

Accountability and Economic Growth in Nigeria Pre COVID-19

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Abstract

This study examined the effect of accountability on the level of economic growth in Nigeria, especially with the predicted negative effect of COVID-19 on the level of economic growth. The study employed the accountability theory. Secondary data were obtained for a period spanning from 1995 to 2018. The data were analysed using a simple regression model. The result shows that there exists a moderate positive relationship between accountability and the level of economic growth in Nigeria. It further shows that accountability has a positive correlation with the level of economic growth in Nigeria. In conclusion, the higher the level of accountability of public administration in Nigeria, the more likely a reciprocal positive effect on the level of economic growth in Nigeria. It is recommended that in order to sustain rapid economic growth, the government should ensure it strengthens the accountability systems in public institutions in Nigeria.

Keywords: Accountability, Economic Growth, COVID-19, Gross Domestic Growth

Introduction

The growth of economies around the world has been threatened by the outbreak of an infectious disease caused by a coronavirus, SARS

CoV-2, short named COVID-19. This infectious disease was announced as a pandemic by the World Health Organization (WHO) on March 11, 2020 and it was predicted that it would impact negatively on the economies of the world (AU, 2020). Developed economies such as the United States, Japan and the European Union countries, which make up about 50% of the world's GDP, have closed their borders in order to control the transmission of the virus (OECD, 2020). In addition, China, which accounts for 16% of the world's GDP and is a major trade partner to African countries and other economies of various continents of the world, has also closed its borders in a bid to lower the transmission level of the virus (Babatope & Audu, 2020). The Organization for Economic Co-operation and Development (OECD) has estimated that there will be a 0.412% decline in the GDP of the world. The African Union (AU, 2020) reported that the economic shock experienced due to COVID-19 has impacted the aviation industry negatively, with an estimated fall in revenue of US\$113 billion, this is a large contraction in an industry that contributes about 11% to the world GDP (KPMG Nigeria, 2020).

The AFDB (2020) posits that Africa needs to maintain a consistent 7% GDP growth rate to eradicate poverty. It further reported that the accumulated GDP for Africa is -3.4%; there is therefore a need for measures to remedy this position. The AU (2020) also forecasted a 20 to 30% decline in tax revenues in African countries due to COVID-19. This will further shrink the already low average tax to GDP ratio of Africa from 17.2% to about 12.04%. This might lead to governments not being able to sustain public expenditure within their jurisdiction.

There have been numerous studies on economic growth by scholars across the globe. Some of these studies have examined the relationship between accountability and the level of economic growth (Noha & Chiu, 2016). Most studies agree that accountability has a positive effect in improving the level of economic growth (Benhabib & Przeworski, 2005; Han, Khan & Zhuang, 2014). Similarly, Acemoglu and Robinson (2008) have pointed out that differences in the level of development of political institutions of countries has led to variations in their economic welfare. However, there is a paucity of literature from emerging economies, including Nigeria. In the light of recent events, which are expected to have a negative effect on the level of economic growth in Nigeria, this study aims to provide direction on how to

overcome the forecasted decline in the level of economic growth and fill in the empirical gap by providing empirical findings on the effect of accountability on the level of economic growth in Nigeria.

The primary objective of this study, therefore, is to examine the effect of accountability on the level of economic growth in Nigeria. The remaining part of this study consists of the review of extant literature, conceptual review, theoretical review and hypothesis development, methodology, data analysis and discussion of findings, conclusion, policy implication and recommendation.

Review of Extant Literature

Scholars have carried out studies with regard to accountability and level of economic growth in countries, with most agreeing that accountability indeed affects the level of economic growth. Benhabib and Prezeworski (2005), for instance, carried out a study in the United States with the aim of examining political accountability and the level of economic growth and employed the ex post facto research design which is quantitative in nature. They discovered that political accountability has a positive effect on the level of economic growth.

Similarly, Fayissa and Nsiah (2010) carried out a study across African countries with the goal of assessing if a link exists between governance and level of economic growth. The study was carried out using a quantitative research method. The results revealed that good governance is linked to economic growth.

Also, Han, Khan and Zhuang (2014) undertook a study in the same direction examining selected sample countries with the aim of establishing a relationship between good governance and level of economic growth. They used a quantitative method for their study with an ex post facto design. They found that good governance is associated with a higher level of economic growth.

In the same vein, Onichakwe (2016) researched on the relationship between corporate governance and economic development in Nigeria. Although a qualitative research method was used, the study showed that good governance enhances economic development.

Likewise, Noha and Chiu (2016) opined that good governance improves economic growth rate. However, they further pointed out that good governance does not on its own significantly impact economic growth as there are other dominant factors that also influence economic growth. This result was obtained from their study on the impact of governance on economic growth in Middle Eastern and Northern African countries.

Finally, Adejuwon (2018) conducted a research in Nigeria with the aim of improving public service delivery. The study was carried out using a quantitative research method and the findings showed that accountability promotes unity and leads to an improved public service sector.

A review of existing literature on the theme of this paper shows that there is a dearth of studies in this direction and even when existent, different research methods are used to corroborate earlier findings. Hence, there is a need to validate the postulation that accountability influences level of economic growth as it relates to the Nigerian economy, which this study aims to achieve through a quantitative research method.

Conceptual Review

Accountability

Accountability can be explained as a legal entity answerable for the choice of decisions and actions taken with the aim of promoting transparency and building of confidence of other stakeholders in the environment of the accountable legal entity (Scott, 2014). In this regard, when citizens elect representatives, those representatives owe the citizens an explanation for their actions and transparency in the activities carried out by them. Ahmed and Bello (2015) pointed out that accountability can be maintained at three varying levels. The first is upward (maintained by the law and respect for the rule of law), the second is horizontally (maintained among the various arms of government which is reflected as checks and balances in processes among the arms of government) and the last is downwards (maintained by citizens who can call for the impeachment of their representatives at any level).

COVID-19

COVID-19 is a new strain of the coronavirus family in the same class as the SARs disease. It was declared a pandemic on March 11, 2020 by the World Health Organization (WHO) due to its rapid spread across the globe (Ozili, 2020). Much uncertainty is still associated with this virus but it has been established that it has an incubation period of between one to fourteen days from first contact. Thereafter, the virus spreads and gains access to the respiratory system making it hard for individuals who have contracted the virus to breathe (Adegboye, Adekunle & Gayawan, 2020). Further investigation reveals that it can also affect other vital organs in the human system. The virus has been linked to bats as its carrier and was first reported by WHO in China on December 31, 2019. The known means of spread at the moment is by contact with droplets or liquid from an infected person (Hafeez, Ahmad, Siddqui, Ahmad & Mishra, 2020). The best forms of prevention at the moment include: physical distancing; washing of hands frequently with soap and water or, in the absence of this, using an alcohol-based hand sanitizer; and lastly, the use of face masks. There is no known discovered medication or vaccine for the virus at the moment (Unhale et al., 2020). As a measure to curb the spread of the virus, many world economies restricted both intra and international movements. It is estimated that this will have an adverse effect on the economic growth of economies all over the world (Babatope & Audu, 2020).

Economic growth

Economic growth is explained as the increase in the value of goods and services produced by an economy over time. Simply put, this is the annual percentage change in GDP (Pietak, 2014). Any increase in economic growth caused by more efficient use of inputs such as labour, physical capital, energy or materials, or increased productivity is referred to as intensive growth (Schumpeter, 1934). While GDP growth caused by an increase in the amount of input available for use is called extensive growth (Schumpeter, 1934). Macro-economic factors that influence economic growth are human capital, political institutions (i.e., governance and accountability) and structural change.

Theoretical Review and Hypothesis Development

This study is built on the theoretical framework of accountability. Lerner and Tetlock (1999) are credited for the development of the accountability theory. The theory is built on four major constructs which are: identifiability, expectation of value, awareness of monitoring and social presence. The construct 'identifiability' was gotten from Williams, Harkins and Latane (1981), who explained it to mean the awareness of an individual that the outcome of his actions and activities can be traced back to him. Lerner and Tetlock (1999) explained 'expectation of value' to mean that individuals are made conscious that there will be rewards or consequences for their activities. Lastly, Vance, Lowry and Eggett (2015) explained the construct 'awareness of monitoring' as the consciousness of individuals that their activities are being watched by others. They also defined 'social presence' to be the knowledge of the existence of other stakeholders in a system. Hence, accountability is the combination of both official and unofficial systems made up of objective and subjective assessments and rewards from both internal and external audiences (Frink and Klimoski, 2004).

Critics of the accountability theory posit that the presence of systems alone do not serve as deterrent to individuals who promote their individual benefit above that of the general populace (Mansouri & Rowney, 2014). Based on the critics' view on the theory of accountability, Audu (2020) stated that in order to control the selfish desire of occupants of high public positions, a singular system cannot achieve this but rather an aggregate of systems set-up as checks and balances to curtail excesses and ensure accountability. Streams of literature have examined accountability and economic development and have pointed out the existence of a relationship between both variables (Han, Khan & Zhuang, 2014; Fayissa & Nsiah, 2010). However, there is a paucity of empirical studies in developing economies such as Nigeria. Hence, this study intends to fill this empirical gap. In order to achieve the primary objective of this study, the hypothesis below is formed:

H₀: There is no significant effect of accountability on the level of economic growth in Nigeria.

Methodology

The quantitative research method was used in this study with the *ex-post facto* research design adopted. Secondary data of already established events were used in carrying out the analysis of this study. Secondary data on the variables (accountability and economic growth) for 1995 - 2018 were obtained from the Central Bank of Nigeria statistical bulletin and an online source (tradingeconomics.com). The linear regression was employed in examining the effect of the independent variable on the dependent variable while the hypothesis was tested at 5% level of significance using the analysis of variance (ANOVA). The linear regression model is represented as follows:

$$Y=f(X)$$

$$\text{Economic Growth} = f(\text{Accountability})$$

Mathematically, this can be written thus:

$$CGDP = \beta_0 + \beta_{1Trans} + e$$

where:

CGDP = Change in gross domestic product (dependent variable)

β_0 = Intercept where independent variable is zero

β_{1Trans} = Corruption index (independent variable)

e = error term

Data Analysis and Discussion of Findings

Table 1 shows descriptive statistics on the secondary data collected to give a clearer meaning to the data obtained. The statistics reveal that Nigeria's highest score over the 24-year period covered in this study was 28 out of a possible 100. This shows that the level of transparency in the country's public service is far below average.

Table 1: Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Accountability	24	22	6	28	20.96	6.273
CGross Domestic Product	24	124867350000	2895200000	127762550000	43357988750.00	39805604991.494
Valid N (listwise)	24					

Source: Authors' computation (2020).

Test of hypothesis

H₀: There is no significant effect of accountability on the level of economic growth in Nigeria.

The regression analysis result is presented in Table 2. The results reveal that accountability has a moderate influence on the level of economic growth in Nigeria. This is presented as 60.4%. The table also reveals a strong positive relationship between accountability and economic growth in Nigeria. This is represented as 78.8%.

Table 2: Regression Analysis Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 ^a	.621	.604	25056951148.700

a. Predictors: (Constant), Accountability

Table 3 shows the result of the ANOVA. The computed value is 0.000, which is lower than the p-value of 0.05. It therefore means that the null hypothesis is rejected and the alternate hypothesis is accepted, which states that 'there is a significant effect of accountability on the level of economic growth in Nigeria'.

Table 4 which presents the result of the coefficients reveals that the integers for the intercept and the independent variable are both positive which means that there is a positive relationship between accountability and economic growth (as seen in the regression model derived in the study).

Table 3: ANOVA^a result

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22630464721889922000000.000	1	22630464721889922000000.000	36.044	.000 ^b
1 Residual	13812717619103330000000.000	22	627850800868333200000.000		
Total	36443182340993255000000.000	23			

a. Dependent Variable: Gross Domestic Product

b. Predictors: (Constant), Accountability

Table 4: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-61448745268.659	18190898684.533		-3.378	.003
	Accountability	5000718919.379	832940414.106	.788	6.004	.000

a. Dependent Variable: Gross Domestic Product

Discussion and Policy Implication of Findings

The result of the analysis in this study reveals that there is a positive relationship between accountability and economic growth. This finding is consistent with those of Benhabib & Przeworski (2005) and Onichakwe (2016). However, this study goes further to explain to what extent level of accountability influences economic growth rate level in Nigeria by showing that accountability has a significant moderate effect on economic growth (Audu, 2020).

It therefore means that for Nigeria to recover from the forecasted negative economic impact of COVID-19, it needs to enforce checks and balances in line with the theory of accountability (amongst other economic recovery remedies). This requires a high level of transparency and accountability in policy formulation, actions and utilization of public funds. Transparency is important to build public trust in the government which in turn would positively impact the level of economic growth in Nigeria.

Conclusion

This study was aimed at assessing the effect of accountability on economic growth in Nigeria, especially at the present time when economic growth has contracted due to the negative effect of COVID-19. The study shows that accountability operates in three ways: upward (based on law), horizontally (based on checks and balances between agencies of the government), and lastly downward (to the populace of the state). It is empirically deduced from this study that the level of economic growth has a positive correlation with accountability and accountability has a moderate effect on the level of economic growth in Nigeria. It can be concluded from this study that accountability has a significant moderate positive effect on the level of economic growth in Nigeria.

Policy Implication and Recommendation

The implication of the findings from this study is that to boost the level of economic growth in Nigeria accountability must be ensured, i.e. checks and balances need to be strengthened and maintained as this will attract investments and promote the productivity that is needed to boost economic growth in Nigeria. In order to ensure accountability of the government and public institutions, a few recommendations are given

below in line with the three-perspective view of accountability as described in this study:

- i. The Federal Government of Nigeria should ensure that the proper checks and balances are in place in all the tiers/arms of government. One of the checks and balances of a government is the fourth arm of government, the media. The media is the voice of the people and allows for the people to exercise their freedom of expression¹. It allows citizens to challenge those governing them from the local government level to the head of the executive arm. Therefore, there needs to be allowance for true freedom of expression and refrainment from arbitrary press censorship;
- ii. Public records and information (e.g. on fiscal prudence, capital projects, etc.) should be made easily available to the public. For example, people should be able to evaluate the efficiency of capital projects that are going on and be aware of the whole procedure from infrastructural gap identification to selection of contractors to project execution;
- iii. Accountability amongst public servants. Members of the civil service should be held to the highest form of professionalism;
- iv. Prosecution of individuals found culpable of corrupt practices by anti-corruption agencies should be fast-tracked. Also, the laws need to be amended to provide sufficient and appropriate punishment;
- v. Enlightenment and orientation of citizens (especially at the grassroots) on how to hold their representatives accountable. This should be widely publicized and there should be awareness programmes for same; and
- vi. Active civic engagement. Avenues should be created to hear the grievances of the people, which includes pressure groups and minorities. This in turn, will foster collaboration rather than conflict.

¹ This is a constitutional right protected by section 39 (1) of the 1999 Constitution of the Federal Republic of Nigeria.

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