The Causality between Corruption and Economic Growth in MENA Countries: A Dynamic Panel-Data Analysis

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Abstract : Complex and extensively researched, the impact of corruption on economic growth seems to be intricate. Many experts believe that corruption reduces economic development. However, counterarguments have suggested that corruption either promotes growth and development or has no significant impact on economic performance. Clearly, there is no consensus in the economics literature regarding the possible relationship between corruption and economic development. Corruption's complex and clandestine nature, which makes it difficult to define and measure, is one of the obstacles that must be overcome when investigating its effect on an economy. In an attempt to contribute to the ongoing debate, this study examines the impact of corruption on economic growth in the Middle East and North Africa (MENA) region between 2000 and 2021 using a Customized Corruption Index-CCI and panel data on MENA countries. These countries were selected because they are understudied in the economic literature, and despite the World Bank's recent emphasis on corruption in the developing world, the MENA countries have received little attention. The researcher used Cobb-Douglas functional form to test corruption in MENA using a customized index known as Customized Corruption Index-CCI to track corruption over almost 20 years, then used the dynamic panel data. The findings indicate that there is a positive correlation between corruption and economic growth, but this is not consistent across all MENA nations. First, the relatively recent lack of data from MENA nations. This issue is related to the inaccessibility of data for many MENA countries, particularly regarding the returns on resources, private malfeasance, and other variables in Gulf countries. In addition, the researcher encountered several restrictions, such as electricity and internet outages, due to the fact that he is from Lebanon, a country whose citizens have endured difficult living conditions since the Lebanese crisis began in 2019. Demonstrating a customized index known as Customized Corruption Index-CCI that suits the characteristics of MENA countries to peculiarly measure corruption in this region, the outcome of the Customized Corruption Index-CCI is then compared to the Corruption Perception Index-CPI and Control of Corruption from World Governance Indicator-CC from WGI.