

## A STUDY OF THE EFFECT OF CORRUPTION ON NIGERIAN CONSTRUCTION INDUSTRY

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### ABSTRACT

Substantial amount of failures recorded in the Construction industry in Nigeria were as a result of the corruption within the professionals and stakeholders of the construction industry. This warranted an attempt to evaluate the effects of corruption on construction industry in the south western part of Nigeria consisting of the following states: Oyo, Ogun and Lagos. Though corruption seems to be part of Nigerians daily activities especially in public offices and professionals both in the construction industry and other sectors of national development. This study appraises the previous studies relating to construction industry and cases of corruption and determines the causes of corruption in the construction industry of Nigeria to be poverty, excessive love for money (greed), Politics in the award of contract (godfatherism), professional indiscipline, profit maximization by Contractors, quackery, fall-out of endemic societal corruption and favouritism. Most of Nigerian leaders that were supported to champion national development are corrupt as shown in The Fifty well completed questionnaire retrieved from the respondents, and formed the data that were analyzed by the Relative Importance Index (R.I.I). In addition, the paper outlines the major ways through which corruption mostly takes place in the construction industry. These are bribe by a bidder to obtain planning permit or license, bribe to rig the outcome of a tender, bribe to acquire land, bribe to compromise quality of the project, bribe to delay the project for personal gains etc. Consequently, the paper suggests that to reduce the incidence of corruption in the Nigeria construction industry, the causes as outlined above have to be dealt with decisively by government, contractor, individuals connected with contract awards and by construction professionals, and professional bodies (APBN) like OSRBN, CORBON, ARCON, COREN etc., by sanitizing their members on

the need to avoid corruption during professional practices and encourage laws to be enforced on erring members.

**Keywords:** Construction Industry, Corruption, Bribe, Indiscipline, Professional Practice.

## INTRODUCTION

Ayodele (2008) defines Corruption as using one's power in a dishonest, illegal or immoral way to get an advantage for oneself; Boeninger (1991) perceives corruption as "any action taken in socioeconomic political and financial realms which are morally unacceptable, bad or illegal. Lash (2003) explains that corruption is immoral and dishonest or exploitation of power in economic financial and political spheres for personal gains. According to Ayodele (2008), an examination of these definitions and others not stated here indicates that corruption is a manifestation of one or a combination of:

- i) **Extortion** – a crime of obtaining something such as money from somebody using illegal methods or persuasion
- ii) **Fraud** – a reflection of any instance in which a party deceives or takes advantage of another, commonly regarded nowadays as advanced fee fraud (419)
- iii) **Bribery** – an illegal influence on any person in the exercise of public duty
- iv). **Forgery** – a fraudulent alteration of a written document or seal with the intent of injuring the interests of another person.
- v) **Embezzlement** – a wrongful acquisition of money, or property by a person who has been entrusted with such property.

Oxford Advanced Learner's Dictionary (2000) define Corruption as (a) dishonest or illegal behaviour especially of people in authority (b) the act or effect of making somebody change from moral to immoral standards of behaviour. Seldayo and Hassan (2006) see corruption as including three important elements, namely, morality, behaviour and authority. Goel and Nelson (2008) see corruption as the use or abuse of public office for

private gains. Gould (1991) sees corruption is seen as “an immoral and unethical phenomenon that contains a set of immoral observations from moral standards of society causing loss of respect for and confidence in duly constituted authority. World Bank as cited in Falana (2007) defined corruption as abuse of office for private gains. Public office is abused for private gains when an officer accepts, solicits or extorts a bribe. It is also abused when private agent actively offers bribes to circumvent public policies and processes for competitive advantage and profit. Public office can be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of state of assets or the diversion of state resources. According to the ICPC (Independent and Corrupt Practices Commission) Act (section 2) corruption includes vices like bribery, fraud and other related offences. The ICPC also sees corruption as the abuse or misuse of power or position of trust for personal or group benefit (monetary, or otherwise).

Bello – Imam (2005) explained that corruption is either induced/uninduced behavior within a complex or private organization to falsify its integrity, purpose, virtue or ethics for the private end. In Nigeria, corruption has been identified as a bane of the urgently – needed national development. Also, it remains the greatest threat to the attainment of the Millennium Development Goals (MDG). In 2007, Transparency International Corruption Perception Index rated Nigeria 147 out of 179 countries under review (Arowolo, 2008).

Table 1: Top Corrupt Organizations in Nigeria

S/N	ORGANIZATIONS	YEAR 2003 -2005	YEAR 2005-2007
1	The Police	96	99
2	Power Holding Company Nigeria (PHCN)	83	87
3	Ministry of Education(University/Polytechnic And College of Education	63	74
4	Custom and Excise Department	65	61
5	Federal Road Safety Corp(FRSC)	42	51
6	Immigration's Passport Office	56	48
7	JAMB	41	47
8	Local Government Authority	47	46
9	Independent National Election Commission	-	38
10	Tax Official/Federal Inland Revenue Services (FIRS)	36	36
11	Health Ministry/Hospitals	30	32
12	Ministry of Justice	27	31
13	The Presidency	24	29
14	Nigeria National Petroleum Commission (N.N.P.C.)	27	28
15	Federal Housing Authority	26	28
16	Nigerian Ports Authority/Nigerian Maritime Authority	33	24

Source: Nigeria Corruption Index (2007)

## BACKGROUND TO THE STUDY

When the business of Oil was booming in Nigeria, nobody seems to think of Corruption because we had more than enough resources to play with, However in a study carried out by Ayodele (2010) on Bribery and Corruption in Nigerian Construction Industry, the result showed that between 5% and 15% and at times up to 40% were illegally expended as bribe to high-ranking management officials in Government offices during contract award, execution, and payments. The result also showed the effects of bribery and corruption as building collapse, abandonment of the project, upward review of the contract cost, extension of time and reduction in the life span of the building. Arowolo (2008) and Ayodele (2008) outlined the probable/general causes of corruption in Nigeria but there's no recent study that focused on Nigerian construction industry. Solution to this study is therefore focused on the causes of and solution to Corruption in Nigerian construction industry.

## **AIM AND OBJECTIVES**

The aim is to study the effect(s) of Corruption on Nigerian Construction Industry, to achieve this aim, two major objectives were considered.

The objectives of this study are to:

1. Examine the causes of corruption in the Nigerian Construction Industry.
2. Come up with suggested solutions that will reduce or eliminate the menace.

## **BRIEF HISTORY OF CORRUPTION CASES IN NIGERIA**

Nigeria has documented many cases and exhibits of corruption. It is no amazement that with the nature of the country's political economy, the weak institutions of government coupled with a dysfunctional legal system, industrialization is still a mirage for Nigeria even after over 50 years of political independence. Nigeria is one of the very few countries in the world where a man's source of wealth is of no concern to his neighbors, the public judicious use of natural resources, and maintenance of high and stable levels of economic development and employment. There is a strong standing culture of affluent and flamboyant living and to be a "big man" is a foremost importance in the mind of most Nigerians. Official misuse of resources for personal enrichment has been a trend since the creation of modern public administration and even more severe after the discovery of oil and natural gas. Corruption, though prevalent was kept at a manageable level during the first republic. Azikiwe was the first major figure that was investigated for questionable practices (Ribadu, 2003). In 1944, a firm belonging to Azikiwe and family bought a Bank in Lagos and it was reported that most of the paid-up capital of the Bank (African Continental Bank) was from the Eastern Regional Financial Corporation (Agbu, 2003). During the Gowon Administration in 1975, a corruption scandal surrounding the importation of cement engulfed his administration. Many officials of the Ministry of Defence and the Central Bank of Nigeria were involved in this scandal (Agbu, 2003; Egwemi, 2012; Ribadu, 2003). Similar cases were recorded in all the administrations that followed the first republic. The current confirmed cases of corruption in Nigerian leaders that

were opportuned to steer the affairs of our national development are shown in Table 1 below.

Table 1: Confirmed recorded Corruption cases in Nigeria from 2000-2011

Name	Case Status	Amount Involved	Status Suspect(s)
1	Ayo Fayose (Governor of Ekiti State)	Arrested on 51 counts N1.2 billion	Case pending granted bail
2	Adenike, Grange (former Minister of Health)	Arrested on 56 counts N300 million	Discharged and acquitted
3	Joshua Dariye (former Governor Plateau state)	Arrested on 23 counts N700 million	Case pending, Granted bail since 2007
4	Saminu Turaki (former Governor Jigawa state)	Arrested on 32 counts N36 billion	Case pending, Granted bail since 2007
5	Oji Uzor Kalu (former Governor Abia state)	Arrested on 107 state counts N5 billion	Case pending, Granted bail since 2008
6	James Ibori (former Governor Delta state)	Arrested on 170 counts N9.2 billion	Case pending, Granted bail since 2008 in Nigeria, but convicted in UK
7	Iyabo Obasanjo (former Senator)	Arrested on 56 state counts N10 million	Case pending, Granted bail since 2008
8	Lucky Igbinedi (former Governor of Edo state)	Arrested on 191 state counts N4.3 billion	Case determined, ordered to pay \$25 million as fine
9	Gabriel Adoku (former Minister of Health)	Arrested on 56 state counts N300 million	Discharged and acquitted
10	Jolly Nyame (former Governor of Taraba State,	Arrested on 41 state counts N1.3 billion	Case pending, Granted bail since

11	2008 Chimaroke Nnamani (former Governor of Enugu state)	Arrested on 105 state counts	N5.3 billion	Case pending, Granted bail since 2007
12	Roland Iyayi (former MD of FAAN)	Arrested on 11 state counts	N5.6 billion	Case pending, Granted bail since 2008
13	Prof. Babalola Borishade (former Minister of Aviation)	Arrested on 11 state counts	N5.6 billion	Case pending, Granted bail since 2008
14	Boni Haruna (former Governor of Adamawa state)	Arrested on 28 state counts	N254 million	Case pending, Granted bail by court since 2008
15	Bode George (PDP Chieftain)	Arrested on 68 state counts	N100 billion	Jailed in October 2009
16	Rasheed Ladoja (former Governor of Oyo state)	Arrested on 33 state counts	N6 billion	Case pending, Granted bail since 2008
17	Senator Nichola Ugbane; Hon. Elumelu and others	Arrested on 158 state counts	N5.2 billion	Case pending, Granted bail since 2009
18	Hamman Bello Hammed (Ex CG Customs)	Arrested on 46 state counts	N2.5 billion	Case pending, Granted bail since 2009
19	Adamu Abdullahi (former Governor of Nasarawa state)	Arrested on 149 count charge	N15 billion	Case pending, Suspect on court bail
20	Attahiru Bafarawa (former Governor of Sokoto state)	Arrested on 47 count charge	N15 billion	Case pending, Granted bail by court
21	Hassan Lawal (former Minister of Works)	Arrested on 37 count charge	N75 billion	Case pending, Granted bail by court
22	Kenny Martins	28 count charge	N7,740 billion	Case pending,

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	(Police Equipment Fund)			Granted bail since 2008
23	Esai Dangabar, Atiku Abubakar Kigo, Ahmed Inuwa Wada, John Yakubu Yusufu, Mrs. Veronica Ulonma Onyegbula and Sani Habila Zira	16 count charge	N32.8 billion	Case pending, Granted bail by court

Sources: Adopted from Usman, 2013 (Economic and Financial Crimes Commission (EFCC) Profile Cases 2000 – 2010).

Despite series of approaches and strategies adopted by Government of Nigeria to eradicate corruption in Nigeria, corruption seems to be continuous in our day to day activities. However, the current administration of President Muhammad Buhari has challenged the professionals of the construction industry particular all Registered Quantity Surveyors in Nigeria to join hands in the fight against corruption during the courtesy visit by Quantity Surveyors Registration Board of Nigeria (QSRBN) to the president. The importance of these challenges is that Quantity Surveyor (QS) is the cost manager of the infrastructural projects. Most of Government officials siphoned money through infrastructural projects in collaboration with the QS, Architects, Engineers and other stakeholders in the construction industry.

## METHODOLOGY

The probable causes of corruption in Nigerian construction industry were gathered from Architects, Civil Engineers, Builders, Quantity Surveyors and also from past literatures, which includes Ayodele (2008) and Arowolo (2008), among others. The probable causes of corruption were placed in a well-structured questionnaire and administered to Architects, Civil Engineers, Builders, Quantity Surveyors and Contractors that have

professionally operated for at least ten years in some South Western States of Nigeria (Oyo, Ogun, and Lagos). The Fifty completed and returned questionnaires formed the data that were used in the study. The respondents rated on the causes of corruption on a scale of 1-4 and were analyzed by the Relative Importance Index, (RII) based on the work of Lim and Alum (1995).  $RII = (4n_4 + 3n_3 + 2n_2 + n_1)/4N$ ; where  $n_1$  = response for "most unlikely";  $n_2$  = response for "unlikely";  $n_3$  response for "likely,  $n_4$  = response for "most unlikely" and  $N$  = total number of respondents involved in the study.

**RESULTS**

Table 2a: Causes of Corruption in Nigerian Construction Industry

SN	CAUSE	1 Most Unlikely	2 Unlikely	3 Likely	4 Most Likely	RII
1	Poverty	0	0	50	50	0.996
2	Excessive love For money/greed	0	0	48	48	0.989
3	Politics in award Of contract/god fatherism	0	2	48	48	0.981
4	Quackery	0	3	45	45	0.966
5	Professional indiscipline/un ethical behaviour	0	0	46	46	0.981
6	Profit maximization by Contractors	0	3	46	46	0.969
7	Fall-out of endemic societal corruption	0	6	43		0.947
8	Favouritism	0	5	40		0.938
9	Underpayment of consultancy fees	7	8	35		0.848
10	Lack of transparency	10	10	30		0.807
11	High cost of approaching the court of law	9	16	25		0.716
12	Insecurity of job	13	2	35		0.826

## **FINDINGS**

This study showed that corruption in Nigerian Construction Industry is caused by professional indiscipline, profit maximization by Contractors, quackery, poverty level, excessive love for money/greed, politics in the award of contract/God-fatherism, the fall-out of endemic societal corruption and favoritism.

## **DISCUSSION**

One of the causes of corruption revealed by this study is the poverty level of the populace; which agrees with the UNDP (1997) which exposed Nigeria's poor salary, relative to other countries in the region. According to Odusola (2004), in 1998 Nigeria's lowest salary was about \$228 per annum against Namibia's \$4,411 and South Africa's \$4964. the highest salary in Nigeria was \$9,138 against Namibia's \$50483, South Africa's \$60273. In Nigeria award of and payment for, contract (several million) will bureaucratically pass through the poorly paid Civil Servants. Such processes and circumstances usually pave way for corruption. As a result of mismanagement and relentless assault on the public till date, Nigeria's GDP per capital plummeted from \$1010 in the early 1980s to less than \$300 in 2006 (CBN Statistical Bulletin, 2007). About 70% of Nigerians survive barely on an income that is less than one dollar per day. (Editorial, Nigerian Tribune, November 14, 2003). With all these, it is pertinent for the governments in Nigeria to pay living wages for the Civil Servants so that corruption can be minimized. Other causes of corruption are as discovered in this study are politics in the award of contract/God fatherism and excessive love for money/greed, and are in consonance with Arowolo (2008) who listed the two causes among others as factors that engender corrupt practices in Nigeria. Another cause of corruption in the construction industry according to what this study reveals is the fallout of endemic societal corruption – this is in agreement with Adebayo (2008) who is of the opinion that corruption is also an outcome of the country's legal, economic, cultural and political institutions. Profit maximization by Contractors is one of the reasons for corruption in Nigerian Construction Industry and agrees with Ayodele (2010) who opined that Contractor for one reason or the other tends to maximize profit for selfish reasons. Another cause of corruption in the construction industry is the

use of unqualified hands known as Quacks, who thrive in the construction industry of Nigeria, and their main reason is to make huge money from contracts and do not bother whether such contracts are well executed or not because they bribe their way up the ladder to be paid for the job either not executed or poorly executed, and should the unexpected happens they don't have anything to loose.

### **RECOMMENDATION**

To reduce the high tide of corruption in Nigerian construction industry the identified causes should be addressed. Governments of Nigeria (Federal and States) should approve a living minimum wage that will make the Civil Servants live conveniently, by comparing what operates in other countries of the world. Contractors and public servants should be well counselled to be contented with what they have, and be reminded of the Code of Conduct Tribunal (C.C.T.). To avoid God fatherism in the award of the contract, recognised and approved procedures which should comply with due process as outlined in the public procurement Act be put in place, as stated by Federal Government of Nigeria (2007). The construction professionals in practice should be closely monitored by their respective professional bodies and any erring professional should be brought to book. To avoid profit maximization by Contractors, the supervising professionals should do their job well and run away from taking bribe that may make the contractors make use of substandard materials and workmanship. To kick out quacks in the execution of construction projects prospective clients should make use of construction professional from inception to completion of their project development.

### **CONCLUSION**

Corruption in the construction industry of Nigeria is caused by poverty, greed, god-fatherism in contract award, unethical behaviour of professionals, profit maximization by contractors, quackery and fall-out of endemic societal corruption. The administration of Muhammad Buhari is now strategizing to revamp the devastating, dilemma of problems in the Nigerian economy since independence. Several policies and programmes have been put in place in this regard but hydra-headed

corruption and crises have been militating against positive and meaningful results. A developing country like Nigeria needs to judiciously manage her available resources, avoid all forms of misappropriation of capital. The results obtained from the appraisal of the previous studies show that corruption is anti-development at all stages of our nation's progress. This because the leaders of our Government (both Local, States, and Federal Governments) are corrupt and majority of the capital projects embarked up by them were full of corruption cases which leads to high cost of construction projects which affected the quality and time of completion. Besides the paper highlighted the significant impacts of corruption on sustainable development in the construction industry. These are abandonment of construction projects, high cost of projects, and poor quality workmanship as a result of poor supervision, resulting to collapse of projects, low Labour productivity and ineffective utilization of resources such as material and Labour. Therefore, the paper suggests that professional bodies like QSRBN, CORBON, COREN, ARCON etc., should sanitize their members on the needs to avoid corruption during practices and also law should be enforced on the erring members. However, since the current administration is committed to fight corruption, a special court should be established to face corruption cases only. Other professional bodies in APBN should emulate the QSRBN that de-registered four of her members due to corruption cases and shoddy deal. In addition, The Government should provide resources for QSRBN and other professionals to establish both a national construction cost database and a data centre for effective management and control of cost of construction projects in Nigeria.

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