Corruption in India: Causes and Cures

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Abstract

Corruption, today, is attracting a lot of attention in India and around the world. Certainly, the phenomenon of corruption is something not new; it prevailed in early days also. Corruption, however, is at its peak world-wide now. Print media in the New Millennium unhesitatingly expose and published corruption in newspapers columns or in magazines and journals, something which it doesn't usually do few decades ago. The paper surveys and discusses the issues related to the causes and scenario of corruption in India and possible corrective action to fight against it. It emphasizes the point that the fight against corruption may not be an easy job and cannot be independent from the purview of the reform of the state. Having said, if certain measures in the form of reforms are not made immediately in India, the level of corruption will grow even bigger in proportion than now in the years to come and is likely to be a huge problem regardless of actions directly aimed at curtailing it.

Key Words: *Corruption, Corrective action, New Millennium, Peak, Role of state, Regulations.*

I. INTRODUCTION (GROWTH OF CORRUPTION IN INDIA)

The phenomenon broadly referred to as 'Corruption' by Vito Tanzi has attracted wide

attention in India especially in the New Millennium (21st Century). It was in the last decade of the 20th century Vito Tanzi in an International Monetary Study (1998) has highlighted the increasing worldwide attention to this phenomenon. Its increasing attention is further felt when the UN Convention against corruption was passed on 31st October 2003 and 9th December is observed annually as Anti-Corruption Day to raise public awareness. The theme of International Anti-Corruption Day 2020 is RECOVER with INTEGRITY which focuses on recovery through corruption mitigation and emphasizes that inclusive COVID-19 recovery can be achieved with integrity. This year the first ever UN General Assembly Special Session (UNGASS) focused on corruption will take place in New York (2-4June, 2021).

Corruption is something not a new or recent phenomenon in India. It has prevailed in Indian society from time immemorial in one form or the other. In the *Mahabharata* of epic age, applying corrupt means Duryodhana defeated Yudhisthira in the game of dice and this is how Pandavas were exiled in the forest for many years. More than two thousand years ago, Kautilya or Chanakya, the prime minister of an Indian king (Chandragupta Maurya) had written a book on statecraft, 'Arthasastra' discussing corruption. The British won the historic battle of Plassey (23 June, 1757) against the mighty Nawab of Bengal, Sirajuddaullah, not because of their bravery and superior martial qualities but by promising the throne of Bengal for Mirzafar (commander-in-chief of Sirajuddaullah) on victory and bribing other influential men of the Nawab like Manik Chand, Rai Durlabh, Jagath Seth and Omni Chand.

That the level of corruption has increased substantially in India is a fact, and not myth. Several arguments can be advanced that suggest that corruption is simply attracting more attention now in India than in past.

India is also a signatory to the United Nation Convention against corruption since 2005 (ratified 2011).Thus, arguments above lead to the conclusion that the phenomenon of corruption in India has increased over the years, a fact, which can be gleaned from the current interest in corruption in the country.

2. OBJECTIVES

The study has the following objectives—

- To examine the growth of corruption level in India
- To highlight the possible causes of corruption
- To suggest feasible measures for reducing corruption in the country.

3. METHODOLOGY

The secondary data is widely used in preparing the article. Primary source is sparingly used. Graphics- table and curves where applicable are used. The books, magazines, journals are used as medium of secondary data. Data collected from different sources are qualitatively analyzed by the author. The most recent data may not have found place everywhere in the article, however care have been taken to accommodate the same sparingly.

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4. DISCUSSION AND FINDINGS

The Oxford English Mini dictionary defines 'Corrupt' as willing to act dishonestly in return for money etc. or evil or immoral'. Originally the word 'Corrupt' comes from Latin "Corrumpera" which means "destroy completely", and is first meant "to destroy or spoil the flesh, fruit, or organic matter by dissolution or decomposition".

Vito Tanzi in his International Monetary Fund Study (1998) says:

"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 discussion of corruption at conferences and meetings. However, like an elephant, even though it may be difficult to describe, it is generally not difficult to recognize when observed. In most case, though not all, different observers would agree on whether a particular behavior is often difficult to observe directly because, typically, acts of corruption do not take place in broad daylight".

However, the most popular and simplest definition of corruption is the definition used by World Bank. It defines: "Corruption is the use of public office for private benefit".

(A) CORRUPTION SCENARIO IN INDIA

India is not free from corruption ever since she achieved independence on August 15, 1947.The just released (January 28, 2021) Transparency International (TI)'s corruption perceptions index which ranked India in the 86th position in the world is sham to BJP led NDA government's promise of corruption free India. It is a setback to a country of more than 138 crore of population as it slipped from 80th rank in 2019 to 86th in 2020 among 180 countries across the globe. This year New Zealand and Denmark were ranked at first position with scores of 88. Somalia and South Sudan were ranked lowest at 179th position with scores of 12. The BJP govt.'s vision is to make poverty and corruption free India by 2022. Its dream was to celebrate 75th Independence Day (2022) in a unique way by eradicating poverty and corruption from the country.

Table 1: Bribery rates: The highest and lowest

Highest Rate		Lowest Rate	
Country	Rate	Country	Rate
India	39%	Maldives & Japan	2%
Cambodia	37%	South Korea	10%
Indonesia	30%	Nepal	12%

In addition to bribery, the use of personal connections to access public service is also prevalent across Asia. India again maintained the highest percentage of personal connections (46%) to access public services followed by Indonesia (36%0 and China (32%). Japan (4%) and Cambodia (6%) use the least personal connections to access public services.

Out of those surveyed in India, 42% paid bribes to police, 42%used money to get documents and 38% paid money for court related issues. The survey further says that 63% feared retaliation while reporting corruption.

Table 2: Personal Connections rate: The highest and lowest

Highest Rate		Lowest Rate	
Country	Rate	Country	Rate
India	46%	Japan	4%
Indonesia	36%	Cambodia	6%
China	32%		

Recent report of the India corruption 2019, carried out between October 2018 and November 2019 in 248 districts across 20 Indian states shows following percentage of corruption.

Table 3: Corruption Rate in India

Sl. Nos	States	Percentage (%)
1	Rajasthan	78
2	Bihar	75
3	Jharkhand	74
4	Uttar Pradesh	74
5	Telangana	74
6	Punjab	63
7	Karnataka	63
8	Tamil Nadu	62

NB: All states are not covered in the table.

It is interesting to note here that Kerala (10%) that has the highest percentage of literary rate is one of the least corrupt states in India.

(B) FACTORS THAT PROMOTE CORRUPTION IN INDIA (DIRECT FACTORS)

In India even with much of the world under partial or full lockdown and lockdown inmost parts ofthe country during COVID-19 pandemics there's no shortage of bribery and corruption cases throughout the year 2020. The recent release (January2021) of Transparency International corruption perceptions index ranking of India in the 86th position will tell the gamut of the story. Vito Tanzi in his IMF Working (1998) study has pointed out that corruption is generally connected with the activities of the state and especially with the monopoly and the discretionary power of the state. The possible causes of corruption in India are discussed below:

(a) **Excessive regulations and authorizations:**

In India, corruption is caused by excessive caused by excessive regulations and authorizations. Opening a shop, building a hotel, obtaining a license for petrol pump, engaging in foreign trade, getting a passport, going abroad and so on require specific documents or authorizations. The existence of these regulation and authorizations gives a kind of monopoly power to those officials who authorize or inspect the activities. Many times these officials use their public power to extract bribes from those who need the permits or authorizations.

(b) **Complicated taxation system:**

The taxation system in the country is very cumbersome and complicated. It is sometimes beyond the understanding of intelligentsia also. In the Indian context the following can be discerned:

(i)   the tax laws are difficult to understand.
(ii) taxes encompass everywhere
(iii) tax administrators have discretion over important decisions
(iv) taxes are high and excessive bureaucracy regulation
(v)   the wages of tax administrators are not so high;
(vi) acts of corruption on the part of the tax administrators are ignored, not easily discovered, or when discovered are penalized only mildly

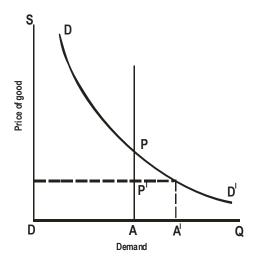As a result corruption is a major problem in tax and customs administration in the country.

(c) **Spending decision (Investment projects, Procurement spending and Extra-budgetary account):** There are specially three areas where corruption usually takes place in the country. It may have been due to lack of transparency and effective institutional control. They are: i) Investment Projects, ii) Procurement Spending and iii) Extra-Budgetary Accounts.

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(d) Limited supply of goods and services: In India, sometimes the government engages in the limited supply of goods, services and resources. This may be related to ; (a) Foreign exchange; (b) Credit; (c) Electricity; (d) Water; (e) Public housing; (f) Some rationed goods; (g) Access to education and health facilities; (h) Access to public land; and so on.

In some cases, because of limited supply, rationing or queuing becomes unavoidable. Excess demand is created and decisions have to be made to apportion the limited supply. These decisions were often made by public employees. The customers who needed these goods are unafraid to pay a bribe to get access to them. It is, therefore, not surprising cases of corruption have been reported.

Figure 1: Demand Curve

Source: Economics Manual, Tata Mc Grow Hill.

In the demand curve, DA represents the supply of the Goods or service available. DD^1 is the demand schedule. Then the equilibrium price would be AP and at that price the quantity demanded is DA. However, suppose the price set by the government declines to AP^1. In that case there will be an excess Demand equal to AA^1 because of fall in price of good. Now, this excess demand may bring rationing and offers of bribes by the customers or demand for bribes by those officials who administer these programs or run the system.

(e) Other discretionary decision: The discretionary power enjoyed by officials in some matter often lead to corruption. In India, some public officials find themselves in positions where they have discretion over important decisions. The important areas are:

(i) Provisions of tax incentives against income tax, value added taxes, and foreign trade taxes; (ii) Decisions as to the particular use of private land;(iii) Decisions as to the use of government – owned land for logging purpose, permission to cut trees from publicly – owned forest or to exploit lands for extraction of mineral wealth and so on; (iv)Decisions that authorize major foreign investments, often undertaken in connection with domestic interest, often providing the privileged investors with some monopoly power; v)Decisions related to the sale of public sector assets, including the right to extract natural resources; vi)Decisions on the privatization of state – owned enterprises; vii)Decisions providing monopoly power to particular export, impact or domestic activities.

(f) Financing of parties:

India is a democratic republic where frequent elections are held with innumerable political

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parties, splinter groups and hundreds of independents in the field. The election is a costly affair in our country. As a result the political parties want to amass wealth to fight and win elections which lead to corruption. They may seek donations from various industrialists and business houses. In return the businessmen seek and obtain various overt and covert concessions, benefits and advantages. All these acts lead to corruption in the country.

(g) Privatization:

Since 1991 the government of India has been following the policy of liberalization, privatization and globalization, due to which economic changes have taken place in recent years. The private sector has been freed from many regulations; the governments has removed restrictions on import of goods, reduced taxes on imported goods, and encourage investors from abroad to invest in India. This is a good step. And the present policies of NDA govt. under honorable Modi is heading further step towards privatization. However, too much of privatization is ominous sign of breeding ground for corruption.

(C) FACTORS THAT PROMOTE CORRUPTION IN INDIA (INDIRECT FACTORS)

Besides the factors that promote corruption directly, there are other factors which contribute to corruption indirectly. Some of these are discussed below:
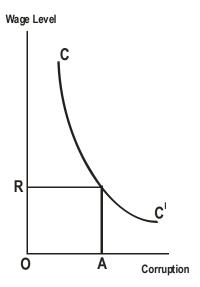
(a) Quality of democracy:

The quality of the bureaucracy varies greatly among countries. In some public sector jobs give a lot of prestige and status while in others, much less so. Many factors contribute to that quality. In Indian case the civil servants selected and appointed through Union Public Service Commission are less corrupt than those appointed through various State Service Commissions. The fact is less recruitment and promotions are based on merit in case of state appointee compared to UPSC and hence higher extent of corruption by state bureaucrats. The APSC Scam (2016) and more recent SI scam (2020) of Assam may be cited here.

(b) Public Sector Wage Differences:

Many observers have speculated that the wages paid to civil servants and other employees of various departments (state and central) are important in determining the degree of corruption. Assar Lindbeck (1998) attributes the low corruption in Sweden in the previous century partly to the fact that high – level administrators earned 12 – 15 times the salary of an average industrial worker. In India there is wage differentiation and facilities of employees (state and Central), a fact, which, is partly responsible for widespread corruption in the country. Even though some employees (State and Central) are paid handsomely, one can speculate that there may be corruption due to greed and corruption due to need.

Figure 2: Linear Curve

Source: IMF Working paper (Tanzi)

In the linear curve, suppose CC' represents the tradeoff between the levels of corruption and the level of wages. The general hypothesis is higher the wage level, the lower is the corruption, Let OR represent a level of wage Consistent with the Minimum required by the family of public employee for a decent living. From the curve, it can be assumed that OA is corruption due to greed while corruption beyond OA would be due to need. The figure also implies that regardless of the difference in wage level, some Public officials may be corrupt because of their own psychological or moral make up or the bribes offered may be too large to resist.

(c) Penalty systems:

In theory, corruption would be reduced by increasing the penalties on those who get caught. But in the real world relatively few people are punished for acts of corruption in spite of the extent of the phenomenon. In India the administrative procedure followed before a public employee for acts of corruption are slow and cumbersome. More than not often legal, political or administrative impediments prevent the full or quick application of the penalties. It took 18 long years to convict (sept.27, 2014) Tamil Nadu Chief Minister Jayalalithaa guilty of corruption in the "disproportionate wealth" case. The prosecution case against her was that she had amassed wealth worth Rs.66 crore, including immovable property, business enterprises and cash, in her name and in the names of three other accused, Sasikala Natarajan, V.N Sudhakaran and J. Ilavarasi, when she was Chief Minister from 1991 to 1996.Furthermore, the judge who will impose the penalties may themselves be accessible to corruption or may have biases, so that they may be brought by the accused or may obstacles to the proceedings. In India over the years there have been numerous judge who faced allegations of corruption, however in 2011, Soumitra Sen, a former judge at the Kolkata High Court became the first judge in India to be impeached by the Rajya Sabha, the upper house of the Indian Parliament for misappropriation of funds.

(d) Institutional Control:

Generally, the most effective control of corruption exists inside institution. Honest and effective supervisors, good auditing offices and clear rules on ethical behaviors would be good criteria to discourage or discover corrupt activities. What is the problem with the countries like India is absence of transparent laws and systems resulting in the rise of corruption in the country. Moreover India have not yet created anti-corruption Commission or offices meant for combating

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corruption on the lines of Singapore, Hong Kong, Uganda, Argentina and others. There are, however, different anti-corruption laws in the country like the Indian Penal Code (1860), The Prevention of Corruption Act (1988), The Prevention of Money Laundering Act (2002) and others.

(e) Lack of Transparency in rules laws and processes:

In many countries including India, the lack of transparency in rules, laws, and processes creates a fertile ground for corruption. Rules in India are more often or not confusing, the documents specifying them are not publicly available and at times, the rules are changed without proper notification or public announcements. The language in the official documents are often not clear and sometimes beyond the grasp of educated class. Laws or regulations are written in a way that only trained layers can understand them and are often conceptually and linguistically opaque which leave grounds for different interpretations. Moreover the judicial process is cumbersome and time consuming which take months and years to give final verdict on important cases. In a way justice delayed is justice denied in our country. Thus, the processes or procedures on policy matters and other actions in India are opaque and at times it is difficult to understand the process that was followed before a decision was reached.

(f) **Examples by leadership:**

There is a maxim, 'Example is better than precept.' But in a country like India, when the top political leaders do not provide the right example because they engaged in acts of corruption, it cannot be expected that the employees in the public administration will behave differently. The recent Jayalalitha's 18-year-old disproportionate wealth case may be cited here. The same argument applies within particular institutions such as tax administration, customs, public-enterprises, and so on. These institutions cannot be expected to be corruption-free if their heads do not provide the best examples of honesty.

It is discernable from the above discussion that inherent defect in the systems is itself responsible for corruption in the country. The defect in the systems needed ratification for reducing corruption.

5. WAY OUT OR SUGGESTIONS

The Corruption Perceptions Index (CPI-2019) has to say that in democracies like India and Australia, unfair and opaque political financing, undue influence in decision-making and lobbying by powerful corporate interest groups has resulted in stagnation or decline in the control of corruption. As Rome was not built in a day, corruption cannot be wiped out in a few days or years. The very nature of the complexity of its phenomenon makes the fight against corruption really tough and be pursued on many fronts. Again, corruption cannot be abolished altogether because in doing we have to abolish the state as pointed by Gary Becker in one of his Business week columns. But civilized society cannot function without a state because the states have many functions. In fact, no country is free of corruption and none scores a perfect hundred (100) in the perception index. India's current score is 40 and ranked 86[h] in Transparency International Corruption Perceptions Index, 2020. New

Zealand and Denmark are the least corrupt country with a score of 88 apiece and ranked 1st.

6. CONCLUDING REMARKS

In this article the author has discussed how potent is the phenomenon of corruption in India. Corruption is both epidemic and endemic in our country. It is very widespread and often contaminates the actions of policy makers. Some of the policies and actions of the government itself is a breeding ground for corruption in India. Therefore, without modifying the way government operates today, it is unlikely that corruption can be substantially reduced in India. In a way, the fight against corruption is intimately linked with the reform of the country.

The author agrees with Vito Tanzi's strategy of the need of action on at least four fronts to reduce corruption. These four fronts as highlighted by Tanzi were:-

(i)   Honesty and commitment by the leadership to the fight against corruption and zero tolerance for it;
(ii)   Need for policy changes that reduce the demand for corruption by scaling down regulations and other policies such as tax incentives, and by making those that are retained as transparent and non-discretionary as possible. Discretion must be kept to the minimum;
(iii)   Step to increase public sector wages, incentives toward honesty behavior, and by instituting effective controls and penalties on the public servants to scale down corruption graph; and

(iv)   Solving the problem of the financing of political parties which the need of the hour as far as India is concerned.

In conclusion, our society can do a lot to reduce corruption in the country, but as the saying goes, 'United we stand, Divided we fall,' we should fight against corruption collectively. Some of the existing policies and actions of the government require major changes. The scrapping of the age-old Planning Commission of India and replacing with National Institution of Transforming India (NITI) Aayog in 2016 is a giant step towards it by the BJP lead present NDA govt. It already is showing its result but still a long way to go. Let's then wait and see how our present government changes India and fight the dreaded evil, *CORRUPTION* in days to come. Winding up with Robert Frost's poem; '***Stopping by Woods on a Snowy Evening***':

> *But I have promise to keep,*
>
> *And miles to go before I sleep,*
>
> *And miles to go before I sleep.*

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