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THE INFLUENCE OF CORRUPTION AND THE  
UNDERGROUND ECONOMY ON THE  
RELATIONSHIP BETWEEN OIL  
RENT AND ECONOMIC  
GROWTH IN NIGERIA



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## ABSTRACT

This study examines whether the effect of oil rent on economic growth in Nigeria depends on the levels of corruption and the size of the underground economy (UE) over the period 1990-2022. Relying on the Sachs-Warner resource-curse theory, it employs the autoregressive distributed lag (ARDL) approach, as well as the fully modified ordinary least squares (FMOLS), canonical cointegration regression (CCR), and dynamic OLS (DOLS) estimators. The estimation results show that oil rent contributes positively to both short- and long-term growth, whereas reductions in corruption and an expanding UE exert immediate and sustained negative effects on growth. Moreover, the study reveals that the impact of oil rent on growth varies with both the level of corruption and the size of the UE. Specifically, the marginal effect of oil rent on growth is positive when corruption is low or the UE is small, but it weakens both short- and long-term growth when corruption is high or the UE is large. In essence, the findings imply that simultaneous increases in oil rent and corruption (or UE size) impair growth, whereas rising oil rent alongside reduced corruption (or a smaller UE) yields greater economic benefits. This study concludes that to fully harness oil wealth and ensure sustainable long-term growth, economic diversification away from oil, along with policies aimed at reducing corruption and curbing underground activity, is essential.





## **PENGARUH RASUAH DAN EKONOMI BAYANGAN TERHADAP HUBUNGAN ANTARA SEWA MINYAK DAN PERTUMBUHAN EKONOMI DI NIGERIA**

### **ABSTRAK**

Kajian ini bertujuan untuk menilai sama ada kesan hasil minyak terhadap pertumbuhan ekonomi di Nigeria bergantung kepada tahap rasuah dan saiz ekonomi tidak rasmi (UE) dalam tempoh 1990 hingga 2022. Berdasarkan kepada teori sumpahan sumber Sachs-Warner, kajian ini menggunakan pendekatan ARDL serta kaedah anggaran FMOLS, CCR, dan DOLS. Dapatan menunjukkan bahawa hasil minyak menyumbang secara positif kepada pertumbuhan ekonomi dalam jangka pendek dan panjang. Sebaliknya, pengurangan rasuah dan pertambahan saiz UE memberi kesan negatif terhadap pertumbuhan dalam kedua-dua tempoh masa. Kajian ini turut mendapati bahawa hubungan antara hasil minyak dan pertumbuhan berbeza mengikut tahap rasuah dan saiz UE. Secara khusus, kesan hasil minyak terhadap pertumbuhan adalah positif apabila rasuah rendah atau UE kecil, namun ia melemahkan pertumbuhan apabila rasuah tinggi atau UE besar. Ini menunjukkan bahawa gabungan peningkatan hasil minyak dengan rasuah atau ekonomi tidak rasmi yang besar boleh menghalang pertumbuhan, manakala hasil minyak yang tinggi bersama rasuah yang rendah atau UE yang kecil mampu membawa manfaat yang lebih besar. Kajian ini menyimpulkan bahawa untuk memanfaatkan sepenuhnya kekayaan minyak dan menjamin pertumbuhan mampan, negara perlu mempelbagaikan sumber ekonomi serta melaksanakan dasar yang tegas bagi membendung rasuah dan mengurangkan aktiviti ekonomi tidak rasmi.



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## LIST OF ABBREVIATIONS

2SLS	Two Stage Least Squares
ADF	Augmented Dickey-Fuller unit root test
AIC	Akaike Information Criterion
ARDL	Autoregressive Distributed Lag
ASEAN	Association of South East Asian Nations
BG	Breusch-Godfrey
BI	Business International Index
BPG	Breusch-Pagan-Godfrey
CBN	Central Bank of Nigeria
CCEMG	Common Correlated Effects Mean Group
CCEP	Common Correlated Effects Pooled
CCR	Canonical Cointegration Regression
CORR	Corruption
CPI	Corruption Perception Index
CUSUM	Cumulative Sum of Recursive Residuals
CUSUMSQ	Cumulative Sum of Squares of Recursive Residuals
DOLS	Dynamic OLS
DVAR	Dynamic Vector Autoregressive model
ECM	Error Correction Model
FMOLS	Fully Modified Ordinary Least Squares





GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GMM	Generalised Method of Moments
ICRG	International Country Risk Guide
IV	Instrumental Variable
LM	Lagrange Multiplier
LSDV	Least Squares with dummy variables
MENA	Middle East and North Africa
NARDL	Nonlinear Autoregressive Distributed Lag
NBS	National Bureau of Statistics
OECD	Organisation for Economic Cooperation and Development
OILR	Oil rent
OLS	Ordinary Least Squares
OPEC	Organisation of the Petroleum Exporting Countries
ORB	OPEC Reference Basket
PP	Phillips-Perron unit root test
PRS	Political Risk Service Group
PVECM	Panel VECM
RESET	Regression Specification Error Test
SIC	Schwartz Information Criterion
SSA	Sub-Saharan Africa
SVAR	Structural Vector Autoregressive model
TI	Transparency International
UEC	Underground economy





UNEM	Unemployment rate
USA	United States of America
VAR	Vector Autoregressive model
VECM	Vector Error Correction Model
WCS	Western Canadian Select
WDI	World Development Indicators
WGI	Worldwide Governance Indicators
WTI	West Texas Intermediate





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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the Study



Prior to the late 1980s, natural resource wealth was widely seen as a “blessing” for developing countries. The conventional view in the early development literature was that a sizeable endowment of natural resources is critical in promoting sustained economic growth and development. Rostow (1961), for instance, argued that the abundance of natural resources would enable developing countries to transit from underdevelopment to industrial ‘take-off’, just as they had done for developed economies such as the Australia, Canada, the United Kingdom of Great Britain, and the United States. Natural resources could facilitate a country’s “industrial development by providing domestic markets and investible funds.” Generally, the debate in favour of the importance of natural resources endowment in facilitating sustained growth and development is often advanced on the grounds that “the ensuing rents from the natural

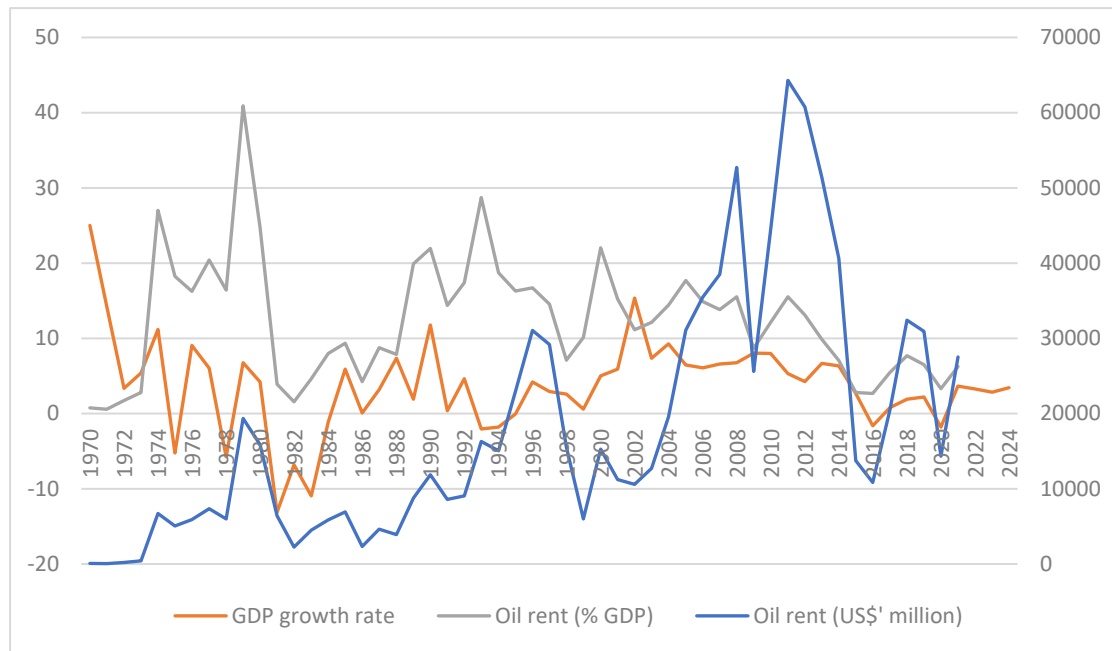




resources provide governments with the much-needed resources to provide public goods and invest in human and physical capital for development” (Rosser, 2009).

Like most African countries, Nigeria is rich in natural resources such as diamond, natural gas, gold, oil, uranium, and copper, among others. The abundance of these natural resources, specifically crude oil, has been associated with the nation’s social and economic growth and development. The country’s economic sustainability has largely depended on the export of crude oil (Olayungbo & Adediran, 2017). Since the discovery, exploitation and subsequent exportation of crude oil, the product has continued to play important roles in the country’s fiscal and monetary policy, providing over 90 percent of the country’s foreign exchange earnings and more than 70 percent of the government’s revenue (Central Bank of Nigeria [CBN], 2023; World Bank, 2025). Available statistics from the World Bank’s World Development Indicators (WDI) revealed that an average of about US\$18.125 billion is accrued to Nigeria annually from the sales of crude oil between 1970 and 2021 (see Figure 1.1). Besides providing the much-needed financial resources to the government to invest in key areas of human capital development (education and health), job creation, and embark on huge infrastructural development, the country’s huge oil wealth has also improved the economic growth performance of the country. For instance, the oil boom of the early 1970s, 2007/2008, and 2011/2012 not only enhanced the revenue potential of the country, it also boosted the nation’s economic growth. Figures from WDI demonstrate the increase in the country’s economic growth (measured by real GDP growth rates) to an average of about 21.15 percent, 6.68 percent, and 4.77 percent, respectively during these periods (see Figure 1.1).



**Figure 1.1***Plots of Nigeria's economic growth (GDP growth rates) performance and oil rents*

Source: Calculation based on data collected from the World Bank's WDI

Despite the huge wealth accrued from the sales of oil, the country's economic performance has steadily remained maintained unimpressive especially when compared to countries such as Singapore, Hong Kong, and South Korea that are natural resource poor, and equally oil-rich nations like Norway, Canada, Malaysia, and Gulf states (World Bank, 2025). Besides a slower economic growth rate, the country has equally failed to attain sustainable economic growth and development. For instance, between 1970 and 2021, statistics reveal that Nigeria's collective rents accrued from oil sales was about US\$942.517 billion. In 1974, when the per capita revenue from oil was about US\$108.73, per capita GDP was US\$2,238.49. However, in 2014, when per capita oil rents peaked at US\$3,088.721, per capita GDP remained at the 1974 level, thus suggesting that the large chunk of revenue accrued from oil sales did not seem to add to the standard of living of the citizens (World Bank, 2025). Moreover, the nation is



also associated with “exceptionally high rates of poverty, unemployment, income inequality, insecurity, and deteriorating standard of living, among other precarious development indicators” (National Bureau of Statistics [NBS], 2020a; 2020b; World Bank, 2025). In 2022, for instance, the country’s National Bureau of Statistics (NBS) reported that about 63 percent of Nigerians (about 133 million people) are multidimensionally poor (NBS, 2022).

Over the past few decades, the contrasting economic performances of resource-rich countries like Nigeria, which have experienced poor growth, and resource-poor nations in East Asia, which have achieved rapid development, have led scholars to widely view natural resource wealth as a “curse” (Sachs & Warner, 1995). Instead of fostering development, it is contended that natural resource exacerbates poverty, abundance hampers economic growth, undermines education and health outcomes, lowers the status of women, stifles democracy, and heightens the likelihood, duration, and severity of civil wars (Blanton & Peksen, 2021). In the literature associated with the resource curse, several explanations as to why natural resource wealth (such as oil wealth) seems to be a curse in some economics and a blessing in others have been presented, with the Dutch disease, the quality of governance and institutions, and volatile terms of trade and prices of natural resources arguments dominating the literature (Brunnschweiler, 2008; Gylfason, 2006). However, little is known about the role of corruption and the size of the underground economy<sup>1</sup> in explaining the consequence of oil rent on the growth of the economy.

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<sup>1</sup> In the present study, underground economy (also shadow economy) covers “all market-based, lawful production or trade of goods and services deliberately concealed from public authorities in order to evade either payment of income, value added or other taxes, or social security contributions; to get around certain labor market standards, such as minimum wages, maximum working hours, or safety standards;





The literature extensively documents that corruption, rent-seeking behaviours, and weak institutional frameworks are defining features of many oil-rich nations (Gylfason, 2006; van der Ploeg & Arezki, 2008; Sala-i-Martin & Subramanian, 2003). Research also establishes a positive relationship between oil wealth and corruption, indicating that greater oil revenues often lead to increased levels of corruption (Arezki & Brückner, 2009; Baragwanath, 2020). This relationship implies that the negative impact of oil wealth on economic growth may be transmitted through corruption. Specifically, the rise in oil rents can directly amplify corruption, worsening its detrimental effects on economic performance and slowing long-term growth. This notion stems from the observation that oil wealth tends to promote widespread corruption in oil-dependent nations with fragile institutions. Such corruption provides opportunities for corrupt politicians and officials to embezzle, underreport, mismanage, or squander oil revenues, thereby undermining economic prosperity (Leite & Weidmann, 1999). Consequently, while oil rents may spur economic growth in nations with low level of corruption, the opposite outcome is expected in highly corrupt, oil-dependent countries.

Corruption in oil-rich countries may also make it very difficult for a country to use its excess oil wealth to build up a sufficient financial buffer against periods of negative shocks. The absence of a sufficient financial chest, in terms of a huge sovereign wealth fund (SWF), typically exposes an oil-dependent country to external economic shocks in terms of oil price/rent fluctuations, with long-lasting adverse implications on the economy and fiscal policymaking. For instance, during negative

---

or to avoid compliance with administrative procedures, such as filling out paperwork” (Buehn & Schneider, 2011).





shocks, such countries are less likely to have sufficient resources to finance their expenditure and initiate or complete growth-enhancing projects, thus affecting economic growth. Moreover, while a decline in oil rents tends to encourage the state to increase its tax effort, the mostly unsuccessful effort ends up raising the debt stock, fiscal deficit and encouraging large diminution/adjustment in productive budgetary allocation, and equally impacting economic growth and development negatively.

Interestingly, apart from the sluggish economic growth performance and developmental challenges confronting Nigeria, the country is also characterised by massive corruption. Corruption in Nigeria is endemic and deep-rooted, as it permeates all facets of the Nigerian economy; with policymakers, legislators, military officials, jurists, politicians and leaders of business enterprises all found complicit (Abu & Staniewski, 2019; Ijewereme, 2015). These perspectives are closely aligned with the findings and reports of leading international organisations, including the World Bank, the Political Risk Services Group (PRS), and, Transparency International (TI), among others. For instance, aside from the unimpressive economic performance witnessed occasionally, TI's corruption perception index (CPI), which ranks 180 countries and territories based on their perceived levels of public sector corruption, as reported by experts and business professionals, and range from 0, indicating high corruption, to 100, representing a very clean reputation, demonstrate that sNigeria has consistently ranked high in the league of corrupt nations in the world. During the 1996-2024 period, available data from TI indicates that Nigeria's CPI was less than 30 out of the maximum of 100 (see Table 1.1).



**Table 1.1***Nigeria's corruption perception index (CPI) (1996-2024)*

YEAR	CPI	YEAR	CPI	YEAR	CPI	YEAR	CPI	YEAR	CPI
1996	6.9	2002	16	2008	27	2014	27	2020	25
1997	17.6	2003	14	2009	29	2015	26	2021	24
1998	19	2004	16	2010	24	2016	28	2022	24
1999	16	2005	19	2011	24	2017	27	2023	25
2000	6	2006	22	2012	27	2018	27	2024	26
2001	10	2007	22	2013	25	2019	26		

**Source:** Transparency International

The prevalence of corruption in Nigeria, perhaps, explains why oil-dependent Norway has consistently maintained a strong economic growth performance while equally oil-rich Nigeria has failed to translate the huge oil wealth at its disposal into economic prosperity (Olayungbo & Adediran, 2017). Moreover, the pervasiveness of corruption may as well be responsible for the Nigerian government's inability to save its excess oil wealth during booms, as obtainable in equally oil-rich Norway and the Gulf countries. During the recent oil price crash, this limitation triggered a serious economic and fiscal crisis in the country, with public debt and deficit growing astronomically.

Additionally, in oil-rich countries, the implication of oil rent on economic growth may also be conditioned on the prevailing size of an underground economy. This argument is based on two pieces of evidence in the literature. First, the direct implication of expansion in the size of the underground economy is the erosion of the





tax base and, consequently, the reduction in the tax revenue, forcing the government to adopt other means of financing its expenditure (Mazhar & Méon, 2017). Secondly, evidence suggests that higher oil rents tend to reduce the state's willingness to tax the people, leading to the postponement of tax reforms (Bornhorst et al., 2009; McGuirk, 2013; Ross, 2001). In contrast, the fall in oil rent will increase the willingness of the government to adopt and implement tax reforms to raise tax revenues (Ishak & Farzanegan, 2020).

Therefore, in this setting, it is suggestive that the prevailing size of the underground economy may condition the influence of oil rent fluctuations on the growth of the economy "through its direct impact" on the state's effort to move to higher tax revenue. Moreover, Ishak and Farzanegan (2020) revealed that in oil-rich countries with a sizable underground economy (more than 35 percent of the GDP), falling oil rent is less significant in raising the level of tax revenue. In oil-rich countries with a low or moderate-sized underground economy, an increase in tax revenue following changes in oil rent may be expected, with little or no hostile consequence economic growth. However, where the size of the underground economy is enormous, long-term growth is likely to be slowed down as efforts to increase tax revenue tend to be unsuccessful.

The negative shocks in global oil prices in 2009, 2015, 2015, and 2020 led to a commensurate and significant fall in oil rent in Nigeria (World Bank, 2025). Unfortunately, despite adopting and implementing non-oil tax reforms in response to these significant negative shocks, tax revenue did not increase, rather real GDP and per capita income declined rapidly (CBN, 2023; Herbert et al., 2018; World Banks, 2023).





Ironically, available statistics demonstrate that Nigeria, like most developing countries, have one of the largest underground economic activities in Africa. For example, Medina and Schneider (2019) reported that the size of Nigeria's underground economy relative to the gross domestic product was about 56.78 during the 1991-2017 period, but the values oscillated between 47.6 percent and 64 percent. With such a large underground economy, the adjustments in the size of the underground economy can influence the consequence of oil wealth on growth in Nigeria.

It is therefore against this background that the current research seeks to evaluate whether the influence of oil rent on economic growth is dependent on the prevailing size of the underground economy and/or the level of corruption. Despite the heavy reliance of the economy and public spending on oil, coupled with the pervasiveness of corruption and a sizable underground economy in Nigeria, very little is known about how corruption and the underground economy shape the influence of oil rent and economic growth. Most of the "existing studies focused on the linkage between oil rent and economic growth in Nigeria" and elsewhere (Abubakar & Akadiri, 2022; Eregha & Mesagan, 2020; Matallah & Matallah, 2016; Ofori & Grechyna, 2021; Okoye et al., 2022; Oyinlola et al., 2015). The attention of other studies is on the influence of corruption and underground economy on the economy (Afonso & de Sá Fortes Leitão Rodrigues, 2022; Camara, 2022; Leite & Weidmann, 1999; Mauro, 1995, 1996; Nguyen et al., 2022).

The current study is important and add to the literature in many ways. First, the research is a pioneering effort to explicitly examine the resource curse through the corruption and underground economy transmission channels. Using the sample of





Nigeria, a major oil-rich nation characterised by massive corruption and a sizable underground economy provides an important contribution to the resource curse literature. Second, the study employs several innovative estimation strategies, including the autoregressive distributed lag (ARDL) approach, alongside the fully modified OLS (FMOLS), the canonical cointegration regression (CCR) and the dynamic ordinary least squares (DOLS) techniques, and the Toda-Yamamoto causality test, to draw a correct conclusion. The advantages of this technique over conventional approaches are presented in the appropriate chapter. Lastly, the results of this study are anticipated to reignite discussions on the topic and contribute to the growth of knowledge among researchers, policy analysts, economists, and policymakers, not only in Nigeria but also in other oil-dependent nations and beyond.



## 1.2 Problem Statement

Like most resource-rich countries, Nigeria, the largest economy and oil-producing country in Africa has relied heavily on its huge oil wealth to develop its economy. Since the discovery, exploitation and subsequent exportation of crude oil in Nigeria, oil has continued to play important roles in the country's fiscal providing over 90 percent of the nation's foreign exchange earnings and more than 70 percent of the government's revenue (CBN, 2023; World Bank, 2025). Between 1971 and 2024, available figures suggest that about US\$853.36 billion was accrued to Nigeria from oil sales. This huge oil revenue has provided the government with the much-needed resources to finance its developmental plans, including infrastructure development, education, healthcare, and poverty reduction programmes.





Despite the huge reserves and oil wealth accrued from the sales of oil, Nigeria has failed to attain sustainable growth and development. The country has consistently experienced subpar economic growth when compared to nations with fewer natural resources. Furthermore, it is marked by alarmingly high levels of “poverty, unemployment, income inequality, insecurity, and a declining standard of living, along with other concerning development indicators” (NBS, 2020a; 2020b; World Bank, 2025).

In addition to Nigeria’s unimpressive economic performance, the nation has also continued to struggle with high-level of corruption which remains a serious problem for its sustainable growth and development. Although various administrations have made attempts to address corruption, Nigeria continues to rank among the most corrupt nations globally. For example, in the 2024 Corruption Perceptions Index published by Transparency International, Nigeria is ranked 140th out of 180 countries, with the country performing better than war-torn nations like Chad, Uganda, Libya, Afghanistan, Somalia, Syria, Iraq, Sudan, and Yemen. The pervasiveness of corruption presents serious concern for the realisation of sustainable economic growth and development. Also, the country is associated with sizable underground economic activities. According to available evidence, the size of the underground economic activities relative to the gross domestic product in Nigeria ranges from about 47.6 percent to as high as 64 percent between 1991 and 2017 (Medina & Schneider, 2019).

Notwithstanding the forgoing issues, very little is known with regard to how the “pervasiveness” of corruption and the size of the underground economy determine the





influence of oil wealth on long-term economic growth and development in Nigeria. Interestingly, evidence has pointed to the possibility of the linkage between oil rent and the growth of the economy depending on the prevailing level of corruption and/or the size of the underground economy (Eregha & Mesagan, 2016; Ishak & Farzanegan, 2020). Therefore, it may be beneficial to embark on an explorative study to investigate the roles of the underground economy and corruption in shaping the influence of oil wealth on the growth of the Nigerian economy.

### 1.3 Research Questions

Based on the previous discussion, it is crucial to consider the following questions:



- i. Does oil rent influence economic growth in Nigeria?
- ii. Is the impact of oil rent on growth dependent on the level of corruption in Nigeria?
- iii. Does the long-term growth impact of oil rent depend on the prevailing size of the underground economy in Nigeria?
- iv. What is the causal linkage between oil rent, corruption, the underground economy and the growth of the Nigerian economy?





## 1.4 Research Objectives

In light of the issues raised earlier, the primary aim of this study is to investigate whether corruption and the underground economy shape the connection between oil wealth and the growth of the Nigerian economy over the period from 1996 to 2022. The specific aims of the study are as follows:

- i. To **investigate** the influence of oil rent on economic growth in Nigeria.
- ii. To explore whether the effect of oil rent on the growth of the Nigerian economy is dependent on the level of corruption.
- iii. To evaluate if the impact of oil rent on economic growth is contingent on the size of the underground economy in Nigeria.
- iv. To investigate the causal connection between oil rent, corruption, the underground economy and growth in Nigeria.



## 1.5 Research Hypothesis

The hypotheses in their null form are specified as follows:

- H<sub>01</sub>: Oil rent does not have a significant influence on economic growth in Nigeria.
- H<sub>02</sub>: The effect of oil rent on growth is not determined by the level of corruption in Nigeria.
- H<sub>03</sub>: The size of the underground economy does not determine the impact of oil rent on economic growth in Nigeria.





H<sub>0</sub>: There exist **no** causal relationship between oil rent, corruption, the underground economy, and the growth of the Nigerian economy.

## 1.6 Significance of the Study

Over time, successive administrations in Nigeria have adopted numerous measures to curb the corruption malaise, diversify the economy and government's income from oil, and reduce the size of the underground economic activities in the country. However, current reality suggests the failure of these measures to address the issues. One possible reason for this may be the failure of policymakers to fully grasp the dimensions and effects of the issues. The present study is very topical given the position of the current President Bola Ahmed Tinubu's administration to, among other things, diversify the Nigerian economy away from its heavy dependence on oil, fight corruption head-on, and cut-down the number of firms and individuals operating in the underground economy.

This current research work is, however, timely and justifiable for several reasons. First, during the 1996-2022 period, the economic growth performance of Nigeria has been abysmal, comparing unfavourably with selected developing countries which have similar economic potentials as the country. Second, the period is also associated with dwindling oil revenue, occasioned by the negative shocks in global oil prices. In addition, and perhaps, most importantly, the country also witnessed a significant spike in the level of corruption, as revealed by several corruption perception





indices, and the expansion in the size of the underground economic activities in the country.

The present study is important and contributes to the growing research on the resource curse hypothesis in many ways. First, unlike previous studies, the current study is a pioneering effort to explicitly examine the resource curse through corruption and underground economy transmission channels. Using the sample of Nigeria, a major oil-rich country associated with massive corruption and a sizable underground economy provides an important addition to the resource curse literature. In other words, the study seeks to assess whether the influence of oil wealth on economic growth depends on the extent of corruption and the size of the underground economy in Nigeria. Second, given Nigeria's structural difference from other oil-exporting countries, due to among other things, population size, ethnic fractionalisation, and political structure, evidence from this study can help to better understand how the Nigerian economy responds to the interactions between oil wealth, corruption, and/or the underground economy in the country. Third, the present study is expected to identify and present the full extent of the implication of the evolution of corruption and the underground economy in influencing the consequence of Nigeria's oil wealth on sustainable growth and development.

Fourth, due to the scarcity of research in this regard, the outcome of this research is expected to reignite discussions on the issues of oil wealth, corruption and the underground economy, both in Nigeria and beyond. Lastly, the findings from this study are expected to broaden the frontiers of knowledge and guide policymakers and the government on the effective strategies to undertake in reducing corruption and the





underground economy and transforming the curse of oil wealth into a blessing to promote steady and sustainable economic growth and development in Nigeria. Additionally, the result of the current research is expected to provide a pragmatic policy guide on the effective strategies and measures to attenuate the combined effect of oil wealth, corruption and underground economic activities in the nation to ensure the attainment of steady and sustainable economic growth and development.

### 1.7 Scope of the Study

This research sets out to examine the roles of the level of corruption and the underground economy in shaping the influence of oil wealth on the growth of the Nigerian economy between 1996 and 2022. Specifically, the study seeks to assess whether the influence of oil wealth on the growth of the Nigerian economy is determined by the extent of corruption and the size of the underground economy in the country. The choice of Nigeria and the period is premised on the unimpressive growth performance of the nation's economy during the period under study. In addition, the periods are also associated with a massive increase in the level of corruption and an enlargement in the size of the underground economy. Most importantly, the period was chosen because the data for the corruption index is only available from 1996.





## 1.8 Plan of the Study

The study is organised as follows. Chapter one is the introduction, and it comprises of the background of the study, statement of the problem, research questions, research objectives, hypotheses of the study, importance of the study, the scope of the study, and plan of the study. Chapter two is a review of the literature. It contains the conceptual, theoretical, and empirical literature and the gap in the literature. It also contains an extensive overview of the Nigerian economy over time, detailing the development and performance of the major sectors of the economy. Additionally, an overview of the underground economy alongside the issue of corruption in Nigeria, specifically those associated with oil and gas, is provided. Chapter three outlines the research methodology, including the theoretical framework, model specification, justification of variables, analysis methods, and data sources. Chapter four focuses on presenting and discussing the results. Chapter five include a summary of findings, recommendations, conclusions, limitations of the study, and recommendations for future research.

