Good Governance Complementary to Corruption Abatement: A Cross-Country Analysis

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Abstract : Private use of public office for private gain could be a tentative definition of corruption and most distasteful event of corruption is that it is not there, nor that it is pervasive, but it is socially acknowledged in the global economy, especially in the developing nations. We attempted to assess the interrelationship between the Corruption perception index (CPI) and the principal components of governance indicators as per World Bank like Control of Corruption (CC), rule of law (RL), regulatory quality (RQ) and government effectiveness (GE). Our empirical investigation concentrates upon the degree of reflection of governance indicators upon the CPI in order to single out the most powerful corruption-generating indicator in the selected countries. We have collected time series data on above governance indicators such as CC, RL, RQ and GE of the selected eleven countries from the year of 1996 to 2012 from World Bank data set. The countries are USA, UK, France, Germany, Greece, China, India, Japan, Thailand, Brazil, and South Africa. Corruption Perception Index (CPI) of the countries mentioned above for the period of 1996 to 2012is also collected. Graphical method of simple line diagram against the time series data on CPI is applied for quick view for the relative positions of different trend lines of different nations. The correlation coefficient is enough to assess primarily the degree and direction of association between the variables as we get the numerical data on governance indicators of the selected countries. The tool of Granger Causality Test (1969) is taken into account for investigating causal relationships between the variables, cause and effect to speak of. We do not need to verify stationary test as length of time series is short. Linear regression is taken as a tool for quantification of a change in explained variables due to change in explanatory variable in respect of governance vis a vis corruption. A bilateral positive causal link between CPI and CC is noticed in UK, index-value of CC increases by 1.59 units as CPI increases by one unit and CPI rises by 0.39 units as CC rises by one unit, and hence it has a multiplier effect so far as reduction in corruption is concerned in UK. GE causes strongly to the reduction of corruption in UK. In France, RQ is observed to be a most powerful indicator in reducing corruption whereas it is second most powerful indicator after GE in reducing of corruption in Japan. Governance-indicator like GE plays an important role to push down the corruption in Japan. In China and India, GE is proactive as well as influencing indicator to curb corruption. The inverse relationship between RL and CPI in Thailand indicates that ongoing machineries related to RL is not complementary to the reduction of corruption. The state machineries of CC in S. Africa are highly relevant to reduce the volume of corruption. In Greece, the variations of CPI positively influence the variations of CC and the indicator like GE is effective in controlling corruption as reflected by CPI. All the governance-indicators selected so far have failed to arrest their state level corruptions in USA, Germany and Brazil.

Keywords : corruption perception index, governance indicators, granger causality test, regression

Conference Title : ICAGGHR 2015 : International Conference on Anti-Corruption, Good Governance and Human Rights

Conference Location : Paris, France

Conference Dates : May 18-19, 2015