Corruption in India: Analysis and Remedies

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Prelude

In a modern mixed capitalist system the basic framework has to do with how the economy performs with a wide range of instruments at its disposal (like taxation, public spending, state participation in production, direct controls, regulations, legislation, monetary and debt policy). The functions of the state are very much affected by the kind of ground rules under which the private economy operates. In turn, all of us are constantly affected by the economic and other decisions of the government. In its wide connotation, government or state has three important and mutually dependent components : voters, legislators and administrators. They have strong relationships with one another. Voters express their preferences with relation to public decisions which may or may not be honoured by the legislators who take eventual decisions. The decisions are implemented by the administrators who may or may not be effective. The role of information and of interest groups is crucial to these inter-linkages. The functioning of the economy, and the roles of individuals in their capacity as voters, legislators, and administrators get distorted, amongst other things, by corrupt and immoral practices called 'rent-seeking' and 'directly unproductive profit seeking' activities in the terminology of the 'New Political Economy' (Anand, 1996, 1998) implying, apart from other things, dishonest and improper use of one's power or position for purposes of making illegal money or enhancing one's power and influence.

The purpose of this paper is to briefly analyse the corruption scenario in India as compared to other Asian countries and also to suggest ways and means to combat it in terms of the experience of other countries.

Analysis

Economic literature (Quah, 1999; Ghosh, A. et al., 1997; *Far Eastern Economic Review*, 1974; Palmier, 1985) clearly indicates that :

a) there is a positive correlation between pervasive (widespread) and individual-level corruption basically due to upward and downward linkages amongst the stakeholders leading to trickle-up and trickle-down effects;

b) the actual level/degree of corruption is beyond any direct measurement, and hence one has to rely on :

  i. proxy instruments based on written documents (like press reports, opinion polls, court proceedings and judgements, judicial records, records from anti-corruption agencies), and even television talk-shows and inside stories and also on limited amount of scattered survey data, if any, and

  ii. certain indices like the Corruption Perception Index (CPI), as used and published by Transparency International in 1995, and later updated in 1996 and 1997, and even beyond. The Business International Index (BII) as used by Business International, a subsidiary of the Economist's Intelligence Unit, and the Global Competitiveness Report Index (GCRI) as based on a 1996 survey of firm managers who were queried on the extent of corruption relating to various aspects of business.

The three indices as mentioned in ii) above, and others that can possibly be formulated in a similar way are in fact 'robust' indices in the sense of reliability, and also because they capture, by and large, several close and remote proxy variables directly or indirectly linked with various kinds of corrupt practices.

Based on these three indices, Shang-Jin Wei (1998) sums up the levels of corruption in thirteen Asian countries including India in the following Table given below:

The CPI reflects the level at which corruption is perceived by people working for multinational firms and institutions having a direct impact on economic, social, and commercial life. The BII takes into account business transactions involving corrupt practices and questionable payments. The GCRI is more comprehensive and is based on questions relating to import and export permits, business licences, exchange controls, tax assessments, police protection and loan applications. There are no indices, whatsoever, to measure the level of corruption emanating

Table 1. Perceived Levels of Corruption in Asian Countries

Country	Business International Index (BII) (1-10 Scale)	Corruption Perception Index (CPI) (1-10 Scale)	Global Competitiveness Report Index (GCRI) (1-7 Scale)
Singapore	1.00	2.34	1.24
Hong Kong	3.00	3.72	1.52
Japan	2.25	4.43	2.07
Taiwan	4.25	5.98	3.22
Malaysia	5.00	5.99	3.97
South Korea	5.25	6.71	4.34
Thailand	9.50	7.94	5.55
Philippines	6.50	7.95	5.56
People's Republic of China	NA	8.12	4.10
India	5.75	8.25	5.11
Indonesia	9.50	8.28	5.56
Pakistan	7.00	8.47	NA
Bangladesh	7.00	9.20	NA

Source : Wei, Shang-Jin, 1998.

from the functioning of political systems and bureaucratic mechanisms.

In the above table, countries are ranked from 1 to 10 in the case of BII and CPI measures, and from 1 to 7 in the case of GCRI measure according to the lowest and highest degree of corruption. In other words, for all the three indices lower score means less corruption, and higher score implies more corruption. For example, in terms of all the three indices, Singapore is the least corrupt country, but for other countries, the three indices, taken together, present a mixed picture: the BII ranks Thailand and Indonesia, the CPI ranks Bangladesh and the GCRI identifies Indonesia and Philippines as the most corrupt countries.

In this kind of situation, the best thing is to rely only on indices like GCRI that are relatively more comprehensive capturing corruption in different spheres, and in different shades.

The table also shows the perceived level of corruption in India as indicated by the three indices. As can be seen, India ranks quite high in the given Asian countries at number four both in terms of BII and CPI and at number three in terms of GCRI. According to the latest CPI for the year 2000, India, once again, falls in the most corrupt countries of the world having sixty-ninth position among the ninety surveyed

countries. In fact, the corruption scenario in India is highly dismal and is growing worse (Ramakrishnan, 2000). There is another fact in terms of rent-seeking losses to India's national income that substantiates this high level of corruption in the country. These losses amounted to between 30 percent and 40 percent in 1980 and 1981 (Mohammad, et al., 1984), and looking at what is happening in the country both in terms of commitment of political leadership and anti-corruption measures, it can easily be maintained that, over the years, corruption levels with their pervasiveness and individual portraits have gone up. Given the perceived high levels of corruption in India and also the fact that it has been in a way institutionalised, leading to unauthorised leakages of monetary and other resources, it is a pity that neither our political leaders nor our administrators ever talk of corruption, its levels and its minimization or reduction as an overall strategy of either the various plans, or the annual budgets or other such programmes. In the matrix of anti-corruption strategies (Quah, 1982), as based on the level of commitment of political leaders and the adequacy of anti-corruption measures, India perhaps falls in the 'Hopeless' strategy cell indicating weak political commitment and inadequate anti-corruption measures, whereas a country like Singapore falls in the 'Effective' strategy cell indicating strong political commitment and adequate anti-corruption measures.

Way-out

Corruption and its fallouts can be reduced only when an adequate anti-corruption strategy is made effective through strong political and bureaucratic will. And for this the root causes of corruption have first to be diagnosed, and then eliminated or minimized. The root causes of bureaucratic corruption in the case of India and a few other Asian countries (Indonesia and Hong Kong) basically originate from opportunities geared by the involvement of civil servants in the administration control, and final disposal of lucrative activities, disproportionate salaries, and weak and ineffective policing in terms of detection and the consequent punishments (Palmier, 1985). Apart from these causes the politician-criminal-bureaucrat nexus existing merely for individual gain and survival, and for expanding their tentacles all over and showing no sincerity and reverence towards values, is also a crucial debilitating factor (Venkatachaliah, 2000; Anand, 1998).

Apart from learning from the experience of other countries (like Singapore, the least corrupt country in Asia), in terms of changing the

public perception of corruption as 'a low-risk, high-reward' activity to 'a high-risk, low-reward' activity, and also basing the comprehensive anti-corruption strategy on the 'logic of corruption control' in terms of focussing on the removal or minimization of incentives and opportunities that make individual corrupt behaviour irresistible (Quah, 1989). India has just to make strong determination to combat corruption, given the various legislations and its legal structure. The only thing which has to be ensured is proper, impartial, and unbiased use of the various anti-corruption acts to take strong deterrent, prompt and timely legal action against the offenders, irrespective of their political/bureaucratic connections, and money or muscle power. Beyond that, there is a widespread perception, and it is also widely seen in everyday life, that India is increasingly becoming a soft state in terms of postponing or ignoring, diplomatically, the use or application of the given legal sanctions or discretions, if any, in crucial matters. This attitude requires a paradigm change starting with a tough treatment (within the given framework) of anyone involved directly or indirectly in corrupt practices. The law enforcement authorities have also a crucial role to play in this context. Presently they are viewed with suspicion. They have to evoke faith not terror and have to change their mindset to be fully accountable to generate public confidence. Judiciary, which is presently under great strain, has to provide speedier and less expensive justice by enhancing its infrastructure and incorporating modern methods to activate the whole procedure (Venkatachaliah, 2000).

These prescriptions combined with strong and undaunted political will and long-period macro anti-corruption strategies, will no doubt make India, in time to come, a less corruption-free society, and once the beginning is made, the end result would be highly rewarding.

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