

CORRUPTION: CAUSES, CONSEQUENCES AND REFORMS

Dr Ritu Sharma

Assistant Professor,

Department of Economics,

Dyal Singh College, Karnal -132001, Haryana, India.

Abstract

The presented paper emphasis on the need to keep the issue of corruption squarely in view in the development agenda. It discusses the causes and consequences of corruption and reforms. Corruption is a worldwide phenomenon. Negative social and economic impacts of corruption has grown rapidly in both emerging economies and advanced democracies. Corruption tends to increase in a period of rapid and modernization and in a country where political opportunities are more than economic opportunities. It may not be possible to root out corruption at levels but it is possible to contain it within tolerable limits. Honest and dedicated persons in public life, control over electoral expenses could be the most important prescriptions to combat corruption. Corruption has a corrosive impact on our economy. It worsens our image in international market and leads to loss of overseas opportunities. Corruption can be eradicated from grass root levels when common man comes forward and takes pledge to work honestly and sincerely for the country. But the common man needs the support of good, honest, and efficient government to succeed in reducing corruption if not in eliminating it.

INTRODUCTION:

Corruption is a worldwide phenomenon. The word corruption is as old as the human civilization itself. Since pre-historic period, we witness tales of political and economic corruption. Still in the 21 century, we are regularly fighting with this canker which is increasing day -by -day. Corruption is a serious problem in many countries. Indeed, in many parts of the world, corruption has become a way of life with its own local version of the term and manifestation of the various forms of corrupt practices.

WHAT IS CORRUPTION?

There is no single universally accepted definition for corruption. Attempts to develop such a definition did not result in success. But, there were many attempts that identified the core features of corruption in an identical manner. Corruption is an abuse of public office for personal gains or actions causing

transfer of public money to private hands, in violation of rules. It entails acts of omission, commission or illegality. Some kinds of corruption go on even within the framework of laws appearing as lawful acts. Corruption occurs even as a part of policy formulation aimed at benefitting some interest groups without violating any statute, rule or regulation.

Corruption can be classified in to two- coercive and collusive. In coercive corruption, bribe giver is forced to give bribe whereas in collusive corruption the bribe giver is an equal partner. Corruption can again be classified as petty or grand and passive or active etc. Corruption or bribery leads to undue action and bestowing of undue benefits to an eligible person by establishing the voices of governance like favoritism, nepotism and clientelism. Corruption normally involves payment of money to politicians or government officials to obtain license or permit, by pass rule and regulations, avoid delays, jump queues etc even though many forms of rent seeking are possible within it. Corruption reflects patronage, nepotism, red-tape, ineffective revenue generation, bribery in procurement, failure in service delivery etc which may or may not involve direct financial considerations.

WHY CORRUPTION OCCURS:

If we take corruption as an equation, it can be set out as follows: C=R+D-A. Thus, in this equation, C stands for corruption, R for economic rent, D for discretionary power and A for accountability. The equation states that the more opportunities for economic rent (R) exist in a country, the larger will be the corruption. Similarly, the greater the discretionary power (D) granted to administrators, the greater will be the corruption. However, the more administrators are held accountable (A) for their actions, the less will be the corruption, and hence a minus in front of A.

The factors that promote corruption are:

*Failure to ensure accountability through oversight bodies, active opposition parties' independent media, fair and costly elections.

* Weak law enforcement structure, poor surveillance of violations etc.

*Missing regulatory framework—legislation, code of conduct and audit requirements.

* Low level of individual values societal values and transparency in governance.

* Unprofessional civil services, poor practice of ethical codes.

Bad system, bad ethics and bad incentives induce people to engage in corruption. Lack of transparency, in adequate oversight and weak enforcement can cause corruption. The institutional design largely influences the occurrence and opportunities for corruption.

CORRUPTION IN INDIAN SCENARIO

Corruption in India is at its rampant best. There is not one section of the society that is spared from it. Corruption in the form of bribery takes the cake and given that it begins at the grass root level makes it even more difficult to monitor and control. After freedom in India, when corruption was raising its head, Once Pandit Jawaharlal Nehru said with irritation that "the corrupted workers should hang on electric pole".

Externally the World Bank , IMF, the Asian Development Bank and other national Actions of

governments and politicians apart there are general indicators that corruption is a serious issue in the medium term development of the Indian economy. In Transparency International's Corruption Perception Index, India ranked 72 in 2001, 73 in 2002, and 83 in 2003. TRANSPARENCY INTERNATIONAL (TI) is an international non-governmental organization fighting corruption and trying to raise public awareness of it. TI has published an annual CORRUPTION PERCEPTION INDEX (CPI) since 1995. It defines corruption as "the abuse of entrusted power for private gain". This is not confined to political corruption but taken into consideration the corruption prevails in public officials. It publishes every year its a comparative listing of corruption worldwide. The international headquarters is located in Berlin, Germany. The founder of the organization is Peter Eigen. The CPI – besides the World Bank corruption index is the most commonly used measure for corruption in countries worldwide.

CONSEQUENCES OF CORRUPTION:

Negative social and economic impacts of corruption has grown rapidly in both emerging economies and advanced democracies. Major international organizations have, as a result, begun examining the sources of, and solutions for, corruption. Corruption obstructs economic development due to several factors like reduced domestic and international investment, inefficient public expenditure allocation and distorted expenditure in programmes for health, education and infrastructure.

RISE OF THE UNDERGROUND ECONOMY

Underground economic activities exist in all countries. They are of two types. First, there are those that are illegal such as engaging in the smuggling business. The second consists of those activities that are legal but are not officially recorded to avoid taxes or for some other reason. Corruption gives rise to both these types of activities and contributes directly to the rise of the underground economy. Although underground economic activities exist in all countries, they became pervasive where corruption is widespread. When a large portion of an economy goes underground, official macroeconomic data which mostly cover only the formal sector, become unreliable to assess economic performance or to provide a basis for policy making and analysis. Official foreign trade statistics, for example no longer reflect a country's true volume, or value of exports and imports because of large illegal and unrecorded movement of goods and services across the border in a thriving smuggling business. In the absence of reliable data transparent policies, and proper macroeconomic management, there is not much hope for economic development, modernization, or emergence of a well-functioning market economy.

IMPACT ON INVESTMENT

Corruption's adverse impact on private investment, both domestic and foreign is particularly harmful for developing economy. Bribes may have to be given before any investment takes place and upon entering into negotiations for the establishment of an enterprise. These are harmful in the way of imparting skills and technology to help a country in its industrialization efforts.

IMPACT ON INCOME DISTRIBUTION

Under a corrupt system, the privileged and the well-connected enjoy economic rent. Economic rent, by definition, represents abnormal or monopoly profits and can bestow large profits. As such, there is a tendency for wealth to be concentrated in the hands of a tiny minority of the population. Income distribution, therefore, becomes highly uneven.

IMPACT ON CONSUMPTION PATTERN

Closely associated with an unequal income distribution and concentration of wealth in the hands of a few, there emerges a distorted consumption pattern aimed at meeting the lifestyle of the new and extremely rich urban elite. This involves import of a large variety of luxury goods from abroad – flashy cars, lavish home furnishings, state – of – the – art consumer durables and electronic products, fashion clothing, exotic perfumes, expensive food stuffs fine wines and spirits and, fancy goods of all kinds that can be found in super markets and department stores of any prosperous Asian city in the heyday of the region's economic boom. Most of these goods are, of course, beyond the reach of ordinary citizens in the cities and in the countryside. Conspicuous consumption with expensive cars cruising along dirt roads, and conspicuous construction with luxury apartment buildings rising amidst poverty and squalor, bring home the point that affluence is not widely shared in these countries.

SOCIAL COSTS

In any society, there are laws and regulations to serve social objectives and to protect the public interest, such as building codes, environmental controls, traffic laws and prudential banking regulations. Violating these laws for economic gain through corrupt means can cause serious social harm. There are many instances of this throughout the Asia and Pacific region. For example, there have been numerous cases where soil erosion, resulting from illegal logging, has led to whole villages being washed down hill sides in flash floods or buried in mud slides, taking a heavy toll in lives. Violating building codes through the connivance of corrupt officials and building contractors has resulted in collapse of apartment buildings, department stores and hotels in some countries. Failure to observe proper fire prevention and safety regulations has caused supermarkets, hotels and discos, filled with shoppers and customers to go up in flames. Overloaded ferries and passenger ships have sunk in seas and rivers all over the region. Paying bribes to operate un-roadworthy and poorly maintained public vehicles have led to accidents on the highways and buses plunging down ravines and gorges due to mechanical failure are common in many countries.

SOCIAL DEVELOPMENT

Social development is development that is equitable, socially inclusive and therefore sustainable. It promotes local, national and global institutions that are responsive, accountable and inclusive and empowers poor and vulnerable people to participate effectively in development process. Corruption affects multiple social development strategies by rooting social exclusion, lack of participation, lack of opportunities for establishing better life conditions and also it reduces trust and credibility in public

institutions. It contributes to increase poverty and disparity. In the same way, it distorts public expenditure structure for education, health and infrastructure programmes. So corruption affects the entire society, mainly in those aspects relate to quality of life.

GOVERNMENT BUDGET

Corruption can have undesirable consequences on both the revenue and expenditure sides of the government budget. The consequences on the revenue side are more familiar. Paying bribes to reduce taxes, fees, dues, customs duties and public utility charges such as for water and electricity, are common in many countries. All these result in serious losses of revenue for the government. Fraud, embezzlement and misappropriation of public funds add to the losses. Corruption adversely effects the composition of government expenditure. This is because large benefit can be realized from corrupt deals on expenditure items that are expensive, whose cost are not readily apparent.

REMEDIAL MEASURES TO CONTROL CORRUPTION

Although, there are many measures which can help us to control corruption, but if the following measures are implemented in a best way these can make a tremendous effects to overcome it.

- The most important lesson to bear in mind is the need for the political leadership to be committed to the eradication of corruption. In other words, they must be sincere and want to eliminate corruption themselves. This implies that they must show good example and should not indulge in corruption themselves. Furthermore, anyone found guilty of corruption must be punished, regardless of his status or position in society. If the rich and powerful are protected from prosecution for corrupt behavior, the anti-corruption strategy is defective because it discriminates against those who are poor and week. There should thus be no double strands in the enforcement of the anti-corruption laws. Weather one is a "big fish" or "small fish" should not be the crucial factor in determining a person's guilt and punishment for corruption. Finally, political and their families should not live ostentatiously if they are serious about wiping out corruption in their country.
- The second lesson to be drawn is the importance of adopting a comprehensive approach rather than a piecemeal or incremental approach. Corruption is a serious problem requiring major surgery and not a minor operation. Anti-corruption measures must be comprehensive to prevent loopholes and must be constantly reviewed for the purpose of introducing further amendments whenever necessary.
- The third lesson to be learnt is the precondition that the anticorruption agency must itself be incorrupt. It must be controlled or supervised by a political leader who is himself incorrupt -Care must certainly be taken to recruit and select competent and honest men and women as staff of the anti-corruption agency. To keep the size of the anticorruption agency's staff manageable, all government departments and ministers should be directed by the incumbent government to provide assistance and cooperation for the anti-corruption agency's efforts in combating

corruption. Obviously, any member of the anti -corruption agency's staff who is guilty of corruption must be punished and removed from the civil services.

- The fourth lesson to be gleaned is the necessity of reducing the opportunities for corruption. Those government departments which are vulnerable to corrupt activities (such as the Customs Departments, Immigration Department, Internal Revenue Department, Traffic Police) should review their procedures periodically in order to reduce opportunities for corruption. Those found guilty of corrupt behavior should be punished in order to deter others bent on such behavior.
- The final lesson to be observed is the importance of reducing of need for corruption by raising the salaries of civil servants and political leaders. If a civil servant's salary is low, he is more vulnerable to corruption. Therefore, to reduce or minimize his need for corruption, his salary must be improved. Of course, salary revision is a costly measure to take and will depend on whether the government concerned can afford to do so. In the long run, however, if the salaries remain low, capable civil servants will leave the civil service to join the private sector for higher salaries; while the less capable will remain in the civil service out of necessity and consequently indulge in corrupt activities to supplement their meager salaries.

FINAL WORDS

To conclude, it can be said that corruption is an intractable problem. It is like diabetes, can only be controlled but cannot be completely eliminated. It may not be possible to root out corruption at levels but it is possible to contain it within tolerable limits. Honest and dedicated persons in public life, control over electoral expenses could be the most important prescriptions to combat corruption. Corruption has a corrosive impact on our economy. It worsens our image in international market and leads to loss of overseas opportunities. Corruption can be eradicated from grassroot levels when common man comes forward and takes pledge to work honestly and sincerely for the country. But the common man needs the support of good, honest, and efficient government to succeed in reducing corruption if not in eliminating it.

REFERENCES

- Paolo Mauro (1996), "The Effects of Corruption on Growth, Investment, and Government Expenditure," IMF Working Paper, 96 /98.
- Vito Tanzi and Hamid Davoodi (1997), "Corruption, Public Investment, and Growth,"IMF Working Paper, 97/139
- Jain R.B.(2004),"Corruption-free Sustainable Development: Challenges & Strategies for Good Goverence" Mittal Publications.
- Gurharpal Singh, Corruption, Transparency and the Good Governance Agenda in India, EU-India conference, 4 December 2003, Brussels.

- Sunil Sondhi (2000), Combating Corruption in India, Role of Civil Society, XVIII World Congress of International Political Science Association, Canada.
- Syed Umarhathat and R Siva Kumar (2009). Understanding Corruption at Grass root-A Study on Public Views on Corrupt Departments, Their Participations and Victimization, The Indian Journal of Criminology and Criminalistics, volume xxx, issue no 2 & 3, May to Dec 2009.