

Prioritizing Causes of Corruption in the Nigerian Construction Industry

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Abstracts

Corruption in the Construction Industry can be defined as the misused of delegated responsibility by morally depraved professionals for their private gain. To design and implement an effective anti-corruption strategy in the Nigerian Construction Industry, corruption severe causes within the Industry has to be identified. This research was carried out to envisage the most severe causes of corruption in the Nigerian Construction Industry. A quantitative research approach was systematically employed where semi structured questionnaire were design and administered to the professionals in the Nigerian Construction Industry. Thirty Six (36) critical causes of corruption in the entire Construction Industry were identified from the detail review of previously related literature and all were used in the questionnaires in order to prioritize the most severe causes within the Industry. Fifty (50) questionnaires were administered to the professionals in the Industry comprises five (5) Quantity Surveyors, five (5) Architects, five (5) Civil Engineers, five (5) Services Engineers and Fifteen (15) each to clients and contractors. Thirty seven (37) questionnaires representing (74%) were successfully retrieved and used in the analysis. Relative Importance index (RII) was used to determine the relative importance indices of the various causes of corruption. From the findings made, it was concluded that the major causes of corruption in the Nigerian Construction Industry in order of severity are; close relationship between different stakeholders, insufficient transparency in the selection process of tenderers, selfish interest of some professionals to acquire wealth, concealment of corrupt act and weak procurement structures among others.

Index Terms: Corruption, Construction Industry, Nigeria, Relative Importance index,

Introduction

According to [11] corruption is dishonesty for personal gain carried out by morally depraved persons in power who misuse power for their private benefit. Moreover, corruption tarnishes

the good image of a country and give rise to filthy images of a country. Generally, [15] defined corruption as the abuse of entrusted power by somebody for his personal gain and they further divided it into two (2) categories; business to business corruption and business to government corruption. Business to

business occurs between business persons (private sectors) whereas business to government happens between private sectors and government officials.

However, with respect to Construction sector it has been identified as the most corrupt Industry in the whole world [6], [9]. Furthermore, according to [27] almost all phases of construction work ranging from conception to completion stages have become problem areas because of corrupt practices. In the Construction Industry, the corruption is even increasingly speedily within the sector [1], [2], [25], [3], [8], [15].

Specifically, the public construction projects had been emerged sequentially as the most corrupt sector according to Transparency International publication of Bribe Payers Index of [33], [34], [35], [36], [37]. According to [1] on bribery and corruption in the Nigerian Construction Industry, for a particular project the amount ranges from 5% to 15% and sometimes up to 40% of the Contract Sum is often illegally expended in bribery and corruption to officials in government offices during contract award, execution and payment processes.

Due to lack of proper administration system and immature legislative, developing or third world countries have more severe corruption problems when compared with the developed countries [21], [17]. In the year 2000, Transparency International carried out a survey on the corruption levels of ninety (90) countries including Angola, Cameroon, Kenya, India and Venezuela among others. At end of the ranking, Nigeria was seen as the most corrupt country as it occupied the 90th position in terms of transparency [1]. These unethical attitudes often distort allocation of resources, reduce economic efficiency as well as development of a country [30], [12].

However, despite harmful and negative consequences posed by corrupt practices in the Nigerian Construction Industry, there is no sufficient study in that area and most of the existing research focused on the impacts of corruption and the types of corruption in the Nigerian Construction Industry but little

effort was made to envisage the most severe causes of corruption in the Industry. Therefore this study aims to prioritize the causes in the order of their severity. It is hope to be a step forward in mitigating corruption in the Nigerian Construction Industry.

Research Methods

Quantitative research approach was systematically employed for the purposes of this study were semi structured questionnaires were designed and administered to professionals in the Nigerian Construction Industry. The questions were designed to retrieve information on the most critical causes of Corruption in the Nigerian Construction Industry.

The questionnaire is divided into two sections (A and B), section A comprises total of five (5) questions aimed at providing information about the respondents whereas section B had Thirty Six (36) questions which focused on the subject matter of the study i.e. critical causes of corruption in the Construction Industry. These causes were derived from the detail review of previous studies from related works. However, the causes highlighted may not cover all but commenting effort was made to identify the most severe causes of Corruption in the Construction Industry. For each question in section B the respondents had been provided with five options in the form of a Likert Scale ranging from 1(Little important); 2 (Some important); 3 (Quite important); 4 (Important) and 5 (Very important). In addition, the respondents were also encouraged to cite additional factors thought to be critical causes of corruption in the Nigerian Construction Industry.

The interviewees checked and evaluated the Thirty Six (36) well organized questions based on their professional judgment. Relative importance index method (RII) was further employed to determine the relative importance indices of the various causes of corruption as used by some scholars in their work.

The sample of the study was randomly selected for Consultants and Contractors from directory of the Corporate

Affairs Commission (CAC) while that of Clients was selected from the government ministries and agencies. Total of 50 questionnaires were distributed to the entire respondents; 15 each to Clients and Contractors while 20 to Consultants comprises 5 Quantity Surveyors, 5 Architects, 5 Services Engineers and 5 Civil Engineers. 37 questionnaires were successfully retrieved representing (74% of the total), i.e. 15 Consultants (75%), 12 Client (80%) and 10 Contractors (67%)

which were valid and used in the analysis. The data obtained in the returned questionnaires was analyzed using the Statistical Package for Social Sciences (SPSS) software.

Table 1: Nature of Respondents' Work

<i>Nature of Work</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative Percent</i>
Consultants	15	40.54	40.54
Clients	12	32.43	72.97
Contractors	10	27.03	100.00
Total	37	100.00	

Causes of Corruption in the Nigerian Construction Industry

Based on reviews of previous related studies 36 factors were identified thought to be the critical causes of corruption in the Nigerian Construction Industry, these causes were adopted in

the section B of the questionnaire and the data retrieved from them was further analyzed. Table (2) below shows the identified critical causes of corruption with their sources as used in the questionnaire.

TABLE 2: Causes of Corruption

S/No.	Causes	Sources
1	Absence of control mechanism	M = Bowen et al. (2012); W = Stansbury (2009)
2	Absence of efficient and responsible administrative systems	C = Hartley (2009);
3	Absence of project anti-corruption systems	R = Shan et al.(2016);
4	Asymmetric information amongst project parties	K = Porter (1993);
5	Close relationships	A = Le et al. (2014); B = Boyd and Padilla (2009); E = Krishman (2009); F = Shant et al. (2016);
6	Complex contractual structure	R = Shan et al.(2016);
7	Complexities of institutional roles and functions	K = Porter (1993);
8	Complexity of the projects	B = Boyd and Padilla(2009)
9	Deficiencies in rules and laws	C = Hartley (2009); N = Sohail and Cavill (2008); R = Shan et al.(2016);
10	Delaying the payment of workers' salaries	U = Le et al. (2014)
11	Deregulation in the public construction	B = Boyd and Padilla(2009)
12	Feeble semblance of public interest	W = Stansbury (2009)
13	Fierce competition in tendering process	K = Porter (1993); P = King et al.(2008); X = Locatelli et al. (2016)
14	Flawed regulation system	B = Boyd and Padilla(2009); L = Moodley et al.(2008); P = King et al.(2008)

15	Inadequate sanctions	B = Boyd and Padilla(2009); L = Moodley et al.(2008); P = King et al.(2008)
16	Inappropriate political interference	C= Hartley (2009); K = Porter (1993)
17	Insufficient legal punishments and penalties	N = Sohail and Cavill (2008);
18	Insufficient transparency in the selection criteria for tenderers	K = Porter (1993)
19	Lack of coordination among Government departments	D = Fan and Fox (2009)
20	Lack of legal awareness	D = Fan and Fox (2009)
21	Lack of pro-active steps by financiers to limit corruption on projects	I= Tanzi (1998); W = Stansbury (2009)
22	Lack of rigorous supervision	B = Boyd and Padilla(2009); G = Gunduz and O'nder (2013); R = Shan et al.(2016)
23	Lack of standardized execution in construction projects	M = Bowen et al. (2012); J = Tabish and Jha (2011)
24	Low wage level	B = Boyd and Padilla(2009); R = Shan et al.(2016)
25	Misrepresentation of qualifications	X = Locatelli et al. (2016)
26	Monopoly	Y = Shan et al.(2015)
27	Nature of infrastructure projects	R = Shan et al.(2016)
28	Negative industrial and working conditions	B = Boyd and Padilla(2009); G = Gunduz and O'nder (2013); L = Moodley et al.(2008)
29	Negative role models	B = Boyd and Padilla(2009); G = Gunduz and O'nder (2013);R = Shan et al.(2016)
30	Personal greed	K = Porter (1993);L = Moodley et al.(2008);P = King et al.(2008)
31	Poor documentation of records	D = Fan and Fox (2009)
32	Poor professional ethical standard	S = Zhang et al.(2017); T = Brown and Loosemore (2015);U = Le et al. (2014)
33	Privacy of corruption activity	P = King et al.(2008)
34	Subjecting workers to job insecurity	Y = Shan et al.(2015)
35	Transition of governments	Y = Shan et al.(2015)
36	Weak procurement/contractual structures	L = Moodley et al.(2008); Q = Zarkada-Fraser and Skitmore (2000)

A: Le et al. (2014); B: Boyd and Padilla(2009); C: Hartley (2009); D: Fan and Fox (2009); E: Krishnan (2009); F: Shan et al. (2016); G: Gunduz and O'nder (2013); I: Tanzi (1998); J: Tabish and Jha (2011); K: Porter (1993); L: Moodley et al.(2008); M: Bowen et al. (2012); N: Sohail and Cavill (2008); P: King et al.(2008); Q: Zarkada-Fraser and Skitmore (2000); R: Shan et al.(2016); S: Zhang et al.(2017); T: Brown and Loosemore (2015); U: Le et al. (2014); W: Stansbury (2009); X: Locatelli et al. (2016); Y: Shan et al.(2015);

Results

Relative Importance Index

[11] had used relative importance index method (RII) to determine the relative importance indices of the various factors in their work, a similar method was adopted in this study using the following equation.

$$RII = \sum w_i / (A * N) \quad (\text{where } i=1, 2, 3, \dots, N)$$

Where RII: Relative Importance Index

Wi: weighing given to each factor by the respondents from (1 – 5)

A: Highest weight (i.e 5)

N: Total number of participants

The RII value had a range from 0 -1 (0 as not inclusive); and the higher the RII the more important the cause of corruption. The RII were then ranked, the results are shown in the table below.

TABLE 3: Relative Importance Index and Ranking of causes of Corruption

S/No.	Causes	Respondents' Scoring					RII	Rank
		1	2	3	4	5		
1	Absence of control mechanism	7	7	10	6	7	0.595	19
2	Absence of efficient and responsible administrative systems	7	11	10	5	4	0.535	29
3	Absence of project anti-corruption systems	1	0	20	15	1	0.681	14
4	Asymmetric information amongst project parties	4	7	16	7	3	0.589	20
5	Close relationships	0	1	2	3	31	0.946	1
6	Complex contractual structure	7	8	12	5	5	0.562	22
7	Complexities of institutional roles and functions	0	20	0	16	1	0.589	20
8	Complexity of the projects	7	8	11	7	4	0.562	22
9	Deficiencies in rules and laws	5	7	8	7	10	0.654	16
10	Delaying the payment of workers' salaries	6	11	14	8	2	0.605	18
11	Deregulation in the public construction	3	11	7	7	9	0.643	17
12	Feeble semblance of public interest	6	11	11	6	3	0.540	28
13	Fierce competition in tendering process	7	7	3	8	12	0.659	15
14	Flawed regulation system	3	4	2	5	23	0.822	7
15	Inadequate sanctions	7	9	11	6	4	0.551	24
16	Inappropriate political interference	7	6	15	7	2	0.551	24
17	Insufficient legal punishments and penalties	11	7	10	6	3	0.508	32
18	Insufficient transparency in the selection criteria for tenderers	1	2	1	3	30	0.924	2

19	Lack of coordination among Government departments	3	7	6	4	17	0.735	12
20	Lack of legal awareness	17	0	3	16	1	0.514	31
21	Lack of pro-active steps by financiers to limit corruption on projects	15	7	7	5	3	0.459	35
22	Lack of rigorous supervision	7	4	7	6	13	0.843	6
23	Lack of standardized execution in construction projects	1	4	7	5	20	0.811	9
24	Low wage level	8	10	12	7	12	0.551	24
25	Misrepresentation of qualifications	21	0	0	15	1	0.465	34
26	Monopoly	12	8	6	9	2	0.497	33
27	Nature of infrastructure projects	20	0	16	0	1	0.395	36
28	Negative industrial and working conditions	7	11	10	6	3	0.530	30
29	Negative role models	3	4	7	7	16	0.757	11
30	Personal greed	1	2	2	4	28	0.903	3
31	Poor documentation of records	3	4	2	5	23	0.822	7
32	Poor professional ethical standard	4	3	4	5	21	0.795	10
33	Privacy of corruption activity	2	1	4	4	26	0.876	4
34	Subjecting workers to job insecurity	6	11	10	8	2	0.541	27
35	Transition of governments	0	1	19	16	1	0.692	13
36	Weak procurement/contractual structures	1	3	3	5	25	0.870	5

Discussion of Results

Close relationships is the most important factor in causing corruption in the Nigerian Construction Industry with **RII (0.946)** and ranked first. This factor alone contributed immensely to the advancement of different forms of corrupt practices such as individualism, nepotism and favoritism among others and this emphasizes findings in [18], [39].

Another leading factor as discovered from the research is *insufficient transparency in the selection criteria for tenderers* that was ranked second with **RII (0.924)**, this factor often led to the emergence of unethical attitude at tendering stage in the Nigerian Construction Industry such as collusion act between contractors and consultant, suppliers and consultant, contractors and client representatives, suppliers and client representatives among others which may subsequently led to the bid rigging and the manipulation of the entire processes to debar potential bidders and this coincided with findings in [3], [5].

Similarly, *personal greed* was ranked third with **RII (0.903)**. Personal greed in essence refers to the extremely desire of a person to acquire wealth in the form of money or other valuable items and according to [3], [25] in their work advanced that desire to acquire more wealth make a lot of professionals to engage in corrupt practices. *Privacy of*

corruption activity was ranked fourth most important cause of corruption in the Nigerian Construction Industry with **RII (0.876)**. All stakeholders in the Construction Industry are often subsist within the following categories; suppliers of corruption, condoners (I don't care) and those that demand for corruption, so as a result of the aforementioned it is difficult to trace any corrupt activities that occurred on paper and perhaps this engender the progression of corrupt practices in the Nigerian Construction Industry.

Moreover, another leading cause of corruption according to the study is *weak procurement / contractual structures* which was rated fifth with **RII (0.870)**. The contractual condition and agreement in the Nigerian Construction Industry are not fully strengthened in order to deter the occurrence of corrupt practices.

Conclusion

From the findings made, it can be concluded that the major causes of corruption in the Nigerian Construction Industry are; close relationships between different stakeholders, insufficient transparency in the selection criteria of tenderers at the onset of construction projects, selfish interest of some professionals to acquire wealth through illegal means, concealment of corrupt activities within the industry and weak procurement/contractual structures among others. If these can be control and contain within the Industry, the frequent occurrences of corrupt practices would be reduce drastically.

Recommendation

- i. The activities of all professionals in the Nigerian Construction Industry should be frequently supervised and oversee by their relevant professional bodies from the conception to completion of a project.
- ii. Government to make all public expenditure such as in procurement and contracting more transparent and accountable.
- iii. Government to integrate anti-corruption measures at all stages of public procurement and contracting.
- iv. Any Contract Award in the Industry should follow an upright process as outlined in the public procurement Act (2007).
- v. Severe punishment for any corrupt act in order to serve as detriment to others.
- vi. Acquaint populace the negative consequences impacted by corrupt activities in our societies.
- vii. Government to establish better contractual/procurement policies that will deter corrupt activities within the industry.

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