

## **Corruption Impacts, Effects and Fluctuations in Ten Distinct Asian Countries**

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### **1.1 Abstract:**

In global business, business organizations and their representatives frequently encounter corruption and may be the perpetrators, victims, or simply participants in such acts. While international corruption has existed in multiple forms for several years, many individuals, companies, nations, and international organizations are currently attempting to reduce or eliminate corrupt acts because of their harmful effects on local economies and the quality of life of citizens. Several of these corruption curtailment efforts have been directed toward the supply-side of corruption, i.e., those who make corrupt payments. In developing an understanding of corruption, however, and formulating strategies for its reduction, consideration must also be given to the demand-side of corruption, i.e., those who demand and accept corrupt payments. The rising trend in the use of corruption as a tool to discredit political opponents, the media's preoccupation with it as a highly marketable commodity, and the general public's fascination with seeing prominent personalities in embarrassing situations have brought scandalous and corrupt behavior, a common human frailty, into the limelight of international attention. The main issue taken up in this paper – is that corruption can be a major obstacle in the process of economic development for Asian Countries and in modernizing a community.

**Keywords:** Corruption, cultural, economic, international, bribe, risk, uncertainty, consequence

### **1.2: Introduction:**

The expansion in recent years of international trade and global business competition has been accompanied by growth in corruption. Businesses that operate globally are currently likely to encounter bribery in many of the countries in which they transact. In recent years, and especially in the 1990s, a phenomenon broadly referred to as

corruption has attracted a great deal of attention. In countries developed and developing, large or small, market-oriented or other-wise, governments have fallen because of accusations of corruption, prominent politicians (including presidents of countries and prime ministers) have lost their official positions, and, in some cases, whole political classes have been replaced. In Asian countries, corruption and illegal practices are so widespread that they constitute the actual norm, i.e., a parallel economic system with its own traditions and values. The existing and growing extent of corruption is so significant that it may severely limit international trade and serve as a barrier to future international markets. In addition to the deleterious effects on business, corruption may also exacerbate poverty, political instability, and environmental degradation. Corruption is rampant throughout the world. We had focused Asia's 10 most corrupted countries and compared the past and present corruption wheatear increasing decreasing or remain same. We believe that corruption leads is to increase poverty. This paper focuses on underlying assumptions which drastically happens in Asian countries. In this article, Our unique contribution, however, is to explore further that Asiatic country has much involvement in increasing corruption. This paper is divided into three sections. In the first section, the different levels of corruption in Asian countries are discussed. Section two describes the corruption effects in politics, administration, and institutions employed in several Asian countries. Third section covers Paired Wilcoxon Signed – Rank Test for Asian countries and find, rather intuitively, that corruption has a significant, negative impact on economic performance in non-democracies. Concluding section comes with some recommendations in order to impartially implement effective anticorruption measures.

### **1.3 Problem Statement:**

Asiatic Countries are so poor and political parties take bribe simultaneously from the richer countries as well as inside parties and the richer countries take the advantage of that. It's difficult to measure the indirect variables behind the corruption which lead to bigger influence for raising this. Corruption leads to economic waste and inefficiency because of its affects on the allocation of available resources whether from local or external sources. Due to unavailability of data's from Transparency International Index it's very difficult to prove corruption distorts. Corruption contributes to the persistence of under development and poverty in countries that are richly endowed with natural recourses and with hard working enterprising population. So raising population may be a solid cause of corruption. Corruption also affects the transfer of diversion of recourses or services from private to public use. Now a day's most of the private owned companies are heavily engaged with sleaze and insider trading which ultimately results non accountability of their wrongdoing and rampant unclear corporate disclosure.

### **1.4 Objective of the study:**

The purpose of the paper is:

- To know about the Asia's 10 most corrupted countries.
- To know about the comparison of past and present corruption wheatear increasing decreasing and remain same.
- To know about the causes responsible for corruption.
- The corruption impact over business sector.
- To know about whether government plays a vital role for supporting corruption or not.
- Corruption impact on economy sector.
- To know how the political environment motivate corruption.
- To know how the corruption is influencing to increase poverty.

### **1.4 Data Collection proceeds**

- There are two methods or sources of collective information one is primary data and another one is secondary data. But in this paper we use only the secondary sources of data like:

- We use corruption perception index edited by Transparency International Index.
- We used cause and effects research design which shows the causes of corruption and the overall effects caused by corruption.
- We used simple random sampling for collection of data.
- We used Internet for further information and the source is:  
[http://www.npr.org/blogs/money/2010/01/podcast\\_ranking\\_corruption.html](http://www.npr.org/blogs/money/2010/01/podcast_ranking_corruption.html)

### 1.5 Computation proceeds:

- First we collected the Asian ten corrupted countries.
- Then we drawn line chart to know about the corruption level.
- We used Paired Wilcoxon Signed – Rank Test.
- We used Inference for two population means.

### 1.6 Limitations of the Study:

The study has been conducted to make an investigation corruption measures. During carrying out the study in this field, some problems may be termed as limitations of the study. The following limitations have been faced in preparing the Article:

- We got a short period of time to cover each and every area of Corruption.
- There are a lot of secret matters behind the corruption. As we are outsiders, so we cannot reach to the topmost secret aspects.
- Due to time and cost restriction, the study is concentrated in some major selected areas.
- Only Asian countries were focused.
- Access to some important data was denied.
- Many procedural matters were written from my own observation, which may also vary from person to person.

### 2.1: Literature Review:

Corruption has been defined in many different ways, each lacking in some aspect. A few years ago, the question of definition absorbed a large proportion of the time spent on discussions of corruption at conferences and meetings. However, like an elephant, while it may be difficult to describe, corruption is generally not difficult to recognize when observed. In most cases, different observers would agree on whether a particular behavior connotes corruption. Unfortunately, the behavior is often difficult to observe because acts of corruption do not typically take place in broad daylight (Corpuz, 1957). The most popular and simplest definition of corruption is that it is the abuse of public power for private benefit. This is the definition used by the World Bank. "From this definition it should not be concluded that corruption cannot exist within private sector activities." Especially in large private enterprises,

corruption clearly does exist, as for example in procurement or even in hiring. It also exists in private activities regulated by the government. Sometimes, the abuse of public power is not necessarily for one's private benefit but for the benefit of one's party, class, tribe, friends, family, and so on. In fact, in many countries some proceeds of corruption go to finance the activities of the political parties. Not all acts of corruption result in the payment of bribes. For example, a public employee who claims to be sick but goes on vacation is abusing his public position for personal use. Thus, he is engaging in an act of corruption even though no bribe is paid. ( Alfiler, 1979) The president of a country who has an airport built in his small hometown is also engaging in an act of corruption that does not involve the payment of a bribe. It is important to distinguish bribes from gifts. In many instances, bribes can be disguised as gifts. A bribe implies reciprocity while a gift should not. However, even though the distinction is fundamental, it is at times difficult to make. At what point does a gift become a bribe? Does the distinction depend on the size of the gift? What about cultural differences that can explain different sizes of gifts? What if a large gift is given not to the person who provides the favor but to a relative of that person? Does the distinction depend on whether the gift is given in broad daylight, for every-one to see, or privately? Clearly, the identification of a bribe is not always simple. In September 1974, the Far East Economic Review featured the cover story "Corruption: The Asian Lubricant," which surveyed corruption in 10 Asian countries. The picture of pervasive corruption in Asia is supported by individual portraits of corruption in such countries as Bangladesh, the People's Republic of China, Hong Kong, India, Japan, Laos, Pakistan, Taiwan, and Thailand (Far East Economic Review, 1974, 22-31). As it is not possible to measure the actual extent of corruption in a country, scholars usually rely on the reported extent of corruption. Nihal (1998,) have observed that students of political corruption use written documents (press reports, judicial records, and records from anticorruption agencies) and survey data to measure corruption. As these instruments are not problem-free, they have recommended the use of the Corruption Perception Index (CPI), published by Transparency International in 1995 and updated in 1996 and 1997, because it is a "robust" index that "captures more than a single indicator" and "combines several measures of political corruption for each country"( Ibid., 27-28). According to Transparency International, the CPI is "an attempt to assess the level at which corruption is perceived by people working for multinational firms and institutions as impacting on commercial and social life" (TI Newsletter, 1996, 5). The Business International Index (BII) is based on surveys of experts or consultants conducted during 1980-1983 by Business International, which is now a subsidiary of the Economist's Intelligence Unit. The BII ranks countries from 1 to 10 according to "the degree to which business transactions involve corruption or questionable payments"( Wei, 1998, 3). Unlike the CPI and BII, the Global Competitiveness Report Index (GCRI) is based on a 1996 survey of firm managers, who were asked questions about different aspects of competitiveness in the host countries where they invest. Specifically, 2,381 firms in 58 countries were asked to rate the level of corruption on a one-to-seven scale according to the extent of "irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection or loan applications"( Mauro, 1995). The consequences of corruption can be minimized if government has an effective

anticorruption strategy and implements it impartially. Specifically, the more effective anticorruption measures are, the greater their impact on the society in terms of reducing the negative effects and the level of corruption. The effectiveness of anticorruption measures depends on two factors: (1) the adequacy of the measures in terms of the comprehensiveness of their scope and powers; and (2) the level of commitment of political leaders to the goal of minimizing corruption. In other words, for anticorruption measures to be effective, they must be properly designed (to attack the causes of corruption), and they must be sponsored and upheld sincerely by political leaders. In short, the most elaborate and well-designed anticorruption measures will be useless if they are not enforced by the political leadership( Wei, 1998).

### **Impacts of Corruption:**

Corruption is both a major cause and a result of poverty around the world. It occurs at all levels of society, from local and national governments, civil society, judiciary functions, large and small businesses, military and other services and so on. A difficult thing to measure or compare, however, is the impact of corruption on poverty versus the effects of inequalities that are structured into law, such as unequal trade agreements, structural adjustment policies, and so-called “free” trade agreements and so on. That is not to belittle the issue of corruption, however, for its impacts are enormous too.

### **Rich Countries involved in corruption abroad**

Especially in wealthier countries that are perceived to have minimal corruption (at least domestically) that other countries are poor because of corruption. Yet, corruption is not something limited to third world despots. Rich countries too have been involved in corrupt practices around the world.

Specific problems include:

- The impact of Cold War corruption (supporting dictatorships, destabilizing democracies, funding opposition, etc);
- Firms from rich countries bribing rulers and officials from developing countries to gain export contracts, particularly in the arms trade and in construction.
- The “corruption-inducing effects of the purchase, by the rich countries and their international corporations, of concessions in Third World countries to exploit natural deposits of oil, copper, gold, diamonds and the like.”
- Many countries including France, Germany and the UK treated bribes as legitimate business expenses which could be claimed for tax deduction purposes.

### **Globalization, Multinational Corporations, and Corruption**

Multinational companies are going into poorer countries to do business. The international business environment, encouraged by a form of globalization that is heavily influenced by the wealthier and more powerful countries in the world makes it easier for multinationals to make profit and even for a few countries to benefit. Bribery enables multinationals companies to gain contracts (particularly for public works and military equipment) or concessions which they would not otherwise have won, or to do so on more favorable terms. Every year, Western businesses pay huge amounts of money in bribes to win friends, influence and contracts.

The impacts that multinationals’ corrupt practices have on the “South” (another term for Third World, or developing countries), including:

- They undermine development and exacerbate inequality and poverty.
- They disadvantage smaller domestic firms.
- They transfer money that could be put towards poverty eradication into the hands of the rich.
- They distort decision-making in favor of projects that benefit the few rather than the many.

### **IMF and World Bank Policies that Encourage Corruption**

At a deeper level are the policies that form the backbone to globalization. These policies are often prescribed by international institutions such as the World Bank and IMF. For years, they have received sharp criticism for exacerbating poverty through policies such as Structural Adjustment, rapid deregulation and opening barriers to trade before poorer countries are economic ready to do so.

As Western governments and the World Bank and IMF shout ever more loudly about corruption, their own policies are making it worse in both North and South. Particularly at fault are deregulation, privatization, and structural adjustment policies requiring civil service reform and economic liberalization. In 1997, the World Bank asserted that:

- Creditors colluded with, and gave loans to dictators they knew were corrupt and who would squander the money.
- Creditors gave military and political aid to those dictators—knowing arms might be used to suppress popular opposition
- Therefore, successor democratic governments and their supporters, who may have Preventing new wasted loans and new debt crises, and ensuring that there is not another debt crisis, means that the people who pushed the loans and caused this crisis cannot be left in charge.

### **Corruption Effects:**

#### **Effects on politics, administration, and institutions**

Corruption poses a serious development challenge. In the political realm, it undermines democracy and good governance by flouting or even subverting formal processes. In Asia, Corruption in elections and in legislative bodies reduces accountability and distorts representation in policymaking; corruption in the judiciary compromises the rule of law; and corruption in public administration results in the inefficient provision of services. More generally, corruption erodes the institutional capacity of government as procedures are disregarded, resources are siphoned off, and public offices are bought and sold. At the same time, corruption undermines the legitimacy of government and such democratic values as trust and tolerance.

#### **Economic effects**

Corruption undermines economic development by generating considerable distortions and inefficiency in South Asia region. In the private sector, corruption increases the cost of business through the price of illicit payments themselves, the management cost of negotiating with officials, and the risk of breached agreements or detection. Although some claim corruption reduces costs by cutting red tape, the availability of bribes can also induce officials to contrive new rules and delays. Where corruption inflates the cost of business, it also distorts the playing field, shielding firms with connections from competition and thereby sustaining inefficient firms. Corruption also generates economic distortions in the public sector by diverting public investment into capital projects where bribes and kickbacks are more plentiful. Officials may increase the technical complexity of public sector projects to conceal or pave the way for such dealings, thus further distorting investment. Corruption also lowers compliance with construction, environmental, or other regulations, reduces the quality of government services and infrastructure, and increases budgetary pressures on government.

#### **Environmental and social effects:**

Corruption facilitates environmental destruction. Corrupt Asian countries may formally have legislation to protect the environment; it cannot be enforced if officials can easily be bribed. The same applies to social rights worker protection, unionization prevention, and child labor. Violation of these laws rights enables corrupt countries to gain illegitimate economic advantage in the international market. In Bihar, India, more than 80% of the subsidized food aid to poor is stolen by corrupt officials. Similarly, food aid is often robbed at gunpoint by governments, criminals, and warlords alike, and sold for a profit. The 20th century is full of many examples of governments undermining the food security of their own nations – sometimes intentionally.

**Other areas: health, public safety, education, trade unions, etc:**

Corruption is not specific to poor, developing, or transition countries. In Asian countries, there have been cases of bribery and other forms of corruption in all possible fields: under-the-table payments made to reputed surgeons by patients willing to be on top of the list of forthcoming surgeries, bribes paid by suppliers to the automotive industry in order to sell poor quality connectors used for instance in safety equipment such as airbags, bribes paid by suppliers to manufacturers of defibrillators (to sell poor quality capacitors), contributions paid by wealthy parents to the "social and culture fund" of a prestigious university in exchange for it to accept their children, bribes paid to obtain diplomas, financial and other advantages granted to unionists by members of the executive board of a car manufacturer in exchange for employer-friendly positions and votes, etc. Examples are endless. These various manifestations of corruption can ultimately present a danger for the public health; they can discredit certain essential institutions or social relationships. Corruption can also affect the various components of sports activities (referees, players, medical and laboratory staff involved in anti-doping controls, members of national sport federation and international committees deciding about the allocation of contracts and competition places). Ultimately, the distinction between public and private sector corruption sometimes appears rather artificial and national anti-corruption initiatives may need to avoid legal and other loopholes in the coverage of the instruments.

**3.1: Paired Wilcoxon Signed – Rank Test Analysis and Findings:**

The Wilcoxon signed-rank test is a non-parametric statistical hypothesis test for the case of two related samples or repeated measurements on a single sample. It can be used as an alternative to the paired Student's t-test when the population cannot be assumed to be normally distributed. The test is named for Frank Wilcoxon (1892–1965) who, in a single paper, proposed both it and the rank-sum test for two independent samples (Wilcoxon, 1945). Like the paired or related sample t-test, the Wilcoxon test involves comparisons of differences between measurements, so it requires that the data are measured at an interval level of measurement. However it does not require assumptions about the form of the distribution of the measurements. It should therefore be used whenever the distributional assumptions that underlie the t-test cannot be satisfied.

**Purpose**

To perform a hypothesis test to compare two population mean  $\mu_1$  and  $\mu_2$  or two population median  $m_1$  and  $m_2$ .

**Assumption**

1. Simple random paired sample.
2. Symmetric differences.

**Inference for two population means:****Purpose**

To perform a hypothesis test to compare two populations means  $\mu_1$  and  $\mu_2$ .

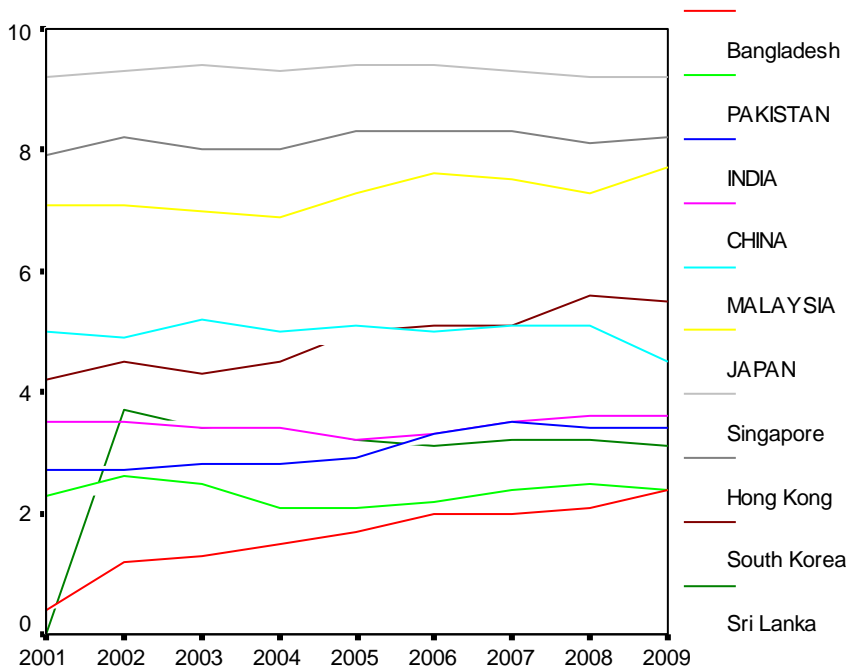
**Assumption**

1. Simple random sample.
2. Independent sample.
  
3. Normal population.
4. Equal population's standard deviation.

**CPI score rakings**



	Bangladesh	Pakistan	India	China	Malaysia	Japan	Singapore	Hong Kong	South Korea	Sri Lanka
2001	0.4	2.3	2.7	3.5	5.0	7.1	9.2	7.9	4.2	-
2002	1.2	2.6	2.7	3.5	4.9	7.1	9.3	8.2	4.5	3.7
2003	1.3	2.5	2.8	3.4	5.2	7.0	9.4	8.0	4.3	3.4
2004	1,5	2,1	2,8	3,4	5,0	6,9	9,3	8,0	4,5	3,5
2005	1.7	2.1	2.9	3.2	5.1	7.3	9.4	8.3	5.0	3.2
2006	2.0	2.2	3.3	3.3	5.0	7.6	9.4	8.3	5.1	3.1
2007	2.0	2.4	3.5	3.5	5.1	7.5	9.3	8.3	5.1	3.2
2008	2,1	2,5	3,4	3,6	5,1	7,3	9,2	8,1	5,6	3,2
2009	2.4	2.4	3.4	3.6	4.5	7.7	9.2	8.2	5.5	3.1

**The Graphical Presentation of Line chart:**

V1

By this line chart we can understand about the Asian top 10 countries corruption situation by the research of “Transparency International”. This chart shows the year to year corruption situation. So, we see that the Bangladesh is most corrupted country by the research of Transparency International. And Singapore is doing better than other. They recover their countries problem by politically, economically and also globally. The above drawn graph the year is represented horizontally. Individual country values are represented vertically.

- In 2001 to 2009 the corruption fluctuates so much in Bangladesh.
- In 2001 to 2009 the corruption does not fluctuate so much in Pakistan.
- In 2001 to 2009 the corruption does not fluctuate so much in India.
- In 2001 to 2009 the corruption remains same in China.
- In 2001 to 2009 the corruption little increases in Malaysia.
- In 2001 to 2004 the corruption remains same but in 2005 to 2009 the corruption has increased a little in Japan.
- In 2001 to 2009 the corruption remains same in Singapore.
- In 2001 to 2009 the corruption remains same in Hong Kong.
- In 2001 the corruption was stable but increasing year and year in Sri Lanka.
- In 2003 the corruption remains same but after that corruption increases a lot in South Korea.

Now we calculate the paired differences of the sample pairs:

Serial number	Country Name	CPI(2008)	CPI(2099)	Paired (d) Difference	d	Rank  d	Signed Rank
1	Bangladesh	2.1	2.4	-0.3	0.3	5	-5
2	Pakistan	2.5	2.4	0.1	0.1	2.5	2.5
3	India	3.4	3.4	0	-	-	-
4	China	3.6	3.6	0	-	-	-
5	Malaysia	5.1	4.5	0.6	0.6	7	7
6	Japan	7.3	7.7	-0.4	0.4	6	-6
7	Singapore	9.2	9.2	0	-	-	-
8	Hong Kong	9.1	8.2	-0.1	0.1	2.5	-2.5
9	South Korea	5.6	5.5	0.1	0.1	2.5	2.5
10	Sri-Lanka	3.2	3.1	0.1	0.1	2.5	2.5

Since three paired different that equal zero, discarding it, we now have a sample of size 7.

So the test statistic is  $w = \text{Sum of the positive ranks}$

$$= 2.5 + 7 + 2.5 + 2.5$$

$$= 14.5$$

The hypothesis is-

$$H_0: \mu_1 = \mu_2$$

$$Vs, H_a: \mu_1 \neq \mu_2 \text{ or } H_a: \mu_1 > \mu_2 \text{ or } H_a: \mu_1 < \mu_2$$

The test is to be performed at the 5% significance level.

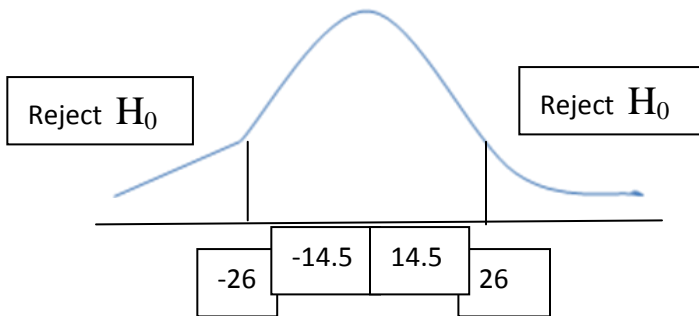
When,

$$H_a: \mu_1 \neq \mu_2$$

The critical value for the two-tailed test is  $W_{1-\alpha/2}$  and  $W_{\alpha/2}$

here  $\alpha/2 = 0.025 = 26$  (where,  $n=7$ )

Do not reject
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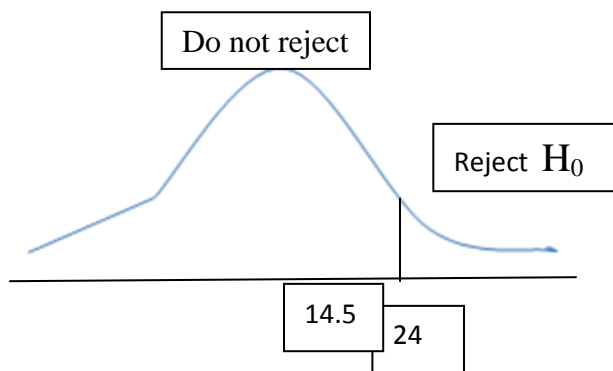


Since, the value of the test statistic fall in the accepted area at 5% level of significant. Thus we accept  $H_0$ .

When,

$$H_a: \mu_1 > \mu_2$$

The critical value for right tail test is  $W_{\alpha} = W_{0.05}$  (where  $n = 7$ )

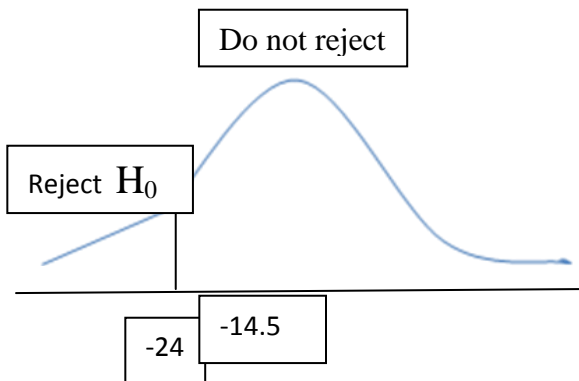


Since the value of the right tail test statistic fall in the accepted region at 5% level of significance thus we accept  $H_0$ .

When,

$$H_a: \mu_1 < \mu_2$$

The critical value for left tail test is  $W_{1-\alpha} = -24$  where ( $n = 7$ )



Since, the values of the left tail test statistic fall in the accepted region at 5% level of significance thus accept  $H_0$ .

**Interpretation:**

At the 5% significance level, the data provide sufficient evidence to conclude that the corruption level in 2008 and 2009 are similar in the world that means the level of corruption in not increase or decreasing in 2009 than 2008.

**Inference for two population mean:**

**In 2009**

$$\bar{x}_2 = 5.00$$

$$S^2 = 6.37$$

$$n_2 = 10$$

Let  $\bar{x}_1$  is the corruption mean in 2008 and  $\bar{x}_2$  is the corruption mean in 2009

So ,

In 2008

$$x_1 = 4.99$$

$S_1^2 = 6.39$ , Standard deviation

$$n_1 = 10$$

The hypothesis is-

$$H_0: \mu_1 = \mu_2$$

$H_a: \mu_1 \neq \mu_2$  or  $H_a: \mu_1 < \mu_2$  or  $H_a: \mu_1 > \mu_2$

So the test statistic is-

$$\begin{aligned} SP^2 &= (n_1-1) S_1^2 + (n_2-1) S_2^2 / n_1 + n_2 - 2 \\ &= (10-1) (6.39)^2 + (10-1) (6.37)^2 / 10 + 10 - 2 \\ &= (9 \times 40.83) + (9 \times 40.58) / 18 \\ &= 367.49 + 365.22 / 18 \\ &= 40.71 \end{aligned}$$

$$SP = \sqrt{40.71}$$

$$= 6.38$$

$$\begin{aligned} t &= \bar{x}_1 - \bar{x}_2 \div SP \sqrt{1/n_1 + 1/n_2} \\ &= 4.99 - 5.00 \div 6.38 \sqrt{1/10 + 1/10} \\ &= -0.01 \div 6.38 \times 1.41 \end{aligned}$$

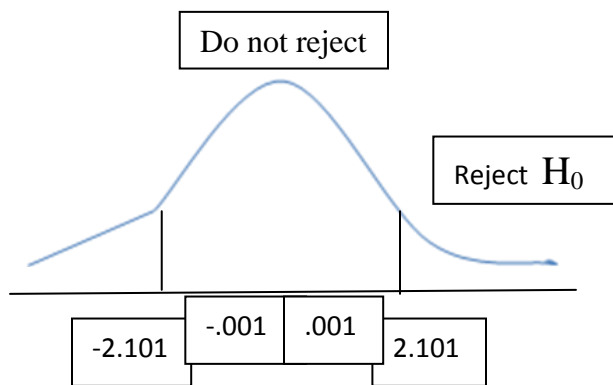
$$= -0.01 \div 8.99$$

$$= -0.001$$

If  $\alpha = 0.05$  and Degrees of freedom = 18 than,

When,

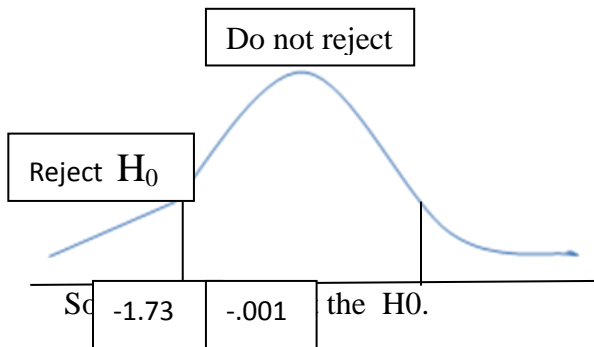
$$H_a: \mu_1 \neq \mu_2$$



So we do not reject the  $H_0$ .

Or,

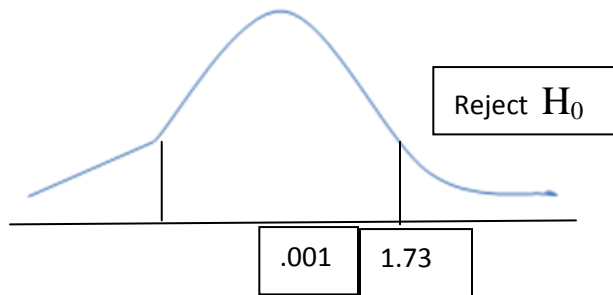
$$H_a: \mu_1 < \mu_2$$



Or,

$$H_a: \mu_1 > \mu_2$$

Do not reject



So we do not reject the  $H_0$

**Interpretation:**

At 5% level of significance, we have enough evidence to conclude that the corruption levels in two years are similar.

**Major findings highlights:**

- Through the line chart In Bangladesh we have found that the corruption decreases in Bangladesh but in 2001-2009 the corruption does not fluctuate so much in Pakistan and India. In China. Singapore Hong Kong. In Japan, Sri-Lanka, South Korea.
- Due to social, economic, and political factors the scores of corruption changes over the time.
- Through “Paried Wilcoxon Signed- Rank Test, Inference population mean and t-test” we have found that the corruption remains same from 2001-2009.
- The Asiatic country has much involvement in increasing corruption.
- The increasing corruption is hampering in the Asians poor or developing countries.
- The corruption hampers the economic growth of a country.
- Due to corruption the foreign investments are decreasing.
- Due to corruption the education system is hampered.
- Corruption is a hindrance to financial sectors like banking, insurance, stock exchange commission etc.
- Corruption hampers the both the public and private sector.

**4.1 Conclusion:**

A useful conclusion that has emerged from the current discussion and ongoing debate on the corruption issue is that corruption is a symptom of deep-seated and fundamental economic, political and institutional weaknesses and shortcomings in a country. To be effective, measures against corruption must therefore address these underlying causes and not the symptoms. Emphasis must thus be placed on preventing corruption by tackling the root causes that give rise to it through undertaking economic, political and institutional reforms. Anti-corruption enforcement measures such as oversight bodies, a strengthened police force and more efficient law courts will not be effective in the absence of a serious effort to address the fundamental causes. Another observation that may be useful to bear in mind is that corruption is most prevalent where there are other forms of institutional weaknesses, such as political instability, bureaucratic red tape, and weak legislative and judicial systems. The important point is that corruption and such institutional weaknesses are linked together and that they feed upon each other. For example, red tape makes corruption possible and corrupt officials may increase the extent of red tape so that they can get more bribes. So, getting rid of corruption helps a country to overcome other institutional weaknesses, just as reducing other institutional weaknesses helps to curb corruption. Our results provide new insight into the relationship between

politics and economic growth. In addition to showing generally that political factors play a large role in determining economic growth, our findings suggest that democracy has yet another benefit to recommend it mitigating corruption's ill economic effects. Given that some nations are rife with corruption, promoting democracy within them may enhance not only their general human rights, but also their opportunity for prosperity.

### **5.1 Recommendation:**

The many factors that contribute to corruption tend to be more common in poorer countries and in economies in transition than in rich countries. Thus, at some point in time, economic development reduces the level of corruption of a country. However, at similar levels of development, some countries are perceived to have more corruption than others. Some economies (Singapore, Hong Kong, Portugal) have managed to reduce the incidence of corruption significantly. With well-focused and determined efforts, corruption can be reduced, though not to zero. Trying to eliminate corruption altogether would be too costly, both in terms of resources and in other ways. For example, it may require excessively high public sector wages, major legal or organizational changes, and excessive limitations in civil rights or very harsh effective penalties. An optimal theoretical level would be reached where the marginal social costs of reducing corruption further would be equal to the marginal social benefits from that reduction. Economic and political competition can reduce the level of corruption and its adverse effects. If different agencies compete in the provision of the same services, corruption will be driven down provided that agents cannot simply steal. Similarly, political competition opens up the government, reduces secrecy, and so can reduce corruption provided that decentralization of power does not lead to agency fiefdom and anarchy. Asian Country Governments can introduce some justice to a system in which international creditors play the role of plaintiff, judge and jury, in their own court of international finance. They might introduce discipline into sovereign lending and borrowing arrangements—and thereby prevent future crises. There must be accountability through a free press and greater transparency to civil society in both the creditor and debtor nations. Local democratic institutions must be strengthening for empowering them to challenge and influence elites. Top Universities must come with greater understanding through economic literacy among citizens, and thereby empower them to question, challenge and hold their elites to account. Fewer countries like Bangladesh Pakistan, India, China must set up an independent authority for anti-corruption so long as it can effectively use its power without being hampered by government officials or the armed forces and should come up with stringent punishments. Citizens must have to understand the benefit to acting with honesty and not with corruption. People cannot be punished for failing to offer bribes or turning in corrupt officials, but instead should be rewarded for behavior in accordance with integrity. Asian Countries can promote strategies to combat corruption. Finally an extraordinary measure should be taken in order to foster business leadership and public support to wipe out corruption.

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