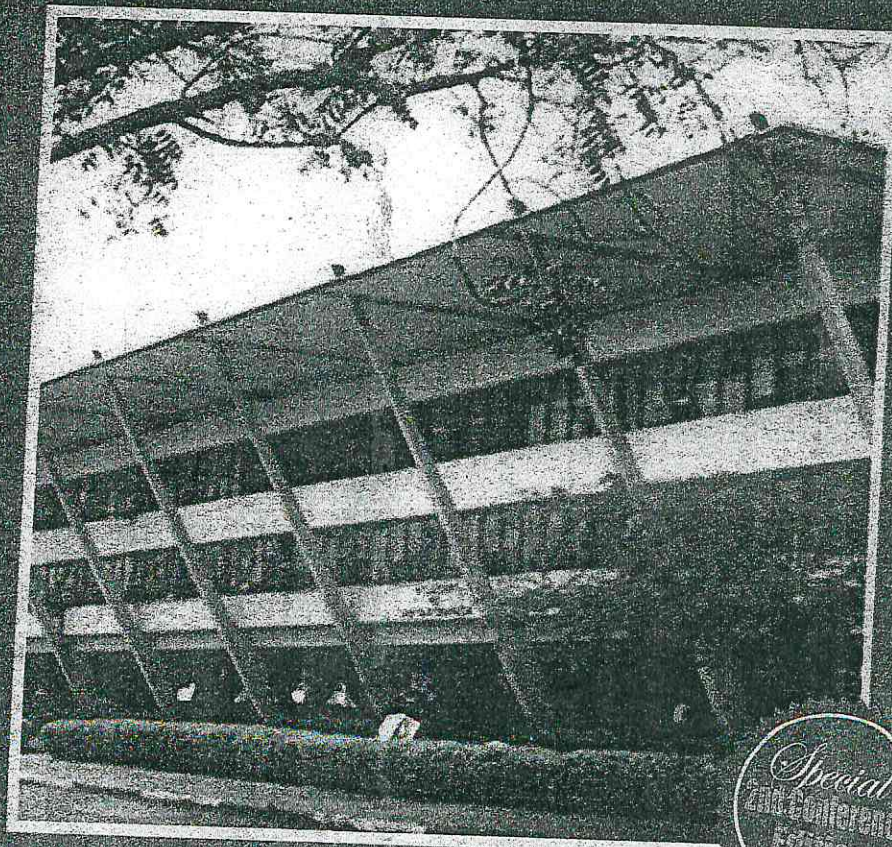
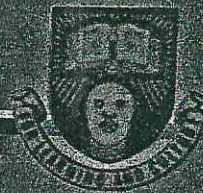


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THE Quarterly Journal of ADMINISTRATION

VOL. XXXIV NO. 2

OCTOBER 2015



Special
2nd Conference
Edition



THE QUARTERLY Journal OF ADMINISTRATION

ISSN 0001 8333

*Published by the Faculty of Administration,
Obafemi Awolowo University,
Ile-Ife, Nigeria.*



VOL. XXXIV NO. 2, OCTOBER 2015

SECTION 1 DEMOCRATIC ISSUES IN AFRICAN

INSTITUTIONS, DISCORDANT DEVELOPMENT AND INSECURITY IN NIGERIA

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JEL Classification: E24, O43, H56

ABSTRACT

Recently, the high growth rate recorded by the country is phenomenal but trailing this growth success is persistent insecurity in many part of the country triggered by discordant development. This study set out to examine the interrelationship between discordant developments, weak institutions and insecurity in Nigeria using a bound cointegration approach to VAR in analysing annual times series data, covering the period 1970-2013. Causality tests were carried out along with impulse response functions to investigate the chain of causality between the variables as well as to capture responses of each macroeconomic development indicators to the changes in other indicators of the model. The results of causality tests showed that poverty and unemployment cause insecurity while poverty influences political thuggery as well as rule of law. The result of variance decomposition also revealed that unemployment is the most exogenous variables in the model followed by poverty. Therefore, the study concluded that unemployment and poverty, rooted in inefficient rule of law, which do not ensure adherence to social contracts between the citizens and the state, is a positive function of Nigeria's present state of insecurity. The study also recommended qualitative institutions which serve as transmission mechanism in between a peaceful environment and sustainable and inclusive growth.

Key Words: Discordant Development, Unemployment, Poverty, Variance Decomposition

1.0 INTRODUCTION

Economic development entails growth in income manifested in falling rate of unemployment, poverty, and a secured life achievable through a sustainable and inclusive growth. However, empirical findings, such as Sanusi and Nass (2012), pointed to the fact that a good economic policy environment,

qualitative institutions and peaceful coexistence are imperatives for sustainable and inclusive economic growth to occur. Recently, the high growth rate recorded by the country was widely celebrated by both political leaders and policy makers but trailing this growth successes are persistent security dilemmas in many parts of the country triggered by

discordant development. Discordant development entails more than just "unequal development," but rather how deepening inequalities and rapid progress side by side with group distress can aggravates uncertainty and violent environment (Joseph, 2013).

Over the years, the country experienced an improved performance in its level of growth. The Gross Domestic product (GDP) grew by an average of 6.8 per cent from 2002 to 2011, higher than that of Brazil and Malaysia with growth rate of 3.7% and 5.0% respectively. In addition, the current rebasing of the country GDP reveals a growth rate of more than 7.0%, making it the fastest growing economy in the region (UNECA, 2012; WDI 2013). Considering this giant stride, it is disappointing that the outcome of the increase growth figure has been a sluggish fall in the unemployment rate and increasing rate of poverty among its citizenry.

For example, between years 2002 and 2011, the country recorded an average unemployment rate of 51.2% of the total population higher than the rate in other countries in the region (UNDP, 2012). A careful look at the country specific level of unemployment among the low and middle income countries portrays a clearer picture of the worse state of employment. Nigeria, the giant of Africa in term of population and resources has a higher rate of unemployment than Libya at 23.9 per cent in 2011, Malaysia 3.7%, Brazil 6.4% and Egypt at 11.8 per cent

(UNECA, 2012; WDI, 2013). What is more, the country overall Human Development Index (HDI) portrays a disappointing picture of its quality of human capital. The country ranked 153rd position among 187 countries on the HDI ranking in 2012 with HDI value of 0.47. Although the country experienced an improvement on the HDI ranking compared to its rank of 155th in 2011, the country could not make the first ten countries with the highest HDI value in Africa, falling behind Kenya, Cameroon and Ghana (UNDP, 2013). Worst still, poverty rates in Nigeria have increased and continue to rise. This increasing rate of unemployment among the youth is posing serious threat to socio-economic development and national security in the country. The Boko Haram insurgency in the Northern part of the country, recurrent inter-communal violence in North Central and the acts of kidnapping in the Eastern part (Oil producing Niger Delta) are all features of discordant development and a picture of the future time bomb in the country (Joseph, 2013).

Mass unemployment among the working age in Nigeria has resulted in the inability of large percentage of the total population to achieve their basic human needs, hence resulting into loss of hope in life and increasing rate of insecurity and crime. Researchers have attributed high rate of insecurity exacerbated by discordant development (high rate of youth unemployment vis-a-vis level of poverty) in the country to absence of good institutions that ensure equal access to resources and sources of

income. An effective and efficient rule of law, property rights and secure environment that is free of crime and threat to life serves as a springboard for an enabling environment capable of attracting investment from both domestic and foreign investors in real sector of the economy hence, generates employment and income for the teeming unemployed youth.

The implication of the above discussion is that there seems to be a link between discordant development rooted in poverty and unemployment, institutional failure and insecurity in Nigeria. Unfortunately, most of the recent analyses of insecurity in Nigeria recommends action without delving wholesomely into the underlying problems. Not only this, most studies have been measuring insecurity using government expenditure as proxy, which may not really reveal the rate of insecurity in the country (Danatam and Olarinde, 2012; Ogunjobi, 2006). Therefore, it can rightly be concluded that there has been an insufficient examination of the causes of Nigeria persistent unrest and terrorism, among which are discordant development and institutional causes.

The paper therefore is unique in different ways. One, it uses total crime rate as a measure of insecurity as against the usual practice of using government expenditures on insecurity as well as introducing political thuggery as one of the explanatory variables. Through this, the paper aims at revealing that unemployment, poverty, rooted in

inefficient rule of law that does not ensure adherence to social contracts between the citizens and the state as well as provide no redress for groups with grievances are the major causes of Nigeria's present state of insecurity.

The paper is divided into 5 sections. Aside section 1, which serves as background to the study, section 2 dwells on review of both empirical and theoretical literatures while section 3 entails sources of data and method of data analysis. Section 4 presents data analysis, and interpretation of results and the paper concludes with recommendation in section 5.

2.0 REVIEW OF THEORETICAL AND EMPIRICAL LITERATURES

Regarding the key drivers of insecurity or conflict across countries, there has been proliferation of theories in the literature partly due to various explanations that vary from country to country and the context in which conflict is defined and analysed. Most of these explanations fall under the 'Human Needs Theories' hereafter HNT or the 'Grievance hypothesis' (Collier and Hoeffler, 2004).

The HNT anchored their idea of social condition for conflict on inability of an individual to provide for his or her basic need of life. The central thesis of the theory is that all humans have basic needs, which they seek to fulfil, and failure caused by other individuals or groups to meet

these needs could lead to conflict (Rosati *et al*, 1990 cited in Alozieuwa, 2012). According to the theory, relative deprivation of basic human needs is a perceived disparity between value expectation and value capabilities and that the lack of a need satisfaction tends to aggravate psychological state of frustration, aggressive attitudes and intolerance among individuals. The country's social economic indicators as mentioned earlier give credence to the HNT in explaining the current trend of insecurity in Nigeria. In specific term, the root cause of violence and anger across Nigeria regardless of regional differences is endemic poverty and hopelessness," and the severity of which translated into high level of violence (terrorism) in the North (Herskovits, 2012).

The high level of conflict in the Oil-producing areas, and North Eastern part of the country is a function of frustration caused by economic deprivation through environmental degradation as a result of exploration activities in the Niger Delta and bad governance in the North. This frustration usually tends to result into misplaced aggression. This can be the explanation behind the series of violence inflicted upon the ordinary citizens of Nigeria, most of whom have no direct link with political and economic elites that are responsible for exploiting country's resources for self-aggrandisement that engender the unemployment and poverty that breed frustration and foster violence (Alozieuwa, 2012; Dougherty and Pfaltzgrate, 1990).

Another explanation behind the persistent insecurity and conflicts that make an environment insecure for life existence and production activities can be found in the "Grievance Hypothesis". This school of thought attributes conflict to the grievances of certain section of population that are marginalised based on religion, political affiliation, ethnicity or caste etc. Conflicts therefore evolve out of grievances which mostly occur in an environment where political means to seek redress are absent. In other words, absence of rule of law or effective court system in a society where there are grievances in manner and method of distribution of economic resources or political power by certain groups of people usually result into conflicts.

The literature is rife with the conclusion that social contract failure between the state and the citizen and horizontal inequalities are the root causes of insecure and violent environment in developing world (Stewart, 2002 as cited by Malik, 2011). Horizontal inequalities have to do with imbalance in distribution of public resources and position between culturally defined groups on the basis of geographical affiliation, party affiliation, gender, religion, class, sect or language etc. Giving explanation on social contract failure as a source of insecurity, he said, there exists a social contract between the citizens and the state in which the citizens accept to pay allegiance to state authority as far as the state does not fail in providing for the basic public services and reasonable

economic condition. Failure on the part of the state to fulfil its own share of the contract will result into grievances on the part of the citizens, disobedience to established rules and regulations and thus violence.

Drawing from the above most theories on conflict overemphasised that poor economic condition has the main cause of violence ignoring the role of institutions. The existence of effective institutional framework developed by a society helps to prevent violence and ensure that parties involved in social contracts adhere to the term of contracts (Sanusi and Nass, 2012). These institutions, such as the court system, and other regulatory institutions, serve as the channels through which members of the society resolve conflicts and prevent violence from being the people's response to anger and frustration. Thus, strong institutions build people's confidence with the hope that when there are grievances there are relevant institutions capable of providing mediation and justice instead of resorting to violence.

Empirical studies such as Malik (2011), Emeka (2011), Gillani, (2009), Adesina, (2013), Dantama and Olaninde, (2013) have linked unemployment and struggle to provide for basic needs to insecurity, while few others have pinned institutional failure to be the bane behind insecurity (Sanusi and Nass, 2012; Obunneke, 2012). Thus, empirical studies on the nexus between unemployment and insecurity have been mixed largely

due to proliferation of theories on the subject matter.

For instance, Malik (2011) empirical study using linear probability model supply that socio-economic deprivation has a positive significant impact on probability of violence attacks in various Pakistan districts. The above conclusion corroborate earlier findings by Gillani, (2009), in his study investigating the relationship between crime and various economic indicators in Pakistan, the findings of the study provided evidence in support of the fact that crime is Granger caused by unemployment, poverty and inflation.

In a different perspective, Dantama and Olaninde (2013) investigating the impact of youth unemployment on National security using OLS as method of analysis concluded that there is a positive relationship between poverty rate, unemployment and National insecurity in Nigeria.

From a different perspective, Sanusi and Nass (2012) examining the major sources of conflicts using a model in which interactions between poverty and weak institutions exacerbate conflicts concluded that solution to conflicts and insecurity lies in the existence of stronger and effective domestic institutions and lower poverty levels.

3. DATA AND METHODOLOGY.
Annual time series data, covering the period 1980-2013 was used. The data were sourced from 2014 World Bank Data Bank, Annual Abstract of

Statistics of National Bureau of Statistics various issues, and 2013 Statistical Bulletin of the Central Bank of Nigeria. Data on rate of crime for 2011-2013 were unavailable. For the years for which data were unavailable two years moving average were used to generate series for those years. This is in line with the theory of rational expectation hypothesis which state that "expectations are rational in the sense that expectations and events differ only by a random forecast error"..... Muth, (1961), cited by Jhingan, 2010: page 638).

3.1 TECHNIQUE OF ESTIMATION/ MODEL SPECIFICATION

In order to forecast the shock emanating from the various series in the model on the dependent variable as well as determining the nature of causality that exists in between them, two models were developed. These were the Autoregressive Distributed Lag (ARDL) and Vector Error Correction models (VECM). In order to achieve the paper's objective, the estimation procedure started with the investigation of the properties of the series in order to determine their order of integration using Philip-Perron and Augmented Dicky-Fuller unitroot tests.

Estimating a VECM required the existence of cointegration and this was carried out by adopting Autoregressive Distributed Lag (ARDL) developed by Pesaran et al. (2001). Using this approach, the Wald test (F-Statistics) was

conducted by imposing restrictions on the estimated long run coefficients. This was done in order to determine the existence of cointegrating relationship among the variables. The null hypothesis was tested using the specification below:

$$\log TCR_{it} = \beta_0 + \beta_1 \log UNEMP + \beta_2 \log POV_{it} + \beta_3 \log RL_{it} + \beta_4 PP_{it} + \mu_{it}$$
(1)

Where

TCRM= Total Crime Rate

RL= Rule of law

UNEMP= Unemployment

rate

POV= Poverty level

PP= Political thugery

μ_{it} = A white noise

error term assumed to be normally and identically distributed. Total crime rate is the sum of total minor and serious crime in Nigeria. This was employed as a measure of insecurity and serves as independent variable. To investigate the institutional causes of insecurity, the quality of rule of law measured by the recently developed indices, the Contract Intensive Money (CIM) developed by Clague et al. (1999) as used by (Kiyotaki et al. 2005; Askanowo, 2010; Olarinde and Omololaibi, 2014) was used. CIM is calculated as

Where:

$M2$ = a broad definition of the money supply

C = currency held outside the banking system.

Higher values of CIM (1) indicated high degree of trust in the existence of rule of law as well as its effectiveness in ensuring law and

order in the economy while a lower value of CIM (0) indicates absolute lack of trust in the existence of rule of law and thus, ineffective. It is expected that an effective rule of law will ensure effective judicial dispensations and build people confidence in the court system and thus reduces the rate of crime. To capture unemployment rate, the rates of Youth unemployment between the ages of 15-24 years were used as proxy while poverty level was captured by private per capital consumption expenditure (PPCE). The (PPCE) mirrors the well-being over some period. It is argued that consumption expenditures reflect not only what the household is able to command based on its current income but also ability to access credit market or refer back to past savings to smoothen consumption (Quarey, 2005; Sin-Yu Ho and Odhiambo, 2011), it is calculated as private consumption expenditure divided by the total population. Both unemployment and poverty rate are expected to be a positive function of insecurity. Political thugery is introduced as dummy variable taking

1 for years preceding election year and election years and 0 for other years. This is based on the assumption that year preceding election years politicians build up for campaign activities and thus groom thugs to intimidate other contestants most of whom end up remaining permanently in the act of violence and thus granger cause insecurity.

Estimating a model determining the interaction between insecurity and other explanatory variables, a reduce-form Vector Autoregressive method was considered. This is predicated on the case at which the chain of causality can be determined in both the short run and long run once the variables are co integrated as well as revealing the significance of the variables in generating variation in its own shocks and in the shocks from other variables once the model has been estimated. This is possible through the estimation of impulse response function (IRF) and forecast error-variance and thus making determining the endogeneity or exogeneity of a variable to a system a lot easier (Mashi et al.,

$$TCR_t = \beta_0 + \sum_{i=1}^p \beta_i TCR_{t-i} + \sum_{i=1}^q \gamma_i RL_{t-i} + \sum_{i=1}^r \eta_i UNEMP_{t-i} + \sum_{i=1}^s \delta_i PP_{t-i} + \varepsilon_{it} \dots (6)$$

$$RL_t = \beta_0 + \sum_{i=1}^p \beta_i RL_{t-i} + \sum_{i=1}^q \gamma_i TCR_{t-i} + \sum_{i=1}^r \eta_i UNEMP_{t-i} + \sum_{i=1}^s \delta_i PP_{t-i} + \varepsilon_{it} \dots (4)$$

$$UNEMP_t = \beta_0 + \sum_{i=1}^p \beta_i UNEMP_{t-i} + \sum_{i=1}^q \gamma_i TCR_{t-i} + \sum_{i=1}^r \eta_i RL_{t-i} + \sum_{i=1}^s \delta_i PP_{t-i} + \varepsilon_{it} \dots (5)$$

$$POV_t = \beta_0 + \sum_{i=1}^p \beta_i POV_{t-i} + \sum_{i=1}^q \gamma_i TCR_{t-i} + \sum_{i=1}^r \eta_i RL_{t-i} + \sum_{i=1}^s \delta_i UNEMP_{t-i} + \varepsilon_{it} \dots (6)$$

$$PP_t = \beta_0 + \sum_{i=1}^p \beta_i PP_{t-i} + \sum_{i=1}^q \gamma_i TCR_{t-i} + \sum_{i=1}^r \eta_i RL_{t-i} + \sum_{i=1}^s \delta_i UNEMP_{t-i} + \varepsilon_{it} \dots (7)$$

Where $\beta_0, \dots, \beta_p, \gamma_1, \dots, \gamma_q, \eta_1, \dots, \eta_r, \delta_1, \dots, \delta_s$ are the intercept term and ε_{it} are the white noise error term assumed to be normally and identically distributed

2009).

Drawing from literature, the reduced-form VAR model consists of five variables. Two of the variables were used to capture discordant development represented by poverty level and unemployment, while rule of law and political thugery

represented institutional causes, and the total crime rate explained the rate of insecurity. The VAR model for the five variables can be represented as a system of equations as follows:

4. Result and Discussion

In analysing the data, pre-estimation

Table 1: Unit root test results

el	ables	PPt	ADPt	PPt	ADPt	PPt	ADPt	PPt	ADPt	Order of integration
n	-3.7059	-3.6327**	-4.6346	-4.6531	13.7810*	-8.5633*	17.1109*	-8.4968*	10	(1)
mp	-1.4351	-1.3762	-2.1803	-2.1427	-6.7863*	-6.2418*	-7.4413*	-6.1870*	10	(1)
mp	-1.6203	-1.1523	-2.0210	-2.3497	-8.0178*	-8.2837*	-9.7165*	-9.4507*	10	(1)
	-0.5823	-1.9571	-1.1192	-2.1238	-3.8368*	-1.6348	-3.8892**	-3.6494**	10	(1)

ADPt and PPt = unit root tests with constant.

ADPt and PPt = unit root tests with constant and trend.

*, **, and *** indicates statistical significance level at 1%, 5% and 10% respectively

Source: Author's Computation using 2015

tests were carried out to determine test results are presented in table (1) the stochastic properties of the series below.

The unit root test results showed that all the variables are integrated of order one and this gives the result was presented in appendix (1). In addition, stationarity test was conducted followed by test for co integration. These are necessary in a study that utilizes time series data as Autoregressive (VAR) model. A well in determination of appropriate maximum lag of 1 was used for the method of data analysis. The unit root estimation of ARDL equation while a

Table 2: Bounds Test Results for Cointegration

	Computed Wald (F-statistic): 4.94*			0.01	
	0.05			Lower Bound	Upper Bound
K=5	2.86	4.19	3.43	2.86	4.79
Pesaran F**	2.86	4.07	3.99	2.86	5.52
Narayan (F*)	2.86				

Notes: K is the number of regressors in the ARDL model. *, **, and *** denotes

Table 2: Showing the Result of Granger Causality Test

UNEMP and TCRM	4.1698 (0.0265)	Reject	Unidirectional
UNEMP does not Granger Cause TCRM	2.0058 (0.1541)	Accept	
TCRM does not Granger Cause UNEMP	3.0336 (0.0648)	Reject	Unidirectional
POV does not Granger Cause TCRM	0.5292 (0.5950)	Accept	
TCRM does not Granger Cause POV	0.5064 (0.6082)	Accept	Independent
PP does not Granger Cause TCRM	0.6750 (0.5175)	Accept	
TCRM does not Granger Cause PP	0.1074 (0.8986)	Accept	
RL does not Granger Cause TCRM	4.3304 (0.0234)	Reject	Unidirectional
TCRM does not Granger Cause RL	0.8442 (0.4410)	Accept	
POV does not Granger Cause UNEMP	3.2923 (0.0525)	Reject	Unidirectional
UNEMP does not Granger Cause POV	1.4471 (0.2529)	Accept	
PP does not Granger Cause POV	3.3682 (0.0494)	Reject	Unidirectional
POV does not Granger Cause PP	0.4816 (0.6230)	Accept	Unidirectional
RL does not Granger Cause POV	5.5288 (0.0097)	Reject	
POV does not Granger Cause RL			

Source: Author's Computation, 2015

Note: Figures in Parentheses represent P-Values

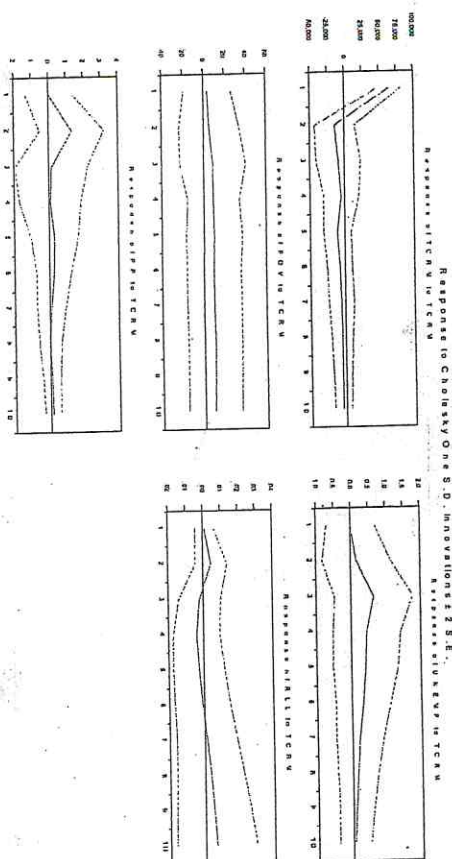
maximum lag of 2 was considered of law (RL). The results also appropriate based on AIC criterion as shown in appendix 1. Using ARDL modelling approach to co integration, the result suggested the existence of long run relationship between all the variables in the model. This is based on the value of Wald (F-statistics) of 4.94 which was higher than critical value at 1% for Pesaran computed critical values and at 5% when compared with Narayan critical values as shown in table (2).

From table (2), it is obvious that there is a unidirectional causality running from poverty unemployment to insecurity (TCRM), while causality runs from Insecurity (TCRM) to rule of significance. The result of PP and

rule of law indicated independence in that there is no feedback relationship between the variables. It follows that in Nigeria neither has political thugery been played to the dictates of law nor has politics influenced the quality of law.

In summary, the results suggested that insecurity in Nigeria is sensitive to level of unemployment and poverty. The results further revealed that none of the institutional variables directly causes insecurity. The fact that Political thugery causes poverty and poverty causes insecurity gives credence to the above assertion. It is therefore apt to say that political thugery is sensitive to insecurity but through its transmission mechanism—poverty. Therefore, PP on its own could not be a driving force behind the increase in the rate of crime or insecurity. But it

should be noted that most Nigerian politicians take into politics not to serve national interest but to serve as leap way out of poverty cycle thus, using unemployed youths dwelling in poverty as an instrument of intimidation in order to cling on to power perpetually. The quality of rule of law also revealed its sensitivity to the level of poverty. This is not surprising, poor adherence to the rule of law has encouraged the act of predation and rent seeking behaviour among the political office holders resulting into poor fiscal discipline or what has been term “resource curse” in some quarters. It follows that to actually stop the tide of poverty and thus level of insecurity in Nigeria, adherence to the rule of law and protection of property rights becomes an important variable of consideration.



1. IMPULSE RESPONSE FUNCTIONS

To estimate the responses of each of the variables to the changes in other variables of the model, the impulse response function (IRF) is used. Figures (1) through (5) show the impulse response function of the VAR model.

Figure 1: Response to Insecurity Shock From figures 1 through 5, it can be observed that there is an immediate response of TCRM, UNEMP, POY, RL and PP to their own shocks and this continue after the 10th period. Looking at figure 1, the response of developments indicator (rate unemployment) to a standard deviation shock in the rate of insecurity indicates an immediate positive impact. It experienced a continuous increase up to 3rd period

when it experiences a little decline after which becomes relatively stable up to 6th period when it further declines but still maintains its positive trend. It appears that unemployment is a positive function of insecurity both in the medium and long term. Rule of law tends to have an immediate positive response to a standard deviation shock in TCRM, it maintains its positive trend up to 3rd period when it exerts a negative influence on insecurity in the 7th period thereafter it becomes positive throughout the 10th period horizon.

The implication is that an emergence of a crisis riddled environment will tend to call for improvement in the effectiveness of the rule of law. But in Nigeria this has not been on a sustainable basis, thus the cyclical movement exhibited by the trends of its response to shock in insecurity. The response of Political thugery to shocks in TCRM also exhibits an

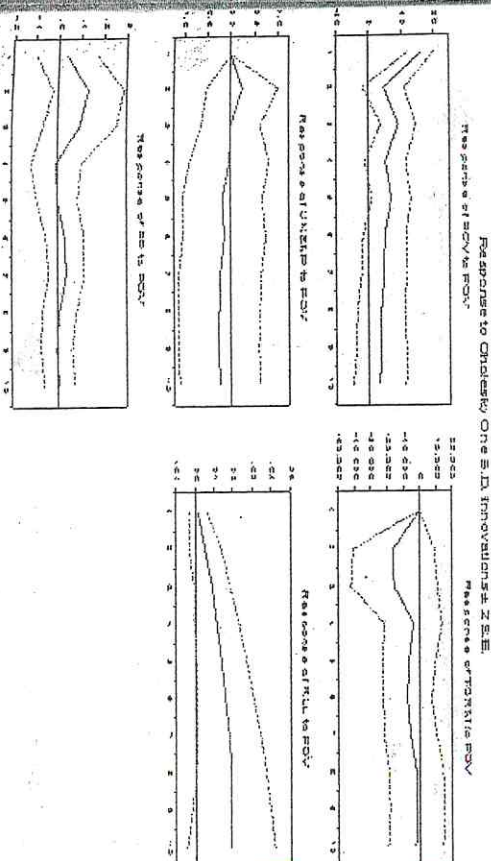


Figure 2: Response to Poverty Shock

immediate positive response up to 3rd year when it experienced a decline though positive up to 8th period when the influence dies out throughout the tenth year horizon. This seems to support the fact that political thuggery is a positive function of insecurity.

Looking at figure 2, it could be observed that the response of TCRM to POV tends to be positive throughout. At first it is zero and from the beginning of the period of analysis, the response is very sharp downward up to 2nd period and maintain its momentum up to the third period when it experiences an upward response up to 4th period after which it maintains a negative trend. The fact that poverty will further affect negatively on insecurity can be discerned from the figure. The response of unemployment to poverty presents a useful insight, though UNEMP does

not immediately respond to a standard deviation shock in POV. It experiences increase up to 2nd period and then assume a negative trend throughout. It appears that poverty might have a positive impact on UNEMP over the short term, but in the long-run will further worsen the unemployment situation. The responses of rule of law to poverty shock have been positive throughout with an upward trend indicating that high rate of poverty seems to call for effective rule of law. Political thuggery immediately responded to a shock to poverty up to 2nd period, when it experienced a sharp decline that extended to 4th period and thereafter assumed a positive trend up to 8th period when its impact died out. It could be concluded that poverty seems to be an increasing function of political thuggery in both the short and medium term but this may die out in the long-run.

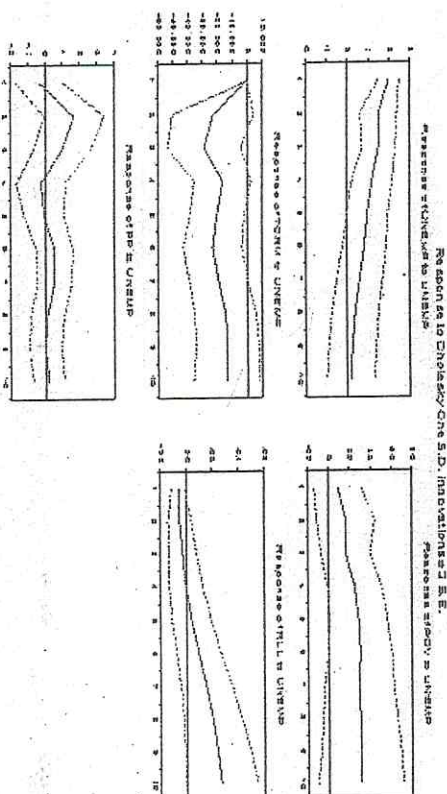


Figure 3: Response to Unemployment Shock

The response of other variables to unemployment shock is shown in figure 3. The figure showed that rate of insecurity did not immediately respond to a standard deviation shock in UNEMP, at first, it was zero and thereafter experienced a sharp decline up to the 3rd period, when it began to rise though negative indicating that high rate of unemployment tended to worsen the insecurity situation in Nigeria. This corroborated the results of the causality test, which also indicated that unemployment caused insecurity. Further, in the figure, unemployment tended to serve as an increasing function of poverty. The response of POV to a shock in unemployment appeared to be positive and maintain its positive divergent trend away from the origin. This implied whether in the short run

or long run, unemployment in Nigeria will continue to drive up the rate of poverty. With respect to the response of RL to UNEMP, the former was initially negative, the impact died out in the 4th period and became positive thereafter up to the tenth period. Thus, an increase in the rate of unemployment had temporary impact effect on the rule of law but in the long-run it will call for an efficient rule of law. This is predicated by the fact that to attract investors necessary to generate employment opportunities as well as and ensuring fiscal discipline among political office holders to curb the tide of poverty, an efficient rule of law is germane. Within the 1st period PP responded positively to unemployment, it experienced a sharp decline from 2nd period up to 3rd period became negative in the 4th

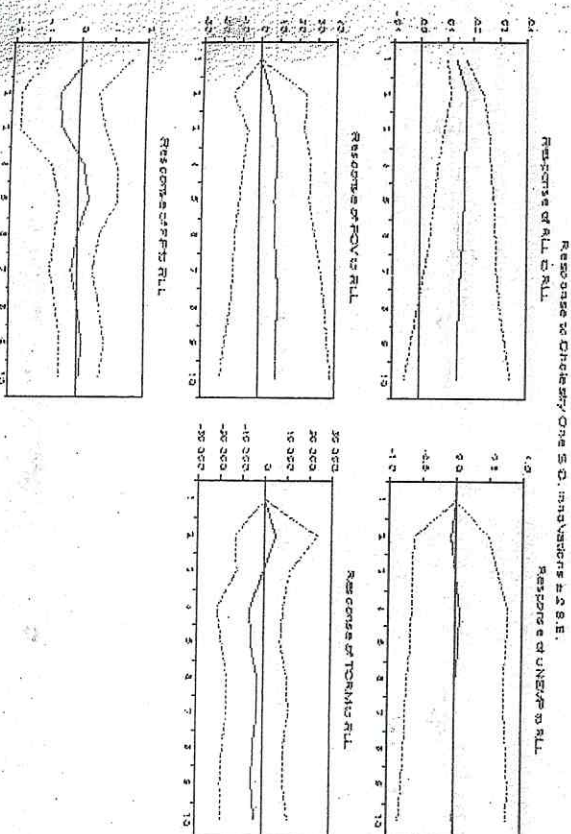


Figure 4: Response to Rule of Law Shock

period and positive thereafter up to the end of the 10th period horizon. It follows that in Nigeria, the fact that political thugbery tends to be impacted positively by high rate of unemployment will only be for a medium term in the long-run unemployment may no more be an increasing function of PP.

From figure 4, the institutional variables seemed to have a negative impact on the level of insecurity. In panel of figure 4, TCRM did not immediately respond to a standard deviation shock in RL. The response began with zero and increased up to 3rd period when it became zero. From the 4th period up to the 10th period horizon, the response maintained its negative trend. That an effective rule of law will tend to serve as a decreasing function of insecurity

and it takes some lag before the impact of efficient rule of law could be felt on the level of insecurity, therefore adherence to the rule of law needed to be on a sustainable basis. The response of poverty to RL also did not show an immediate response to shock from RL. In the beginning, it was zero and thereafter increased up to 4th period when it steadily rose throughout the 10th period. This implied an ineffective RL cause's poverty. PP responded negatively to RL and a rise was noticed from the 4th period through the 6th period before it became negative thereafter but at the 8th year PP responded positively up to the 10th year. It followed that the influence of RL on political thugbery seemed to be unstable in that the agencies charged with the responsibility of interpreting and implementing the rule of law are

being used as agent of intimidation, thus they are being tough on opposition and soft on their allies. The response of unemployment responded negatively to a standard to standard deviation shock in RL in the short term and assumed an upward trend up to 6th year before it died out up to the 10th period

Figure 5 revealed that TCRM responded sharply to standard deviation shock in PP in the 3rd period. At the end of the 3rd year it further experienced a sharp decrease and thus negative up to the 6th period. In the 7th and 8th period, TCRM responded positively to PP and thereafter became negative. This implied the impact of PP as an increasing function of insecurity had been cyclical in that democracy in Nigeria since 1980's had been truncated by military intervention. Overall, it can be concluded that PP has been fuelling the rate of insecurity and crime in the country. Unemployment tended not to exhibit a spontaneous response to a shock in PP but depicted a negative response over the first 3 years after which it rose successfully up to the 7th year when it experienced a little decline, but still positive over the 10 years forecasting period. It can be concluded that political thugbery in Nigeria will only serve as source of employment opportunity in the short run but in the long run end up being a positive function of unemployment. This is supported by the fact that most politicians and their thugs seems to be temporarily engaged in income earning activities during election period remained unemployed after election period once they are disengaged. From the first period to the 3rd period POV responded negatively to a shock in PP after which it became positive up to 5th year and thereafter negative up to 8th period before its impact died out. It is therefore right to say that a shock to PP tended to reduce poverty but this will remain unsustainable in the long-run. Finally, in our results of IRRF, rule of law responded negatively to political thugbery, this is expected in a country where political office holders bend the rules to achieve their ulterior motive thus transmitting a negative shock to rule of law.

4.2. RESULTS OF VARIANCE DECOMPOSITION

The result of Variance Decompositions which showed the various contributions of each variable to its own shock in explaining the proportion of forecast error variance at the end of the 10th year horizon, these are reported in tables (4) below.

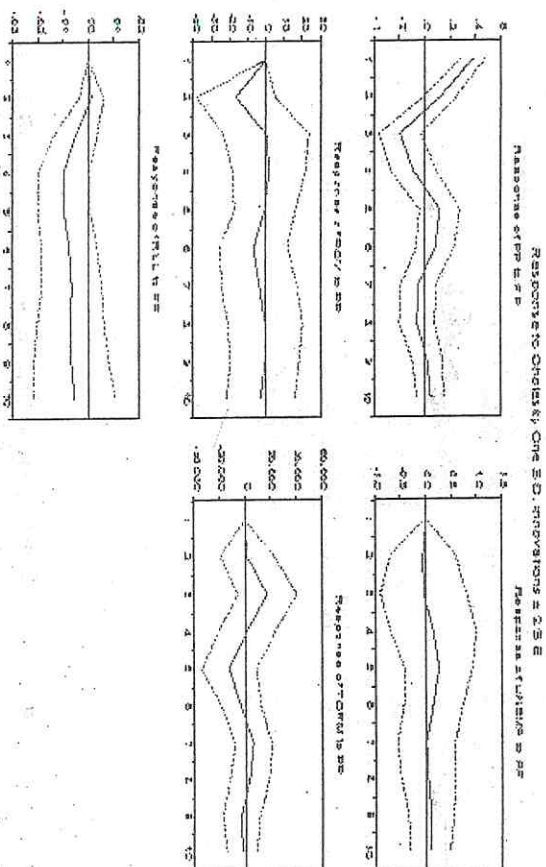


Figure 5: Response to Political thugbery (PP) Shock

Table 4: Variance Decomposition for the VAR model

Period	4.1: Variance Decomposition of Rate of Insecurity (TCRM)				
	S.E	TCRM	UNEMP	POV	CIM
1	64894.43	100.0000	0.000000	0.000000	0.000000
2	72251.16	84.54539	9.964998	4.904785	0.510460
3	81698.90	67.22876	20.25332	7.514359	0.400743
4	83783.70	64.30042	23.01972	7.359280	0.919503
5	88222.54	59.53879	25.95096	7.212233	1.240344
6	91910.47	55.55973	30.19558	7.321776	1.227433
7	94451.96	52.96115	32.64231	7.308512	1.228938
8	95850.40	51.69842	33.94001	7.157111	1.394942
9	97047.70	50.68923	34.92676	7.014394	1.593228
10	98241.63	49.68041	36.03193	6.914323	1.674341

4.2: Variance Decomposition of Unemployment (UNEMP)

1	1.989005	4.77E-07	100.0000	0.000000	0.000000
2	2.518582	0.432866	98.57229	0.874356	0.070326
3	3.010543	5.070187	94.20676	0.612163	0.049355
4	3.274375	6.163868	92.97140	0.533996	0.081381
5	3.457382	6.924167	91.44003	0.777981	0.097059
6	3.572886	7.324098	90.81003	0.899087	0.091573
7	3.635035	7.422190	90.36665	1.277010	0.088478
8	3.667092	7.462147	89.85919	1.747246	0.088106
9	3.688109	7.454575	89.28130	2.270478	0.087420
10	3.700473	7.429469	88.85155	2.685454	0.089111

4.3: Variance Decomposition of Poverty (POV)

1	1.989005	4.77E-07	100.0000	0.000000	0.000000
2	2.518582	0.432866	98.57229	0.874356	0.070326
3	3.010543	5.070187	94.20676	0.612163	0.049355
4	3.274375	6.163868	92.97140	0.533996	0.081381
5	3.457382	6.924167	91.44003	0.777981	0.097059
6	3.572886	7.324098	90.81003	0.899087	0.091573
7	3.635035	7.422190	90.36665	1.277010	0.088478
8	3.667092	7.462147	89.85919	1.747246	0.088106
9	3.688109	7.454575	89.28130	2.270478	0.087420
10	3.700473	7.429469	88.85155	2.685454	0.089111

4.4: Variance Decomposition of Rule of Law (RL)

1	0.015003	0.562265	15.24546	1.241048	82.95123	0.000000
2	0.024699	3.838936	9.474220	5.089591	81.36398	0.233275
3	0.032148	2.713235	6.153816	10.94320	77.55741	2.632331
4	0.039445	2.814625	4.087621	15.60524	69.58204	7.910476
5	0.046277	2.400014	3.870587	20.34614	63.37011	10.01315
6	0.052983	1.860264	6.408456	24.50385	57.66896	9.558463
7	0.060453	1.485082	11.66037	27.59420	50.77666	8.483689
8	0.068667	1.396219	18.03459	28.98743	43.98116	7.600595
9	0.077112	1.542122	24.15575	29.09078	38.43953	6.771809
10	0.085547	1.846551	29.73536	28.44286	34.07434	5.900892

4.5: Variance Decomposition of Political thugery (PP)

1	0.382932	0.006418	0.571511	1.087543	0.260543	98.07398
2	0.480065	7.817268	12.73538	8.369284	1.617191	69.46088
3	0.538553	6.290003	13.51538	9.828541	2.068275	68.29780
4	0.546555	6.124725	13.26111	9.560655	2.123526	68.92999
5	0.560971	6.110401	12.59596	9.077820	2.392553	69.82327
6	0.571288	6.082376	13.10688	9.049706	2.306955	69.45408
7	0.577938	5.969988	13.77417	9.270505	2.335125	68.65021
8	0.581560	5.896953	13.68049	9.166504	2.308628	68.94743
9	0.582260	5.904188	13.65106	9.154438	2.390053	68.90026
10	0.584615	5.906948	13.71524	9.093104	2.390619	68.89409

Cholesky Ordering: TCRM, UNEMP, POV, RL, PP

Source: Author's Computation, 2015

The results revealed that TCRM, 0.1% and 1% of the shock to UNEMP, POV, RL and PP unemployment respectively.

IMPACT OF DEVELOPMENT VARIABLES ON INSECURITY

The result of the variance decomposition of insecurity (TCRM) indicated that apart from its own shock, those originating from the total variation in TCRM. This implied that among all the variables in the model, UNEMP was the most exogenous variable in the VAR model, in that, at the end of the 10years horizon TCRM, POV, RL, and PP accounted for only 7%, 3%,

respectively. The shocks from institutional variables altogether is 8% indicating discordant developments transmits more into insecurity than the rule of law or political thugery. The results are hardly surprising considering the worsening level of unemployment and poverty. Though institutional causes are also part of the reasons behind insecurity, its influence usually, pass through poverty or unemployment. That present rate of insecurity in Nigeria is caused by discordant development is loudly attested to by the amount of innovation shocks originating from the other variables in the model. It should be noted that the macroeconomic objective of any government is to achieve high level of employment and poverty reduction, the failure of which will result to loss of hope in life and thus insecurity.

4.3 THE IMPACT OF OTHER VARIABLES ON UNEMPLOYMENT

The results indicated that at the end of the 10th period horizon, shock originating from POV, TCRM, RL, and PP were 49%, 5%, 4% and 2% respectively apart from its own shocks. The shock from poverty was 50% indicating that poverty translated more to unemployment than a change in other variables. This is predicated by the fact that poverty tends to further depreciates human capacity to earn a living by not having access to better education, and sense of innovations, thus making the poor unemployable. The result also showed that insecurity

contributed to unemployment, contributing to about 8% to its shock. It is important to bear in mind that an insecure environment will never attract investors necessary to generate employment opportunities. Again, the result further corroborated the earlier findings that institutional causes in the present tide of insecurity in Nigeria were minor.

Examining the variance decomposition of poverty, it can be taken that the overriding objective of government policy have been achieved of growth and that less emphasis is placed on of higher growth rate that less emphasis is placed on growth that is sustainable and inclusive. A look at the variance decomposition showed that shock from unemployment was 40%, that of TCRM and rule of law were 5% and 4% respectively. It can be deduced that tends to be major transmitters when it comes to explanation behind the causes of poverty in Nigeria.

The variance decomposition of rule of law revealed that apart from its own shocks those originating from poverty, unemployment, and political thugery were 28%, 39%, and 6% respectively. This suggests that unemployment translates more to rule of law in that an individual in abject poverty due to lack of employment opportunities always seek for means of survival even if he has to violate the rules. Political thugery also contributed about 7% to the total shock of RL. The reason behind this might be due to the fact that during election period politicians

do violate law and order without any recourse.

The results of the forecast error variance of PP indicated that shocks originating from unemployment and poverty were 13% and 9% respectively while that of RL and TCRM were 1% and 2% respectively. This result seemed to give further support to the earlier findings in the study that the contribution of PP in Nigeria to insecurity was as result of high rate of unemployment and poverty. This is because many unemployed youths living in poverty serve as instruments of intimidation for the politicians who are bent to hold on to power.

In order to confirm the fitness of our model in forecasting causes of insecurity in Nigeria, diagnostics test for serial auto correlations, normality and heteroskedasticity were carried out for the estimated model. The Lagrange multiplier (LM) showed that there was no serial correlation at the chosen lag with probability value of 0.1593. In addition, the VAR model satisfied the stability condition and none of the roots of characteristic polynomial lay outside the circle indicating that the model is stable for prediction purposes. It also passed the χ^2 heteroskedasticity test with the chi-square distribution of 270 and probability value of 0.2120

5. CONCLUSION AND RECOMMENDATIONS

The study examined the causes of the increasing high rate of insecurity in

Nigeria and the interaction between insecurity, development indicators and institutions. The analysis commenced with the pre-estimation test and it was demonstrated that there was a long-run relationship between all the variables in the VAR system. The results from Granger causality test indicated that the rate of insecurity was highly sensitive to unemployment and poverty, therefore both were the major causes of insecurity. The result also suggested that both rule of law and political thugery also caused insecurity but through poverty. The impulse response function also confirmed that unemployment and poverty were positive function of insecurity and that an efficient rule of law would serve as a decreasing function of insecurity. That in Nigeria, the existence of weak rule of law has resulted into the present macroeconomic failure to reduce unemployment, poverty and curb insecurity. The variance decomposition result also revealed that political thugery contributes to insecurity in Nigeria. Therefore, it can be concluded that insecurity in Nigeria is caused by the combination of unemployment and weak institutions resulting into a devastating impact on the country's developmental objective thus corroborating Guir and Marshall's (2003) result as cited by Ikejiaku, (2009). From the foregoing, the need for the policy makers to pursue policies that will ensure achievement of growth that is sustainable and inclusive rather than policies that will be based on self-aggrandisement is warranted. This is achievable only

through an efficient rule of law that could instil confidence in investors thus resulting into employment opportunities and poverty reduction. This will also ensure that the political leaders who are policy makers adhere to the term of contracts between them and their subjects. It is

apt to mention that effectiveness of the rule of law is a function of the independence of the institutions responsible for its design and implementation thus the independence of the judiciary becomes imperative.

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Appendixes

Appendix I: Summary Statistics of the Variables

	POV	RLI	TCRM	UNEMP	PP
Mean	473.0449	0.760560	179418.8	11.11562	0.382353
Median	479.5453	0.760581	164376.0	13.65000	0.000000
Maximum	698.6690	0.895703	377179.0	14.20000	1.000000
Minimum	294.6151	0.639751	62702.00	3.500000	0.000000
Std. Dev.	116.1126	0.076556	82350.13	3.869919	0.493270
Skewness	0.212956	0.353488	0.445204	-0.816826	0.484182
Kurtosis	1.805435	2.175500	2.464680	1.773547	1.234432
Jarque-Bera	2.278548	1.671122	1.529142	5.911761	5.744525
Probability	0.320051	0.433631	0.465534	0.052033	0.056571
Sum	16083.53	25.85902	6100238.	377.9310	13.00000
Sum Sq. Dev.	444910.7	0.193409	2.24E+11	494.2171	8.029412
Observations	34	34	34	34	34

Appendix II: VAR Lag Order Selection Criteria

VAR Lag Order Selection Criteria
Endogenous variables: TCRM UNEMP POV
RLI PP
Exogenous variables: C
Date: 07/06/15 Time: 16:59
Sample: 1980 2013
Included observations: 32

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-655.1967	NA	5.72e+11	41.26229	41.49131	41.33821
1	-564.7348	147.0006	9.78e+09	37.17092	38.54505*	37.62641*
2	-535.1519	38.82754*	8.31e+09*	36.86449*	39.40373	37.71955

* indicates lag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level)

POLITICAL PARTY FINANCE IN SELECTED DEMOCRACIES: LESSON FOR NIGERIA

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ABSTRACT

The most shared value in the world today is democracy. Despite the spread of this concept across the globe, the value of equality, good governance, accountability and rule of law have been relegated by politicians in their quest to finance their parties. As a result of this, governance has caused immeasurable gap between the rich and the poor which is often snowballed into high level of criminality in many countries including Nigeria. The study examined political party finance in the United States of America, United Kingdom and France. This was done in order to see if there is any lesson Nigeria can learn in political party finance practices in these countries. The study discovered that Nigeria has not achieved much in bringing the values of democracy to the doorsteps of the electorate as is being experienced in western countries, owing to the government inability to effectively regulate political party finance in Nigeria. It was also revealed that without adequate and effective institutional capacity to superintend political party finance in Nigeria, governance will continue to be an exclusive right of the elite and the client-patron relationship that develops therein will continue to constitute a great impediment to infrastructural development, justice and accountability in the country.

Keyword: Political party Finance, Democracy, Political Party

1.0 INTRODUCTION

Political party as an institution is very sacrosanct to any democratic system not only as a platform for candidates to contest elections but reflects the concern of citizens, engages in interest aggregation and articulation which to a large extent stabilize the polity and entrench democratic

governance. However, if political party is an indispensable institution in any democratic system, it is therefore not an aberration to conclude that no nation can be said to be democratic without giving room for the establishment of political parties and freedom to offer direction to government and allowing them to