Corruption intensify Poverty
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ABSTRACT
The relationship between poverty and corruption is well understood in many recent studies. This interaction can be a good tool and index to develop programmes in poverty reduction strategies. Corruption in the public sector is often viewed as exacerbating conditions of poverty. Scientist agrees that corruption directly does not produce poverty but it has direct implications on the economy and governance policies lead to poverty. Accordingly all reports and investigations in that respect are indirect. The Economic Model assumes that corruption limiting economic growth. On the other hand the absence of economic growth increases poverty. Inversely, tests have shown that an increase in Gross domestic product produces an increase in the income of the poor. However, income distribution is an important mediating factor because economic growth may not always benefit the poor. Corruption affects poverty by influencing governance factors, which, in turn, impact poverty levels. Corruption reduces governance capacity, and weakens political institutions and citizen participation and leads to lower quality government services and infrastructure. The poor suffer disproportionately from reduced public services. When health and basic education expenditures are given lower priority the illiteracy dominates the society and eventually reduces public trust in government institutions. This paper focuses on the linkage between corruption and poverty and demonstrates that corruption does exacerbate and promote poverty.

Keywords: Corruption, government, infrastructure, Poverty.

Introductory remarks on the terms of poverty and corruption

Poverty is a complex phenomenon. It is usually defined in relation to income, often measured in terms of per capita gross domestic product (GDP). Extreme poverty is often defined as an income of less than $1 per person per day in terms of purchasing power parity (PPP), likewise the United Nations Millennium Development goal (baseline 1990) of reducing by one half by the year 2015 the number of persons who fall under an income-determined extreme poverty line of less than $1.00 per day per person (UNDP 2002). Some researchers define poverty as the lowest income quintile in a referenced population. Critics argue that measuring poverty in terms of GDP or PPP does not fully capture the phenomenon of poverty. A broader definition treats poverty as multidimensional, including (i) low income, (ii) low levels of education and health, (iii) vulnerability (to health or income loss, natural disaster, crime and violence, and education curtailment) and (iv) voicelessness and powerlessness (feeling discrimination, lacking income earning possibilities, mistreatment by
state institutions, and lacking status under the law) (World Bank, 2001). To manage this complexity, researchers have developed indices, such as the UNDP Human Poverty Index, which conceives of poverty in terms of longevity, knowledge, and economic provisioning. Corruption is commonly defined as the misuse of public office for private gain. The USAID Handbook for Fighting Corruption (1999) describes the various forms that corruption can assume. It encompasses unilateral abuses by government officials such as embezzlement and nepotism, as well as abuses linking public and private actors such as bribery, extortion, influence peddling and fraud. Corruption arises in both political and bureaucratic offices and can be petty or grand, organized or disorganized. In reality corruption, by itself, does not produce poverty but has direct impact on economic and governance factors that in turn produce poverty.

Looking on the concept and theory of relationship issue

Many studies address the issue indirectly, few address it directly. Thus, the relationship examined by researchers is an indirect one. Although few other researches prove a direct relationship between the two statuses still the issue under sought. One group of researchers, Gupta et al (1998), found a statistically significant positive association directly between corruption and poverty. Tests for directionality showed that it appears to be corruption that increases poverty.

Corruption hinders economic growth in several ways like discourages foreign and domestic investment, lowers the quality of public infrastructure, distorts the composition of public expenditure, discourages domestic investment, hurts entrepreneurship especially among small businesses and decreases revenue from taxes and fees. How does corruption exacerbate income inequality, this question has been answered by evidence from diagnostic surveys of corruption in several countries which had suggested that corruption aggravates income inequality because of the lower income; households pay a higher proportion of their income in bribes. The literature establishes clearly that corruption impedes economic growth and augments income inequalities. That has reduced economic growth, in turn, increase poverty. There is also evidence that the absence of economic growth (or negative growth) increases poverty. Quibria’s (2002) suggests that the burden of rapid economic retrenchment, such as
seen in Thailand and Indonesia, hurts the poor most heavily. Similarly, in the transition countries of the former Soviet Union, the changeover to a market system was associated with a sharp initial drop in output and significantly higher levels of poverty. The expansion of poverty was initiated by the collapse of GDP, which fell by 50 percent in the FSU countries and 15 percent in Central and Eastern Europe. Poverty was found to be highly correlated with administrative corruption and corruption was empirically associated with lower economic growth rates (World Bank, 2000).

Corruption disrupts governance practices, destabilizes governance institutions, reduces the provision of services by government, reduces respect for the rule of law, and reduces public trust in government and its institutions. Johnston (2000b) suggests that serious corruption threatens democracy and governance by weakening political institutions and mass participation, and by delaying and distorting the economic development needed to sustain democracy. In a study of 83 countries, Johnston compares Transparency International’s CPI with an index of political competitiveness and finds that well-institutionalized and decisive political competition is correlated with lower levels of corruption. These results were confirmed, even when controlling for GDP and examining the relationship over time.

Mauro (2002) looked at the relationship between corruption and the composition of government spending. The aforementioned author found evidence that corrupt governments may display predatory behaviour in deciding how to distribute government expenditures. Specifically, his data showed corruption negatively related to education and health expenditures. The concept of social capital refers to social structures that enable people to work collectively for the good of the group (Feldman and Assaf, 1999). One of the most important and widely discussed elements of social capital is trust; both interpersonal trust and trust in institutions of government. Rose-Ackerman (2001) discusses the complex nature of the relationship between trust, the functioning of the state and the functioning of the market. The study stresses the mutual interaction between trust and democracy and the impact of corruption.

Conclusion

Corruption does exacerbate and promote poverty. Mainly moderated by economic and governance factors. Anti-corruption programs might yield important poverty reduction. Success in reducing corruption will contribute to poverty alleviation. That will promote to Increase economic growth, create more equitable income distribution, strengthen governance institutions and capacity, improve government services, especially in health and education and increase public trust in government.

References: