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Do Institutions and Social Capital matter in the Economic Development of Nigeria?

By Eugene Okoi IFERE [a†] & Naomi Onyeje DOKI [b]

Abstract. This paper addresses the impact of institutions and social capital on economic development of Nigeria. It advanced an argument that economic prosperity of a country is embedded in social organizations and transformations of her institutions built from social capital. The methodology adopted was quantitative and qualitative. The results present a declining negative impact of social capital and institutional variables on economic development; affirming the importance of social capital on institutional quality. Therefore, the way forward is taking a tougher stance against abuse of power and employ mechanism of social capital to reconcile conflict among social, political and economic interest groups.
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1. Introduction

One of the unanswered question confronting growth and development economists over decades is why poverty and underdevelopment thrives in countries with resource endowment. Of primary importance to economic outcomes of richly resource endowed countries are the economic institutions that exist in that country. These institutions may include the regulatory institutions, conflict management institutions and the property rights institutions etc. Prosperity and economic development of any economy the world over can be said to be determined to an extent by the differences in economic institutions and social capital in operation. The differences in institutions in a given country be it political or economic are fundamental to their level of growth. Naturally, the way that humans of a given society decide to organise themselves, determines their prosperity or doom. Therefore, Institutions cannot strive without a good social capital in existence. Social capital refers to the internal social and cultural cohesion of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well-being, (Miruka & Omenya 2009). Without social capital, society at large will collapse (Malhotra, 2003). The appeal to the concept of social capital is tied to the fact that it does not require substantial funds for its implementation, and that it can present great potential for accelerated economic development in Nigeria.

The popularity of institutions started gaining grounds in the early 1990's due to the international differences in conceptions of economic development, even within

[a†] Department of Economics, Faculty of Social Sciences, Federal University Lafia, Nasarawa State-Nigeria.
☎.
✉. eugeoifere@gmail.com
[b] Department of Economics, Faculty of Social Sciences, Benue State University, Markurdi- Benue State, Nigeria.
☎.
✉. Onyeje80@yahoo.com

the World Bank and International Monetary Fund (IMF) (Stein, 2008). Ever since then, institutions have occupied the centre stage in the debate of economic development. It is the perception that institutions are the root cause of economic problems in developing countries that has triggered the IMF and World Bank to start imposing many governance –related conditionality, which requires that the borrowing country adopts 'better' institutions that improve 'governance' (Kapur & Webber, 2000; Chang, 2010) of which Nigeria is no exception.

Developing countries have been subjected to serious pressure both formal and informal[i] to adopt 'better' institutions[ii] often called the Global Standard Institutions (GSIs); which are assumed to be maximising market freedom and protecting private property rights effectively[iii]. The challenges to solve the problem of development and poverty in an economy like Nigeria richly endowed with natural and human resources hinges on the reformation of economic institutions which are collective choices from the outcome of political process and social capital. Social capital in this sense is the bond which holds a society together. It is the relationship and norms that guides, shapes and direct institution's quality and quantity of social interactions which facilitates coordination and corporation. In this sense, reformation and strengthening of institutions necessary for economic prosperity of a country is possible when there is social capital underpinnings in the society.

In Nigeria, like any other economy, conflicts over social decisions and choices exist with attendant consequences. These conflicts exist because different groups and individuals typically benefit from different economic institutions over social choices which are ultimately resolved in favour of groups with greater political power (Acemoglu, Johnson & Robinson, 2005). The economic institutions of a society depend on the nature of political institutions and the distribution of political power in society (Acemoglu & Robinson 2010). According to Acemoglu *et al.* (2005) political institutions allocate de jure political power, while groups with greater economic might typically possess greater de facto political power. That this dynamic variables change over time because prevailing economic institutions affects the distribution of resources and because groups with de facto political power today strive to change political institutions in order to increase their de jure political power in future. The pitfalls of the institutional reforms equilibrium have made very difficult the reformation of economic institutions. Therefore, movement to a successful path of economic development and bridging the poverty gap would entail a better recognition and understanding of the forces militating against social capital and institutional framework development. Economic institutions shape the incentives of key economic actors of the society. They also influence the organisation of production, investment in physical, human and capital technology, which is pivotal to economic growth and development.

This paper addresses how lapses in institutions and social capital affect the development of the Nigerian economy. The paper also addresses the confusion of measurement of the degree of social capital and quality of institutions by trying to look at a more plausible measure borrowing from different theories and researchers. The rest of the paper is organised as follows; section two provides the theoretical argument of growth and development and the different theoretical views of institutions. Section three discusses the complexity of causality between social capital, institution and development, while section four talks about the place of social capital sand institutions in economic development and section five is on the measure of institutions and social capital; section six focuses on the methodology while section seven is the analysis of qualitative and quantitative results and finally section eights concludes the paper.

2.Theoretical Arguments

2.1. Link between Social Capital and Institutions

Before looking at contemporary scholarly views on the best institutions paradigm we need to briefly highlight the link between social capital and institutions. It is clear that institutional crisis in Nigeria with such symptoms as failure of rule of law, autocracy, etc. are likely to mitigate good institutions based on the internationally agreed principles of best institutions. Therefore, for the sustainable economic development of Nigeria, we need to bridge institutional gaps with social capital. The concept of social capital offers institutions an opportunity to make progress towards higher levels of cooperation and collaboration with various social players such as the private sector, political class, and citizens. From the forgoing, Vigoda-Gadot (2004) argues that, from the experiences of the Israeli government, a collaborative approach in the delivery of public services is in the end a socially desirable trend with meaningful benefits that reach far beyond the important idea of responsiveness. Thus, the idea of collaborative administration fits very well with the assumptions of participatory democracy which is embedded in social capital. It has been shown, for instance, that high-quality popular participation can affect participants' beliefs in desirable ways (see Halvorsen, 2003). Halvorsen (2003) argues that there is a high correlation between exposure to quality participation and participant beliefs about the trustworthiness and responsiveness of an institution.

2.2. Constraints to Social Capital Accumulation

There exist constraints to the formation and accumulation of social capital. Notable scholars like Mancur Olson (1982) and North (1995), have identified factors that might mitigate the problems of economic resourcefulness and evade collective action which are the basis of social capital. According to them, collective action is more feasible for smaller homogenous groups. The longer the existence of groups or members interactions with one another the more coherent and stable is its social capital. Effective accumulation of appreciable stocks of social capital is constrained according to the game theorists developed over the years (Putnam, 1993). The first identified constraint is the public good characteristics that pervade social capital. Public goods are goods often provided by the state. According to (Miruka & Omenya, 2009), Public good becomes problematic in societies where the state is not seen as legitimate and hence everyone scrambles to get as much as possible from the state by investing as little as possible into the common pool. Another identified constraint is the tragedy of the commons, where no herder is able to limit grazing by other herders' flock. The ones who lose are those who limit their own grazing, yet uncontrolled grazing destroys the common meadow on which the livelihood of all herders depends. (Miruka & Omenya, 2009). This situation is common in the Nigeria public domain. An example is the persistent bribe giving as well as bribe taking in public provisioning. Particular officials who do not take bribes may be seen as naïve just as those citizens who do not pay bribes while seeking government services may continually lose out to those who pay bribes.

Second is the dismal logic of collective action. In this scenario every agent would benefit if all struck simultaneously. This scenario may best be explained by the quest for democratic reforms against military dictatorship and colonisation as experienced in Nigeria and other Sub-Saharan African countries. Those activists who were the first to talk openly against the high-handedness of the government and the ruling party often lost property or even life (Badejo, 2006). Thus, even though it benefited everyone once democratic gains were made, it took a great deal of conviction for anyone to speak out openly against injustices of the system (Miruka & Omenya, 2009). However, whoever strikes first risks betrayal by facing the consequences alone, so everyone waits, waiting to benefit from some other agent's haste (Miruka & Omenya, 2009).

Different traditional and vibrant economic theories have existed with insights about the mechanics of economic growth, but weak in the fundamentals for economic growth and development. Some of these theories include the traditional neoclassical growth models by (Solow, 1956; Cass, 1965; Koopmans, 1965) which explained differences in Cross- Country factor accumulations to be due either to saving rates, preferences and total factor productivity growth without actually explaining differences in income and growth by variations in institutions. Also on the list are the recent growth theories by Romer (1986) Lucas (1988), Romer (1990), Grossman & Helpman (1991), Aghion & Hawit (1992) who differed a little by emphasising that externalities from physical and human-capital accumulation could induce sustained steady-state growth and technical progress; but still toying the line of traditional neoclassical growth model by explaining differences in growth rates in terms of preferences and endowment. North & Thomas (1973) in their contribution to growth theory emphasises that innovation, economies of scale, education and capital accumulation as listed by other traditional theories are not just causes of growth; but they are growth. The factor accumulation and innovation are only proximate causes of growth. According to them, the fundamental explanation of comparative growth is differences in institutions. This takes us to the different theories of institutions and social capital.

2.3. Social conflict view of institutions versus vertical and horizontal associations of social capital

The differences in institutions in a given country be it political or economic are fundamental to the level of growth. Naturally, "it is the way that humans of a given society decide to organize themselves, that determines their prosperity or doom. The social conflict view is of the notion that the politically powerful elites often opt for economic institutions that favours them at the expense of the society. North (1981) was the first to systematically develop this point of view in economic literature (Acemoglu *et al.,* 2005). While the general view of this theory is that the type and nature of institutions in a given country (political or economic) are often chosen by the group that controls political power at the expense of the society (sometimes amidst conflict with other groups). The vertical and horizontal association of social capital views the behaviour within and among organisations which recognises the ties necessary for giving communities a sense of identity and common purpose. The pursuit and bridging of ties that transcend various social divide such as political, religion and socioeconomic is a sure way to sustainable economic development. The social conflict view is characterised with periods where economic institutions may initially be efficient given some circumstances and later turn to be inefficient, once the environment changes.

2.4. The Political Coase Theorem (Efficient Institutions View)

This view has its underpinnings from Coase Theorem, by Coase (1960). This theory is of the view that societies will choose socially efficient economic institutions without necessarily considering how the surpluses will be distributed among the different groups or agents. The original view by Coase (1960) is that whenever different parties could negotiate costlessly, they will be able to bargain to internalize potential externalities. "A classic example of this theory is a scenario when of a health centre which suffers from the discharge of effluence from a chemical company, bargaining and pays the chemical factory owner to control and reduce the discharge of the waste". This theory was latter coined Political Coase Theorem (Acemoglu, 2003) because of the notion that the coasian logic is applied in both political and economic life. The contrasting point of the social conflict view from the ideological view point is that it can lead to choices of economic institutions which cause underdevelopment. In this scenario, the economic institutions that arise depend on who has political power to create or block them.

In terms of efficient institutions view, North & Thomas (1973) in their argument concluded that feudal economic institutions such as serfdom were an efficient contract between serf and lords. While Becker (1958) and Wittman (1989) in looking at the free riding problems inherent in the creation of efficient economic institutions argued that in democracies, competition among pressure groups and political parties will lead to efficient policies and collective choices.

2.5. Incidental Institutions View versus theory of enabling social and political environment of social capital

The theory of incidental institutions view is based on the fact that historical accidents at critical juncture determine institutions, and these institutions persist for a long time with significant consequences (Acemoglu, 2005). Supporting theories to this view include the theory of Political Institutions by Moore (1960). Others are the works of Shleifer *et al.* (1998; 1999), Djankov *et al.* (2002; 2003), Glaeser & Shleifer (2002). Moore (1960) explained the different path of political development by investigating the evolution of Britain into democracy and Germany into facism and why Russia succumbed to a communist revolution. According to Moores theory, democracy emerged when there was a strong politically assertive commercial middle class and when agriculture had commercialized so that there were no feudal labour relationship in the country side. He further stressed that class coalitions and the way agriculture is organised determine which political institutions will emerge. On the social capital angle, the social capital theory of enabling social and political environment accounts for the social and political environment responsible for shaping social structure and development of norms. This determines the operation, structure and relationship of formalised institutions in terms of virtues and vices as well as forging ties in the society. In short, social and economic development of a state thrives when there is social stability as a result of pursuit of common goals by the whole community.

3. Complexity of Causality between Institutions and Economic Development

There exist a complex relationship between institutions and development yet to be fully addressed by researchers in the area of economic development. Chang (2010) sees this discourse to suffer from two categories of theoretical problems. His first argument assumes that causality runs from institutions to economic development, ignoring the fact that economic development can change institutions.

Second, the causal relationship is theorized in a simplistic linear and static way expressing causality from institutions to development. However, in trying to find out if better institutions lead to effective economic development, researchers like Acemoglu *et al.* (2005); North, (2005) have supported the idea that institutions are the ultimate determinants of economic performance thereby neglecting the causality from development to institutions. On the other hand, the argument is that economic development can also have a causal change on institutions. When a country experiences increase in wealth due to growth, there is bound to be a higher demand for new agents of *change. (i.e higher quality institutions either political or economic with protective laws e*tc). In this case, causality may be stronger from economic development improving institutions, than institutions promoting economic development. This is evidenced from the fact that most of today's rich countries acquired their most cherished so called better institutions after they became rich. Not in their earlier stage of development. But the central point is that it is usually their social capital that has triggered and sustained the tempo to this stage. The complication of this causality has only given us a partial picture thereby leaving us in the dark box of not understanding fully how institutions/social capital and economic development interact with each other in order to give the right policy advice.

Chang, (2002) called this complication the 'late –comer' effect; as a situation where developing countries (late comers) import superior institutions without having to pay for their development. According to him this developing countries tend to have institutions that are more developed than what their standards of material development would strictly demand, making it difficult to identify the exact relationship between institutions and development.

However, it is not all about causality, but we must not fail to recognise that the relationship is not linear; it changes over time even in the same society and also differs across societies especially between development and developing countries. This complexity still plays back when we carry out an empirical test using time series evidence. This may include historical narratives and comparative historical studies; for example some if not all sub-Saharan African countries had their per capita income and other economic growth variables much faster in the 1960's and 1970's when they lacked liberalized (better) institutions. Now with the pressure to reform their institutions *(which is often done by the bilateral, regional and multilateral trade organisations)* the country's trend growth rate has fallen rather than rise. The distinct shade of discourse in this debate is that, economic prosperity of a country is embedded in its social organisation and transformations of her institutions (political, economic and social) which are built from social capital. A high social capital within a country determines its beliefs, attitudes, identities and values as well as access to power. These help to build social cohesion which is a determining factor in the building of efficient institutions that are pivotal to economic development. Formal institutions that grow out of development are usually a reflection of the interest of the more powerful individuals or rent-seekers. Liberalized (better) institutions are only possible in an ethnolinquistic fractionalized country like Nigeria where there exists a strong social capital. To possess social capital, a person must be related to others, and it is the others, not himself, who are the actual source of his or her advantage (Portes, 1998). Social capital is said to exist only when it is shared and not the private property of those who benefit from it. Since social capital is embedded in social structure it therefore means that; when a majority of people especially the more powerful (political players), different ethnolingustic groups and fractions coordinate themselves to achieve better institutions for desired economic development goals; in this case the causality is from institutions to development. The result of which is a high social capital. For Nigeria, one defining characteristic as a modern society is her heterogeneity of ethnicity, caste and religion with social division. Even with the practice of democracy, harmonious living is difficult. Therefore building a better institution for economic development may seem impossible except through the mechanism of social capital which entails the process of reconciling conflicts among major social, political and economic interest groups.

4. Social capital and institutional deficit (bankruptcy) in the Economic Development of Nigeria

Institutions are expected to facilitate the generation of ideas, define property rights and contracts, and stimulate innovation, lower transaction costs and correct government failures, (Ajayi, 2002). The reduction of uncertainty in an economy through the improvement of allocative efficiency, reduction of transaction cost, enforcement of property rights and the rule of law as well as total government failure can guarantee suitable economic well-being and development. Institutional failure which give rise to political corruption poses a serious threat to the stability of developing democracies like Nigeria by, amongst other things, eroding the links between citizens and governments, deepening the poverty problem and further widening the gap between the rich and the poor and causing ethnolinguistic and religious divide (Fukuyama, 2004; Stiglitz, 2002). The danger that institutional failure poses to Nigeria as developing heterogeneous nation is that it runs the risk of poisoning public sentiment toward democratic politics and peaceful coexistence. It also makes the general populace suspicious of the entire public policy system. This is because, human interactions are bounded by a variety of institutional arrangements both informal and formal glued together by the different types of social capital (Miruka & Omenya 2009).

Policies of a country are not more effective than the institutions that underlie them. This is because it is the existing institutions in a country that determine the nature of policy to be chosen and the way they are executed. Often time's weak institutions are complemented by weak policy. For example "A strong and vibrant democracy in Nigeria cannot work well when there is no effective Independent National Electoral Commission (INEC), internal party democracy (within political parties) a weak National Assembly, ineffective Policing and Judiciary as well as the rule of law". However, the effectiveness of these institutions depends on the social capital of the citizenry at the prevailing time.

Since institutions and social capital overlie each other, therefore, it is not easy to separate them as they complement each other for prosperity and well-being of any economy be it developing or developed. There are ample evidences why the Nigerian institutions and social capital are losing grip. Social capital produces a blend of good and bad that shapes the way choices are made in the societies and how institutions evolve. Right from independence, Nigeria institutions have experienced retrogression as a result of different governance regimes. These regimes range from totalitarian regimes to liberal democracy all with a shortfall in social capital and institutional strengthening.

Nigeria as an environment of weak institutions and institutional framework has experienced continuous decline in productive activities and high cost of transaction, transformation and governance which affects growth and development.

An analysis by World Bank, (1997) and Ajayi, (2002) of various institutional variables show that corruption which is defined as "the abuse of public power for private gain" is growing in leaps and bounds. Corruption thrives in Nigeria because of the weakness of institutions of restraint and eroding social capital. Corruption creates a gap in the economic growth and development of Nigeria through misallocation of human talents to rent-seeking rather than productive activities. The consequences of corruption in Nigerian economy is its negative impact on growth and development; through lowering/decay in quality of physical infrastructure, investment(domestic and foreign), reduction in the ability to provide for the rule of law, tax revenue, income inequality, worsening resource distribution. Corruption has created a wide gap in Nigerian economic development from independence because the consequences of being caught and disciplined are getting lower by the day, as it is found in all facets of the economy. As the day go bye, corruption is being institutionalized into our social, political and economic fabric perpetuated by the very highly placed and stakeholders within the government.

Ethno-linguistic fractionalization is another institutional variable that has a significant negative effect on the growth and development of the Nigeria economy. According to Easterly & Levine (1997), its effect is a crucial and determining factor in explaining the poor performance of African economies, of which Nigeria is a key culprit. The different ethnic and religious fractionalization in Nigeria is a classic example of the scenario. With this kind of situation, it is often difficult to reach a consensus on policies because there is usually no trust amongst the conflicting groups, who sees public good as a common good to have full control of (resource control). This situation is found in Nigeria within the oil rich Niger Delta Region and the Boko Haram insurgent which has blown ill winds to Nigeria.

Bureaucracy and government size are another institutional issue that are harmful to development. An inefficient bureaucracy may be associated with lengthy and expensive ineffective procedures that may lead to low level of productivity, poor enforcement of law and contracts, which are indirectly costly and negative. On the aspect of government size; a large government with weak institutions is of great danger to development. In Nigeria, the large size of government is causing colossal waste on government revenue that would have been used for meaningful development. Misappropriation of money to unproductive ventures as a result of large government from the local government up to the federal is a major factor militating against economic prosperity in Nigeria. Human capital development can be said to be the main engine of growth and development. Human capital accumulation is found in training such as universities, hospitals and research institutions, production activities and trade. In Nigeria, all the institutions responsible for human capital accumulation and development have continually being run down. Often times, they are near zero funding for training and research in Nigeria. Sometimes salaries are not being paid and infrastructure allowed decaying to ground level. This situation is tantamount to depriving the economy of reaching necessary growth and development level. The poor quality of institutions in Nigeria can by no means be compared to any world standard. This situation has been on the decline right from independence through the military era up to the democratic dispensation of today.

5.Measure/ categorization of institutions and social capital in Nigeria

There are a variety of institutional measures and categorisation by different researchers. One of the confusion in this area is problem of data and methodology to adequately identify social capital and categorize institutions. Studies like Halliwell, (1994; 1996) have looked at the importance of democracy, social capital and political rights on economic performance in developing countries; while studies like that of Mauro (1995) evaluated the role of bureaucratic efficiency and corruption on growth. Other works that support the rule of law (property rights) as a determining factor for economic growth include (Godsmith1995; Lablang, 1997; Knack & Keefer 1995).

Social capital as a potential contributor to the formation of vibrant institutions necessary for poverty reduction and sustainable development may be difficult to measure; except using qualitative, quantitative and comparative proxies to surmount these difficulties. The difficulties in the measure of social capital are as a result of the inability to measure indexes such as trust, civic engagement and community involvement. Studies like that of Knack & Keafer (1997) have measured social capital quantitatively using the indicators of trust and civic norms from world values surveys (which measures interpersonal trust) as proxies for strength and civic associations to test social capital and economic growth. They tested two propositions; the "Olson effect" and "Putnam effect" which holds that association stifle growth through rent-seeking and association facilitate growth by increasing trust, respectively. Another quantitative measure of social capital is that of Narayan & Pritchett (1997) in Tanzania using data from Tanzania social and capital survey. The survey was based on extent and trust in various institutions and individuals. Findings showed that a positive relationship exist between village level social capital and income. Putnam (1993) in a comparative study of north and south Italy examines social capital "in terms of degree of civic involvement, as measured by voters' turnout, newspaper readership, membership in choral societies and football clubs and confidence in public institutions.

In view of the complexity of measurement and categorisation, this study measures social capital using confidence in government of the day, trust in government policies, interpersonal trust amongst the three major ethnic groups in Nigeria (Yoruba, Ibo and Hausa), confidence in electoral system, willingness to go out of the country and listening to national news (NTA News). The study categorises institutions into three broad groups similar to Ajayi (2002). These include regulatory institutions, property rights institutions and conflict management institutions. The Property rights institutions are also embedded in the economic institutions because they influence allocation of resources to the most efficient uses and determine residual right of control as well as who gets profit. The conflict management and regulatory institutions are responsible for the ethnicity, religious sentiments and fractionalisation of the heterogeneous nature of Nigeria. To control public violence and insecurity for economic growth, this institution must be effective.

6. Methodology

The study is set to empirically measure the quality (degree, effectiveness and efficiency) of social capital and institutions in Nigeria by using primary and secondary sources. Data from the secondary sources are time series data that compares the quality of institutions variable in Nigeria over a particular period, (from 1986, 1995 to 2013) to ascertain the extent of improvement or decay. The primary sources involve administering structural questionnaires to respondents on stated variables to capture social capital and institutional measures. The study was based on three hundred respondents drawn randomly from the different socio-economic and political strata within six States to cover the major ethnic groups and Abuja Federal Capital Territory (the states include Cross River-South South; Enugu-South Eastern; Lagos- South-western; Benue and Abuja FCT -North Central; Kaduna- North Western; Borno-North Eastern) across the six geopolitical zones. Initially Four hundred and Fifty five copies of the questionnaires were sent out. Sixty five (65 per state and FCT) copies of questionnaires were administered using purposive simple random sampling on various respondents perceived to be responsible and objective such as, Politicians, Religious, Public servants, Students, Business men, women and the responsible local villagers in each of the state. Out of the four hundred and fifty five (455) copies of questionnaires mailed out to the states only three hundred (300 copies) were properly completed and returned from the whole respondents. The study was eventually based on three hundred respondents. This number represents the sample size in this study.

The questionnaire was designed in such a manner as to solicit responses in the following areas: Trust; Civic engagement; Community and volunteering services; Quality of institutions in Nigeria; Effectiveness and efficiency of institutions (within the two eras); The influence and impacts of institutions on Economic development.

To ascertain the quality and effectiveness of institutions in Nigeria, the institutions were categorised into regulatory, property rights and conflict management institutions which are embedded in the political, economic and social institutions. The study is divided into two eras. The era starts from 1970 to 1998 (era of truncated democracies) and the beginning of new democratic era 1999 to 2015. The qualitative results were expressed in percentages showing the degree of social capital, effectiveness and quality of institutions and their impact on economic development. The measure of institutional quality is difficult when the objects of measurement are conceptual composites, made up of concrete institutions such as governance, property right system (Glaeser *et al.,* 2004; Kaufmann *et al.,* 1999; 2002; 2007; Acemoglu *et al.,* 2001). This is more questionable and challenging because the concept is encompassing composing of a wide range of component institutions. However, in respect to this confusion, some studies like, Aron (2000) have argued the function variables should be preferred over the form variables. In practice, these indexes mix up incompatible variables that capture the differences in the forms of institutions(such as democracy, independent judiciary, absence of state ownership) and functions that they perform (such as rule of law, respect for private property, government effectiveness, enforceability of contract, maintenance of price stability, the restraint on corruption etc.)

Based on the argument and confusion of measurement, therefore, this study will make use of variables such as; confidence in government, trust in government policies, interpersonal trust amongst the three major ethnic groups in Nigeria (Yoruba, Ibo and Hausa), confidence in electoral system, willingness to go out of the country as well as listening to national news (NTA News) to measure degree of social capital. It will also measure quality of concrete institutions such as, Central Bank, education, health, judicial system, governance, ethnolingustic groups etc.

Table 1. *Measure of degree of social capital in Nigeria (1970-1998 and 1999-2015)*

S/N	Social Capital Indicators	Degree of social capital indicators by Respondents (%)		Undecided Respondents (%)	Impact/Influence on institutions for Economic Development 1999-2015
		1970-1998	1999-2015		
	Trust	%	%	%	
1.	Trust in government policies	58	22	20	-(negative) very Low
2.	Confidence in government	40	40	20	-+ Fair
3.	Interpersonal trust amongst major ethnic groups (Yoruba, Ibo and Hausa)	61	24	15	_ (negative) Low
	Civic engagement				
1.	Voters turnout	60	40		-+ Fair
2.	Confidence in electoral system	57	40	3	-+ fair
3.	Willingness to leave country for better places	35	65	5	-(negative)
	Community service and volunteering				
1.	Listening to Nigeria news (NTA News)	65	35		-(negative) Very low
2.	Reading daily newspapers	50	50	10	-(negative) Very low

Source: Field survey September 2015.

Table 2. *Measure of Institutions Quality in Nigeria (1970-1998 and 1999-2015)*

S/N	Institutions/Institutional Variable	Quality (Effectiveness/ Efficiency) by Respondents (%)		Undecided Respondents (%)	Impact on Economic Development 1999-2013
		1970-1998	1999-2015		
	Regulatory Institutions	%	%	%	
1.	Effective legal system	50	30	20	-(negative) Low
2.	Legislative system	40	40	20	-+ Fair
3.	Institution of Restraint(police etc)	62	38		_ (negative) Low
4.	Maintenance of price stability (CBN)	60	40		-+ Fair
5.	Restraint on Corruption	65	30	5	-(negative) low
6.	Inefficient Bureaucracy	40	40	20	-+ Fair
7.	Human capital development	60	40		-+ fair
8.	Effectiveness and independence of CBN	52	35	13	-(negative) low
	Property Rights Institutions				
1.	Enforceability of contracts	60	40		-+ Fair
2.	Protection of property rights	57	43		-+ fair
3.	Protection of foreign investors	45	50	5	+(positive) good
	Conflict management institutions				
1.	Ethnicity/Fractionalization	60	40		-(negative) Very low
2.	Religious tolerance	60	30	10	-(negative) Very low
3.	Security	60	30	10	-(negative) Very Low)

Source: Field survey September 2015

Note: ** key=(+ good ie the institutions are impacting positively on Economic Development,-+ fair i.e the institutions are impacting fairly on economic development - very poor i.e institutions are impacting very negatively on Economic Development,)

7. Discussion of Empirical Result

Empirical results from the qualitative survey on the degree of social capital and the quality of institutions in Nigeria are presented in Table 1 and 2 respectively. The survey result on social capital shows that trust in government policies is perceived to be as low as 22% from 1999 to 2015 against 58% in 1970 to 1998. The conclusion drawn from this finding is that since there is less trust in government by citizens, therefore the bond which ones glue the society together for development is absent. In terms of interpersonal trust among the three major ethnic groups that make up Nigeria (Ibo, Yoruba and Hausa); empirical result from the survey shows that there is no strong interpersonal trust amongst these ethnic groups which ones coexisted. Empirically interpersonal trust amongst these major ethnic groups declined from 61% (1970- 1998) to as low as 24% from 1999 to 2015. This confirms absence of strong bond within the major tribes that make up Nigeria. Empirical survey result of civic engagement as a measure of social capital shows a declining confidence in the electoral system of Nigeria by her citizens. Voters turnout during elections and confidence in the electoral system decline from 67%, 57% from 1970 to 1998 and 40% from 1999 to 2015. respectively This supports findings by Junge (2014) who compared individuals born and residing in the same country, those whose father was born in a more democratic country express higher trust than those whose father was born in a less democratic country.

The enthusiasm to leave Nigeria to other countries for livelihood by her citizens increased from 35% in 1970 to 1998 to as high as 65% from 1999 to 2015. In conclusion, commitment to Nigeria stock of social capital by her citizens is declining by the day and this can have an untold negative impact on the institutions and development. In terms of community service as a measure of social capital, the extent to which citizens' listen to national news has declined from 65% to 35 during the period under review. Table 2 shows that institutional variables such as; effective legal system, institutional restraint and restraint on corruption are not perceived effective, with very low percentages (30%, 38%and 30% respectively). This could impact negatively on the economic growth and development thereby, creating a gap as against the earlier perceptions at 50%, 62% and 65% respectively. From the result, it can be deduced that the variables under study were perceived more qualitative and effective from 1970 to 1998. Earlier before now (1970's), corruption was seen as a major threat facing humanity, destroying lives and communities, and undermining countries and institutions. Further, corruption was seen to translate into human sufferings emanating from the failure in the delivery of basic services like education, healthcare etc. by corrupt leaders. All these are factors that have created a gap for development in Nigeria. On the other hand,, maintenance of price stability, human capital development and the Nigeria legislative system are seen to have a fair impact on development, while the independence of the Central Bank of Nigeria in terms of monetary policy management is perceived to have had a significant positive impact on the economic development of Nigeria from 1999 to 2015 than in the earlier period (1970 to 1998) according to the survey result.

Property rights institutional variables like enforceability of contracts, protection of property rights and protection of foreign investment are perceived to have a fair and positive impact in Nigeria. This is evidenced in the nature of foreign direct investment (FDI) into Nigeria. However, conflict management institutional variables such as ethnicity/ fractionalization, religious intolerance, and insecurity (are the most challenging). These variables are of great concern to the economic growth and development of Nigeria. It is anticipated that these may likely be the variables that would drag Nigeria back to another civil war. The fact remains that social capital and the bond of togetherness is beginning to be loose gradually creating a crack in the economic development of Nigeria. It is the deterioration in the way that Nigerians perceive and view the functioning of these institutions that determine the level of trust and confidence they have in the system and this either motivates or discourages them from being fully committed to their jobs and service delivery. This definitely has implications on their contributions to economic development.

Table 3. *Data on Measure of Quality of Institutional Variables in Nigeria*

Year	nsecurity(Number of Bomb Blast, Kidnapping, Boko Haram Insurgency and Niger Delta Militia etc)	Impact of insecurity on Development	Public violence	Foreign Direct Investment net inflows (% of GDP)	Corruption Perception Index (Ranking of most corrupt country)	Real GDP Growth Rate	Public Protest
1986	1	+ less	12.8	0.96	-	3.9	-
1995	1	+ less	16.6	3.84	-	2.4	-
1996	7	-+ Fairly less	5.7	4.51	-	6.5	3.7
1997	4	+less	16.0	4.25	-	3.1	2.3
1998	1	+ less	12.4	3.27	-	1.6	2.8
1999	2	+ less	12.7	2.89	-	1.0	6.3
2000	7	-+ Fairly less	6.4	2.48	-	3.9	4.1
2001	6	+ less	6.0	2.48	-	-	5.3
2002	8	+ less	11.3	3.17	-	-	1.0
2003	9	+ less	0.8	2.96	-	-	0.8
2004	5	+ less	11.3	2.13	-	10.5	2.9
2005	7	+ less	0.8	4.44	-	6.5	0.5
2006	8	+ less	16.4	3.34	26	6.0	3.2
2007	10	+less	22.5		32	6.4	2.3
2008	21	+ less	12.9	3.96	59	6.0	2.8
2009	18	-+ Fairly less	13.8	5.07	50	7.0	3.6
2010	16	-+Fairly less	12.5	2.65	44	8.0	3.8
2011	203	-(negative)	31.5	3.65	39	7.4	2.8
2012	864	-(negative)	34.8	-	35	6.6	4.8
2013	699	-(negative)	37.5	-	37	6.7	5.2
2014	805	-(negative)					
2015	879	-(negative)					

Sources: Authors computation from: Nigeria security Tracker - Council on Foreign Relations.htm, Sahara reporters.com, Uk. Reuters.com,Bbc.co.uk, Allafrica.com, Channelstv.com, Vanguardngr.com, Transparency international, African Economic outlook, World bank world development indicator, (Various years)

Table 3, shows time series macro-socio economic data on the quality of institutional variables in Nigeria. The data on insecurity (comprising various bomb blasts, kidnapping, Boko haram and Niger delta militia insurgency) is a pointer to the fact that insecurity in Nigeria, has been on the increase. This further shows its declining positive impact on economic development, beyond restraint by the years. Also from the table, public violence is on the increase following the same line.

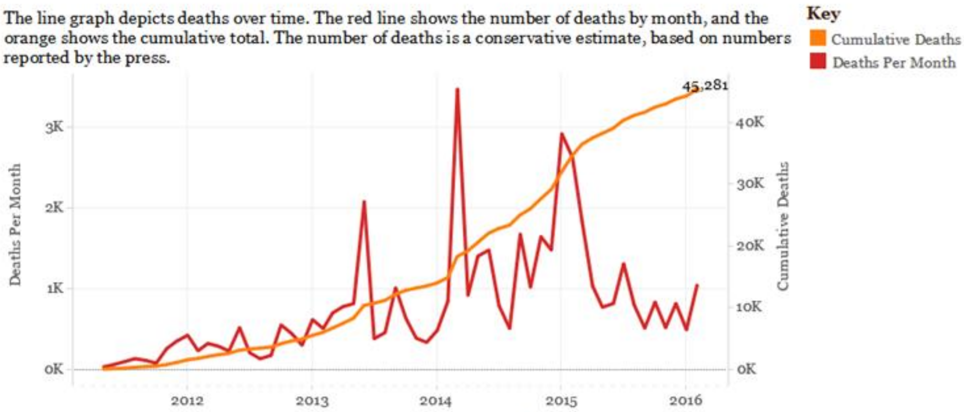

Figure 1. Mapping Violence in Nigeria (2011-2016)
Source: Copied from Council on foreign relations (CFR) 2016.

Foreign direct investment which is the sum of equity capital, reinvestment of earnings and, other long and short term capital is achievable in a country with minimum risk of security and high ease of doing business. According to Ajayi (2002) the factors necessary to attract foreign Direct Investment include a conducive macroeconomic policy environment. Also increased liberalization of markets, liberal trade regimes, adequate infrastructure, law and order for the protection of property rights and business facilitation measures are determining factors. However from our data, FDI is not very encouraging as expected due to the limiting institutional factors. Other variables such as corruption perception index and public protest are seen to be having a negative relationship (declining negatively) on economic development.

8.Conclusion

The central discuss of this paper is on the measure, of the impact of the quality, degree, effectiveness and efficiency of social capital and institutions on the economic development of Nigeria. The daunting challenge remains the degree of social capital and the perception and complexity of institutions to the economic prosperity of Nigeria. It can be concluded that, the economic prosperity of a country is embedded in its social organisation and transformations of her institutions which are built from social capital. The perceptions that Nigerians have about her institutions are not very positive; as a result the mechanism through which social capital strengthens the institution for national development is weak. Accordingly, a high social capital within a country determines its beliefs, attitudes, identities and values as well as access to power. These help to build social cohesion which is pivotal to economic development. This is in agreement with Rothstein & Stolle (2008) who submits that generalized trust is built up by the citizens themselves through a culture that permeates the networks and organizations of civil society. Trust thrives most in societies with effective, impartial, and fair street-level bureaucracies.

Therefore, Nigeria government must take a tougher stance against the abuse of power and employ the mechanism of social capital, which enhances the process of reconciling conflict among major social, political and economic interest groups. Therefore, to stop this ugly monster, anti-corruption actions should be integrated into all aspects of decision-making. This must be pursued seriously in other to achieve maximally the goal of sustainable economic development by institutional strengthening.

Notes

[i] The formal and informal pressure on developing countries come from various bilateral, regional and multilateral trade and investment agreements, in addition to loans/aid conditionalities and international rules. E.g IMF, World Bank, OECD, G7, World Economic Forum, World Trade Organisation (WTO) which forces developing countries to adopt American style Intellectual Property Rights (IPRs) laws through the trade-related intellectual property Rights (TRIPR) agreement. Chapter 11 of NAFTA (North American Free Trade Agreement) which changes completely the institutions through which the member-country government regulate corporations (see Chang, 2010)

[ii] Better institutions are those institutions that are typically found in Anglo-American countries characterised by maximizing market freedom and protecting private property rights to its fullest.

[iii] Effective property rights include (i) a common legal system which promotes free contracts and protects the individuals rights (ii) A sound financial system based on private ownership and developed capital market (iii) An industrial system based on private ownership, which requires privatization in many countries. (iv) A sound financial regime that is regulated which encourages 'prudence' and stability with a politically independent central bank. (vi) A flexible labour market that allows quick re-allocation of labour in response of price changes. (vii) A stable political system that restricts arbitrary actions of political rulers and their agents. (viii) A safe and security conscious system devoid of ethnic or religious sentiments, that protects the security, life and property (see Chang, 2010).

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