

Asian Resonance

Corruption, Economic Growth and Role of RTI

Abstract

Corruption is a complex phenomenon which gives birth to black money. Its roots have been increased from bottom to top level of the society. Thus, corruption in India is wide spread. Every branch of governance whether it is public sector or private sector corruption prevails. The modernization of society provides wings to corruption. The article aims to analyze and measure influence of corruption on the growth of India. The corruption has many shapes with various types of participants, settings, techniques and culture technique. Corruption level are very high in both types of country either developed or developing.

Keywords: Economic Growth; Corruption; RTI

Introduction

Misuse of trust for self gain called corruption. To achieve the social status a person indulges in the corruption in India. The corruption in both the public and private sector is the basic problem for a country, it adversely affect the development and growth of a country by providing low quality services and low production to the nation. Corruption also degrades the moral values of a person. To gain economic benefits for self or relative a person is involved in the act of corruption. Corruption in India becomes a major issue that is adversely affecting the growth level. A study conducted by Transparency International in 2005 found that more than 62% of Indian experienced of paying bribe to get job in public offices while in 2008 Transparency International reports that about 40% of Indians had firsthand experience of paying bribe to get job in public offices¹. No, doubt the percentage of corruption is reduced in 2008. The role of TI cannot be denied and the anti-corruption efforts played their role. **Sambit Bhattacharyya and Raghendra Jha (2009)** provide evidence that RTI act in India reduces both corruption experience and corruption perception. The study related to corruption by **Fan et al. (2009)** reveals that decentralized government may not increase accountability and reduce corruption if the government structures are complex. **Olken (2007)** also show that top down government audit works better than grassroots monitoring in Indonesia's village road project. **India Corruption Study (2008)** reveals the results for the 11 services, the levels of corruption is at alarming stage in the Bihar, J&K, Madhya pardesh, Uttat pardesh, Assam, Goa and Nagaland. Karnataka, Rajasthan, Tamil Nadu, Meghalaya and Sikkam are found to be at very high level. **India Corruption Study 2008** (<http://www.transparencyindia.org/resource/survey>) transparency international 2008.

Chhattisgarh, Delhi, Gujrat, Jharkhand, Kerala, Orissa, Arunachal Pardesh and Manipur showed the high level of corruption while moderate level of corruption is reflected in Andra Pardesh, Haryana, Himachal Pardesh, Maharastra, Punjab Uttarakhand, West Bengal, Chandigarh, Mizoram, Pondichery and Tripura. In case of 11 services police is given first rank according to the level of corruption and least corruption is noticed in the school education. This study mainly aims to analyze the influence of corruption on country's growth. The study also highlights the role of RTI to reduce the corruption. Thus the objectives of study are:

1. To analyze the impact of corruption on the economic growth.
2. To analyze the role of RTI.

The article is followed by section 2 which discusses data and methodology. Section 3 presents analysis of results and section 4 concludes with suggestions and policy implications

Data and Methodology

Data for the 1995-2013 on corruption have been collected from the Transparency International's India Corruption Study, The Annual

Sulochna Meena

Lecturer,
Deptt. of Economics,
Government College,
Tonk, Raj.

Asian Resonance

Economic Survey, India Corruption Study and Human development Index by Government of India have been used. The corruption perceptions index has been used as a composite indicator that measures perceptions of corruption in the public sector in India. Scores are provided to signify the corruption, where 0 means most corrupt and 100 signifies least corruption. The time dummy is used to capture the effect of the RTI Act. Ordinary Least Squares method has been used to estimate the model. We use the following modeling to estimate the effect of corruption on the economic growth and human development.

$$\text{Model 1: GDP} = F(\text{CPI}) \quad \dots(1)$$

$$\text{GDP} = a + b\text{CPI}$$

$$\text{Model 2: GDP} = F(\text{CPI}, \text{RTI}) \quad \dots(2)$$

$$\text{GDP} = a + b\text{CPI} + c\text{RTI}$$

Where .GDP measures the economic growth and used as a proxy variable for the growth, CPI indicates the corruption scores to measures the corruption, RTI is used as a dummy variable and thus 0 is used for the absence of RTI and 1 is used as the presence of RTI.

Analysis of Results

The analyses of results for the different models are represented as follow;

Growth and Corruption

The model 1 specifies the equation results in the following way;

$$\text{GDP} = -1.03^* + 4.35^* \text{CPI}$$

$$t = (5.24) \quad (6.80)$$

$$R^2 = 0.731^*, \text{ Adjusted R-squared} = 0.716^*,$$

$$F = 46.28$$

(* - Level of significance is less than 1%)

The model 1 represents CPI as the determinant of economic growth, peroxide by GDP. The estimated regression coefficient shows its value as 4.35 stating that with the increase in CPI by one unit the GDP increases by Rs.4,35 crores. Evidently higher the CPI, lower the corruption level and thus higher the level of economic growth has been shown

The results show that the implementation of RTI has affected the levels of economic growth in India positively by controlling the corrupt activities. In comparison with the non RTI period the level of GDP has been found higher by about Rs. 2 crore in the RTI period. The estimated model also depicts the positive role of CPI in increasing growth levels significantly. The value of R² is highly statistically significant and about 82% variation in GDP has been estimated to be affected by the variable of CPI and RTI.

Corruption Perception Index of India 1995-2012

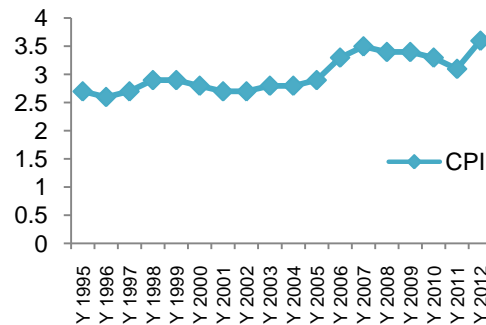
Year	CPI	Year	CPI	Year	CPI
1995	2.7	2001	2.7	2007	3.5
1996	2.6	2002	2.7	2008	3.4
1997	2.7	2003	2.8	2009	3.4
1998	2.9	2004	2.8	2010	3.3
1999	2.9	2005	2.9	2011	3.1
2000	2.8	2006	3.3	2012	3.6

Source : Corruption Perception Index, Transparency International, Berlin

The corruption index of India indicates that after 2005 increasing trend of scores achieved by India. The increasing trend in CPI depicts the down

fall of corruption. In 1995 it started with the score of 2.7 and till 2005 it becomes 2.9 and after 2005 it starts increasing at the higher rate and India got score of 3.6 in 2012. The corruption is found to be the result of poor governance characterized by lack of both transparency and accountability. RTI, which came into existence in 2005 played its role to decrease the level of corruption by increasing the transparency of work. It can be seen clearly by the following graph.

CPI



Conclusions and Policy Implications

The main root of corruption in our country is excessive regulations, complicated taxes and licensing system, bureaucracy, monopoly of institutions which are under government control, lack of transparency and knowledge. The corruption gives birth to black money and desire to pay lower taxes is demand side of corruption. The corrupt officials collect bribes, the budget for the collection of taxes is not sufficient for the government officials. Thus, its process should be simplified and lower tax rate will increase tax receipt ants and will reduce the tax evasion. On the other face in judiciary, corruption is due to the delays in the disposal of cases, shortages of judges and complex procedure. The mind set of judiciary should be changed to disposal the cases as in possible manner citizen carter will be helpful for this purpose. The complex judiciary procedure must be simplified and the shortage of judges needs proper requirement of the posts.

The person seeking information under right to information act should be provided safety to increase the transparency. Pubic services legislation should be implied in all the states of India. So that transparency and public accountability may be increased. Anti corruption laws are there in India but it need mass awareness among the people and it should be provided through the media. The awareness against the corruption will help to reduce the corruption. The lokpal and lokayukta Act, 2013 which came into force from 16 January 2014, seeks to provide for the establishment of the institution of lokpal to enquire into allegations of corruption against certain public functionaries in India. Whistle Blower Protection Act, 2011 which is pending for notification by the Central Government should be implemented in future. E-governance and the use of information technology to check corruption play significant role. But there is no

legal tool to check graft in private sector in India; hence Government should be proposed amendments in existing acts and certain new bills for checking corruption in private sector. In order to prevent bribery on supply side person is ready to give bribe to gain undue benefits thus proper control and check is required.

The main conclusion on the bases of this study is that the RTI supports to control the corruption by increasing transparency and ensuring accountability of the Government.

The capacity building of various stake holders should be build up by organizing workshop and conferences. Definitely the knowledge of RTI, citizen charter and e-governance will help to curb the corruption in India.

References

1. Bardhan, P. (1997), "Corruption and Development. A Review of Issues," *Journal of Economic Literature*, 35(3), 1320-1346.
2. Barro, Robert J. (1996), "Determinants of Economic Growth: As cross- country empirical study," NBER Working paper, No-5698.
3. Bhattacharyya S. and R. Jha (2009), "Economic Growth, Law and Corruption: Evidence from India," ASARC Working paper 2009/15.
4. Bhattacharyya, S. (2009), "Unbundled Institutions, Human Capital and Growth," *Journal of Comparative Economics*, 37, 106-120.
5. Fan, S.C. Len, and D. Treisman (2009), "Political Decentralization and Corruption: Evidence from Around the world," *Journal of Public Economics*, 93, 14-34.
6. Fisman, R., and R. Gatti (2002), "Decentralization and Corruption: Evidence Across Countries," *Journal of public Economics*, 83(3) 325-345.
7. Gujarati, D.N. (2005), "Basic Econometrics," McGraw Hill Publication.
8. Mauro, Paolo (1995), "Corruption and Growth," *Quaterly Journal of Economics*, CX, No.3 (August), pp 681-712.
9. Olken, B. (2009), "Corruption Perceptions vs Corruption Reality," *Journal of Public Economics*, 93, 950-964.
10. Olken, B. (2007), "Monitoring Corruption: Evidence from a field Experiment in Indonesia," *Journal of Political Economy*, 115(2), 200-249.
11. Tanzi, Vito (1997), "Corruption Governmental Activites and Policy Instruments: A Brief Review of the Main Issues," (mimeo. May 1997).