no significant link between judicial corruption, financial development, and economic growth. In furtherance, the Error Correction Terms of 0.78 in table 4.2.2 which is statistically significant at 5 percent shows that there is a quick adjustment mechanism to the long-term path. It is therefore concluded that there is a long-run relationship between judicial corruption, financial development, and economic growth in Nigeria. Ascertaining the trend of the relationship, however, the result of our findings reveals a significant negative relationship between judicial corruption and economic growth in the short-run as depicted in table 4.2.2. This conclusion is an inconsistency with the works of Ramello *et al.*, (2016) and Laeven *et al.*, (2012) who arrived at a similar conclusion that judicial corruption significantly impacts negatively on economic growth. This assertion negates

the conclusion drawn by Rock *et al.*, (2004) unfolding a positive and significant relationship between corruption in aggregation and economic growth. But in the result of our long-run analysis, a point of convergence was established as the result shows that judicial corruption exerts a positive but insignificant impact on economic growth. This could be as a result of the government's efforts towards creating viable judiciary and strengthening its democratic functions. The implication of this result, however, is that if government efforts towards nipping corruption in Nigeria to the bud is sustained, judicial reform would be birthed, unnecessary delay in adjudication of court cases would be wiped out to be replaced by judicial efficiency and consequently, the institution of justice would contribute positively to Nigeria's economic growth.

With regards to the contribution of financial development to economic growth, our findings reveal an insignificant positive cointegration, revealing the weakness and underdeveloped nature of our financial institutions and their inability to meeting the investment demands of financial assets which continues to undermine its contributions towards achieving economic prosperity. This conforms to the study of Mohammed *et al.*, (2006) who found a weak relationship between the financial sector deepening and economic growth. The result of this study, however, contests the conclusion drawn by Sghaier and Abida (2013); Khalil (2014); Caldeon *et al.*, (2003); Ndebbio (2004); and Johannes *et al.*, (2011) that financial development exerts a positive impact on economic growth.

5.0 CONCLUSIONS AND RECOMMENDATIONS

This section draws conclusions emanating from the findings and put forward recommendations for issues raised as follows;

5.1 CONCLUSIONS

The empirical results gotten from our analysis propelled the following conclusions:

Unveiling the relationship between judicial corruption, financial development, and economic growth in Nigeria, the ARDL bound test approach to cointegration depicts a long-run relationship between judicial corruption and economic growth unveiling a quick adjustment mechanism from disequilibrium with the error correction terms of 78.55. However, there is a long-run relationship between judicial corruption and economic growth. In the short-run, judicial corruption is found to exert a negative impact on economic growth while in the long-run, government's efforts towards judicial reform through restoring sanity, probity, and transparency into the judiciary would transform the negative impact to positive.

It is also concluded that rule of law is positive and significant predictor of economic growth. In summary, the study concludes that justice delayed is growth.

5.2 Recommendations

In light of the research findings, this study recommends the following:

It is evidently presented that there is consensus among economic scholars that corruption has been a cog in the wheel of economic progress in Nigeria, the government should, therefore, strengthen the activities of the anti-corruption agencies in Nigeria such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Related Offences Commission (ICPC).

According to independence to the institution of justice in the country as mandated by the constitution of most Sub-Saharan countries would also go a long way in taming corruption in the Judiciary. The judges and other judicial officials should enjoy remarkable freedom against political and social influence. Ensuring that major appointments and remuneration of judicial officials are not been dictated by the executive branch of government will also go a long way.

Upholding the rule of law must also be accorded utmost attention and recognition so that sanity in the administration of justice can be ensured. Equal treatment of corrupt officials is a necessity. There should be no exceptions to the rules as the law is no respecter of anybody.

Nigerians should put in leadership positions honest individuals who would serve as role models to minimize the negative consequences of corruption with its negative impact on inward economic growth.

Nigeria's legal and judicial system should be reviewed and restructured to handle swiftly the cases of people that are engaged in corrupt practices. There is a need for the introduction of measures that will make both the means and rewards of corruption unprofitable for the perpetrators by applying strict sanctions.

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