

Corruption india barrier or support countrys economic growth politics essay



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Simply enough corruption can be defined as the abuse of public office for personal gain. Its depletion is however a different issue. There are some nations in the world where it doesn't exist and some – Indonesia, Paraguay, Nigeria, Bangladesh, and India – where it exists in every corner of public life. This research paper focuses on the nature of corruption in India. Since India is playing a much huge role in the world's present economy, the issue of corruption is falling under a strong spotlight. There are two possibilities: As India's MNCs advance both economic and political muscle; they might act as a broom and sweep corruption from the economy. On the other hand, ethical practices may prove the stronger force, and corruption could end up being a major halt on Indian economic rise. But is it ethical for a country's economy to rise with the support of corruption at the cost of depriving millions of its citizens of their rights?

In any form corruption is believed to be an incurable disease cause of many social and economical evils in the society and damage to the moral and ethical fibers of the civilization. Unarguably, it is right that corruption breeds many wrong doings in the society & once it starts to take place, slowly and gradually becomes after some time an incurable disease. From the economic perspective, there is no clear link between corruption and rise in economy. There are many countries having corruption prevailing and have an excellent economic status as well with other countries having a low corruption standing but poor in terms of economic growth. In the long run, corruption destroys the morality of the society, ethically and economically. May be in the long run, a country would need non-corrupt government to be in the high income group, may be rapid growth of income by its employing better

accountability and governance, may be corruption in long run breeds into several misfortune and evils of the society. But having a completely transparent govt. is not necessarily a result for rapid economic growth.

Corruption cannot be defined easily but in a deeper sense it is mostly concerned with bribery and has various forms. Being a global phenomenon, it has progressed and is now strong in the Indian society. In India, it is a result of the mash between bureaucrats, politicians and criminals. India has now become a consideration state where everything can be had for a consideration. The number of officials with an honest profile is easily countable on fingers. There was a time, bribe was paid for getting wrong things done but now bribe is paid for getting right things done at right time.

In an interview with Jitendra Singh and Ravi Ramamurti, professor of international business at Northeastern University, Singh said that “ In the bad old days, particularly pre-1991, when the License Raj held sway, and by design, all kinds of free market mechanisms were hobbled or stymied, and corruption emerged almost as an illegitimate price mechanism, a shadowy quasi-market, such that scarce resources could still be allocated within the economy, and decisions could get made. Of course, this does not in any way condone the occurrence of such corruption. The shameful part of all this was that while value was captured by some people at the expense of others, it did not go to those who created the value, as it should in a fair and equitable system.”

He mentions that there was a distortion of incentives within the economy, as people found unproductive behaviors to be of short-term gains. Thus,

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utilizing positions of power that could bestow favors became more important than bringing out new ideas and innovations. Even if tried, the process of eradicating corruption will be too low paced and it cannot change overnight. The costs of corruption are rooted in various parts of the economy. Improper infrastructure, of course, is widely recognized as a serious impediment to India's advancement. Producing valuable goods is of limited utility if they cannot be transported in a timely fashion, for example. Transparency International estimates that Indian truckers pay something in the neighborhood of \$5 billion annually in bribes to keep freight flowing. "Corruption is a large tax on Indian growth," Ramamurti said in an interview after the conference. "It delays execution, raises costs and destroys the moral fiber."

Corruption also cripples the effort to ameliorate poverty in India and to improve the country's stock of "human capital." The rate at which this happens varies tremendously from region to region. Edward Luce, for example, author of *In Spite of the Gods: The Strange Rise of Modern India*, notes that "Rates of theft vary widely from state to state in India, with the better states, such as Kerala and Tamil Nadu, getting more than 80% of subsidized government food to their poor. Meanwhile, in the northern state of Bihar, India's second poorest with a population of 75 million, more than 80% of the food is stolen."

"A few Indian companies," Ramamurti said, "such as the Tata group or Wipro, have taken the high road, but most firms find it impossible to get anything done without greasing palms." Wipro, headed by Azim Premji, is India's third-biggest global tech services provider (behind Tata Consultancy <https://assignbuster.com/corruption-india-barrier-or-support-countrys-economic-growth-politics-essay/>

Services and Infosys). In *Bangalore Tiger: How Indian Tech Upstart Wipro Is Rewriting the Rules of Global Competition*, business journalist Steve Hamm writes that “ Wipro is not just a company, it’s a quest.” That quest, according to some observers, is as much about moral rectitude as it is about business success. For example, according to Hamm, the company pays no bribes and has a zero tolerance policy for corruption.

“ The paradox,” Ramamurti said, “ is that even though India’s faster growth in recent years is the result of fewer government controls, most Indian managers would tell you that corruption has increased, not decreased, in tandem. How could this be? The explanation is that faster growth has created new choke points at which politicians and bureaucrats can extract payments, such as land regulation, spectrum allocation or college admissions — all of which have become much more valuable in [this century]. Faster growth has also raised the economic cost to firms of delays in public approvals, giving officials that much more ‘ hold-up’ leverage over private investors.”

Corruption in India leads to promotion not prison. It is very difficult to catch “big sharks”. Corruption in India has wings not wheels. As nation grows, the corrupt also grow to invent new methods of cheating the government and public.

A survey conducted by Transparency International cites India as far worse than China and refers to her as a country where bribery and corruption are among the worst in the world. In a developing country, resources are always scarce and demand greater than supply. The recipients of public services are

mostly the poor, illiterate, ignorant and weak. Thus it is the ordinary man who suffers most from misgovernment and corruption. Yet in India, even the highly educated lack the power to protest. There is no accountability or transparency among public servants and outdated systems like the license-permit-quota-inspector system continue to prosper even in the face of liberalization and globalization. The overabundance of laws and statutes and discretionary powers only provides further breeding ground for bribery and corruption.

Recent Incidents

A spate of high-profile corruption scandals has rocked the Indian government in the last few months and is threatening foreign investor confidence. The scams include allegations of graft against officials responsible for last year's Commonwealth games hosted by New Delhi, a telecom case involving the government underselling mobile-phone licenses for kickbacks that may have cost the exchequer nearly \$40 billion, and a housing scam in which politicians, bureaucrats, and military officials are accused of taking over a plush Mumbai apartment block intended for war widows.

Prime Minister Manmohan Singh, whose government has come under fire from opposition parties and the media, has vowed to crack down on corruption. But as the BBC's Soutik Biswas notes, India has a poor record of prosecuting corruption and an even grimmer record on actual convictions.

India ranks 87 out of 178 countries on Transparency International's 2010 Corruption Perceptions Index. A 2010 report from Washington-based think tank Global Financial Integrity blames India's poor governance for the tax

evasion and corruption, which result in illicit financial flows from the country of at least \$462 billion. “ It is an issue which needs to be tackled, because corruption not only reduces the social acceptability of whatever growth we achieve, but actually reduces growth,” India’s Planning Commission Deputy Chairman Montek Singh Ahluwalia told the World Economic Forum.

Some investment analysts say corruption is already a factor in declining foreign investment — which has been a key to India’s growth over the last two decades — and is worrying domestic investors, too. Foreign institutional investors (FIIs) became net sellers for the first time in January since May 2010, shedding some \$1. 4 billion in holdings, according to industry data. “ We’re not claiming FII flows are driven simply by corruption concerns,” said analysts from Espirito Santo Securities in Mumbai, but “ corruption and ensuing political risk has without question become a major concern.” India’s surging growth rate of nearly 8. 5 percent is also under threat from high inflation, which may further scare off foreign investors.

A report from international organizations, including the UN Global Compact, estimates that corruption adds as much as 10 percent (PDF) to the total cost of doing business globally, and as much as 25 percent to the cost of procuring contracts in developing countries. When it comes to ease of doing business, the World Bank ranks India 134 out of 183 countries in 2011.

Corruption also harms poverty-alleviation efforts in India. The World Bank has found corruption the single greatest obstacle to economic and social development.

India has a right-to-information law that promises to make government accountable, but whistleblowers have often had a fight on their hands, in several instances paying with their lives. The government has a draft anti-corruption bill scorned by many activists who have coalesced under the banner “ India Against Corruption.” Indian businessmen, too, are calling for effective legislation to counter corruption. The most promising drive for change, say some commentators, comes from India’s civil society, with initiatives such as I Paid a Bribe, an online tool where citizens report instances where they have paid or resisted the demand for a bribe.

A survey conducted by World Development Report some year ago, business man in surveyed countries said that the main problem with corruption was that it increases risk and uncertainty . The risk declined dramatically if corruption produced reliable outcome . If all player have to play 10% and could treat of getting their license entrepreneurs could treat this as just one more tax, factor it into their calculations of profit and so could invest with confidence of sure gain.

The quality of institution seems to be the most important factor for the growth of a countries . If the institution work moderately well, progress is possible even if money is skimmed off at the top . But if the institution are incapable of enforcing any right, corruption will hasten economic collapse.

So far Indian economic is concerned the slow progress is the result of lack of decision making at higher level . Many politician who take money but could not enforce their will because of powerful lobby of bureaucrats at many place

and a democracy like India , voice of media , voice of opposition could suppress the wish of the leader .

Causes of corruption

The causes of corruption are many and complex. Following are some of the causes of corruption.

- Emergence of political elite who believe in interest-oriented rather than nation-oriented programs and policies.
- Artificial scarcity created by the people with malevolent intentions wrecks the fabric of the economy.
- Corruption is caused as well as increased because of the change in the value system and ethical qualities of men who administer. The old ideals of morality, service and honesty are regarded as anachronistic.
- Tolerance of people towards corruption, complete lack of intense public outcry against corruption and the absence of strong public forum to oppose corruption allows corruption to reign over people.
- Vast size of population coupled with widespread illiteracy and the poor economic infrastructure lead to endemic corruption in public life.
- In a highly inflationary economy, low salaries of government officials compel them to resort to the road of corruption. Graduates from IIMs with no experience draw a far handsome salary than what government secretaries draw.

- Complex laws and procedures alienate common people to ask for any help from government.
- Election time is a time when corruption is at its peak level. Big industrialists fund politicians to meet high cost of election and ultimately seek personal favor. Bribery to politicians buys influence, and bribery by politicians buys votes. In order to get elected, politicians bribe poor illiterate people, who are slogging for two times meal.

Corruption is one of the most serious consequences of poor governance. A country with widespread corruption invariably has low investment rates, poor economic growth and limited human development. The public will find their access to the most basic social services severely restricted and the government will find the cost of delivering these services inordinately high. Corruption has no positive effects. It hits the poor hardest, it makes a mockery of financial systems and it actively works against the legitimacy of the state. Poverty, development, growth and investment – all suffer at the hands of corruption.

Source of corruption

In a country with some 19.5 million public servants, a plethora of outdated and outmoded laws and a conspicuous lack of accountability, it is not difficult for these public servants to use their powers to control the remaining 1,000 million citizens. Within the public service system, a rigid, old fashioned hierarchy means that in actual fact, 90% of these employees are only Class 3 and 4. Thus less than 2 million officers control the fate of 1,000 million. As officers, they earn high salaries enriched by numerous perks and privileges

but nevertheless, their greatest desire is for further riches. It makes no difference how educated they are; they have no respect for democratic values and no grasp of public morality. They will do anything for money. The 17.5 million minor public servants who work under them are exploited as middlemen or left to indulge in petty corruption themselves.

Lack of Punishment:

A contributory factor to the growth of corruption in India is that the cases relating to corruption are often handled in a casual and a clumsy manner. Those in hierarchy vested with disciplinary powers shirk duty and show unwillingness to use their powers against corrupt practices. This may be due to different reasons like political or trade union pressure, vested interests, or sheer ineptitude in handling criminal investigation. The result is that corrupt are rarely caught and even if caught are let off with minor or no penalties. The government officials entrusted with the responsibility of dealing with corruption do it in a most inefficient and lethargic manner and this suits the political leadership which patronizes corruption.

The judiciary system is so expensive, dilatory, and inefficient that it takes years and years of corruption cases to be decided. The infamous Harshad Mehta case of organized corruption in the stock exchanges of India, in which small investors lost hundreds of billions of Rupees, has been in courts for almost a decade now and yet there is no indication of its nearing any decision. The result of such inordinate delay is those accuseds often escape punishment because long time span has an adverse effect on the evidence in a case. The conviction rate in Indian courts is only 6%. There are 300

million cases pending in the Indian courts and average time taken for <https://assignbuster.com/corruption-india-barrier-or-support-countrys-economic-growth-politics-essay/>

disposal of cases is from 10-20 years. Justice delayed is justice denied in most cases of corruption.

The Benefits of an Open Society

One of the inevitable comparisons in any story on rapidly developing economies is that between India and China. China has endured a spate of bad news in recent months regarding the impact of corruption and shoddy oversight on the quality of exported products — from cold medication that killed dozens of people in Latin America to toxic toothpaste to children's toys coated in lead-based paint.

If China's initial response was to attempt to characterize much of this as a Western conspiracy against Chinese products and businesses, officials were rather quickly goaded into taking serious action. In July, the government executed Zheng Xiaoyu, who headed China's State Food and Drug Administration from 1997 to 2006.

"The good news in India, compared to China," said Ramamurti, "may be that at least the most egregious forms of corruption are exposed by social activists or the media." A more open society, by definition, provides more avenues for oversight, more empowered constituencies to ferret out and disseminate the truth when things go wrong. "One big difference," Singh added, "comes in the form of the legal system. In India, a firm can sue the government and win, which may not be as easy in China. Also, the public at large is much more vocal and active in India. Any group can file a Public Interest Litigation (PIL) against a firm, which will frequently get heard in court. Also, it is the case that corporate governance is stronger in India, on

average, due to better disclosure and Securities and Exchange Board of India regulatory guidelines. This [is true] even though there are some fine Chinese firms, and some quite poorly governed Indian firms.”

Singh ticked off a quick list of additional cultural factors that are to India’s advantage: “ A fierce — arguably sometimes to the point of being irresponsible — media, both the press and TV; a legal system descended from British Common Law like the U. S. which, while hardly perfect, does work reasonably well; [the existence of] certain rights ... such as freedom of speech; strong links with the global economy through, though not solely due to, the non-resident Indian (NRI) community which provides global exposure; and a facility with English which makes for easier integration into the global economy.”

As in other countries, however, there is the nagging problem of money corrupting the electoral process and thereby short circuiting, or at least slowing, reform. “ The business community and the public at large would welcome a reduction in corruption,” Ramamurti said, “ but neither believes this will come to pass. Corruption is endemic in daily life, from things minor to major, and it has become the primary means of funding election campaigns.”

“ The really serious problem here,” Singh stated, “ is that the prevalence of corruption in the Indian economy may well have distorted cultural norms within the society. Yet I am also aware of countervailing forces, so I do not want to overstate the case. But to the extent that change in cultural norms will be needed to root out corruption, it will take a persistent, long, drawn-

out effort. While economic change is easier to achieve, cultural change is much slower and more difficult. This is compounded by the rearguard actions of those who are beneficiaries of the status quo.”

Measures to combat corruption

Is it possible to contain corruption in our society? Corruption is a cancer, which every Indian must strive to cure. Many new leaders when come into power declare their determination to eradicate corruption but soon they themselves become corrupt and start amassing huge wealth. There are many myths about corruption, which have to be exploded if we really want to combat it. Some of these myths are: Corruption is a way of life and nothing can be done about it. Only people from underdeveloped or developing countries are prone to corruption. We will have to guard against all these crude fallacies while planning measures to fight corruption.

- Foolproof laws should be made so that there is no room for discretion for politicians and bureaucrats. The role of the politician should be minimized. Application of the evolved policies should be left in the hands of independent commission or authority in each area of public interest. Decision of the commission or authority should be challengeable only in the courts.

- Cooperation of the people has to be obtained for successfully containing corruption. People should have a right to recall the elected representatives if they see them becoming indifferent to the electorate.

- Funding of elections is at the core of political corruption. Electoral reforms are crucial in this regard. Several reforms like: State funding of election

expenses for candidates; strict enforcement of statutory requirements like <https://assignbuster.com/corruption-india-barrier-or-support-countrys-economic-growth-politics-essay/>

holding in-party elections, making political parties get their accounts audited regularly and filing income-tax returns; denying persons with criminal records a chance to contest elections, should be brought in.

- Responsiveness, accountability and transparency are a must for a clean system. Bureaucracy, the backbone of good governance, should be made more citizen friendly, accountable, ethical and transparent.
- More and more courts should be opened for speedy & inexpensive justice so that cases don't linger in courts for years and justice is delivered on time.
- Local bodies, Independent of the government, like Lokpals, Lokadalats, CVCs and Vigilance Commissions should be formed to provide speedy justice with low expenses.
- A new Fundamental Right viz. Right to Information should be introduced, which will empower the citizens to ask for the information they want. Barring some confidential information, which concerns national and international security, other information should be made available to general public as and when required. Stringent actions against corrupt officials will certainly have a deterrent impact.

Corruption cannot be ignored or swept under the carpet. Its effects are extremely damaging, far-reaching and all pervasive. For third world countries, struggling to emerge from crippling debt and bitter poverty, the struggle is doomed unless and until the ugly issue of corruption is confronted and effectively addressed.

Corruption is not something that a government on its own can eradicate. In any case, political leaders simply use it as a quick, easy way to win votes, making catchy slogans and shallow promises when it suits their political interests. Prime ministers from the late Gulzari Lal Nanda to Atal Bihari Vajpayee declared a war on corruption but achieved absolutely nothing. Is there anyone, then, who can take on this huge task? If the population at large and civil society institutions in particular continue to be indifferent, helpless and resigned in the face of corruption, then the answer is no. The first prerequisite is for the public and its institutions to be motivated to fight. The second is to scrap or rationalize all obsolete and outdated laws, something the government alone cannot do since such laws currently serve to keep the status quo.

A genuinely committed judiciary working with civil society institutions can take on this task. India is a land of tremendous contrasts, not least in the way she cherishes such values as sacrifice and spirituality, points proudly to their prominent place in her past and boasts of her rich cultural heritage and the honesty and purity that were an essential part of it. But in the 21st century, such values remain very much in the past and India has become an embarrassing by word for dishonesty, hypocrisy and money grabbing. What has happened to those old values? Is there some covert destruction of these values going on undetected?

We need a true diagnosis of the root causes of the erosion of these values and this is something our academics must do. Only then is there any hope of an eventual lasting solution. At present the public perception is that

corruption is a way of life, unavoidable, something you have to endure; that <https://assignbuster.com/corruption-india-barrier-or-support-countrys-economic-growth-politics-essay/>

you cannot survive in India without indulging in corruption in one form or the other. People are so used to this life of corruption that they have lost all interest in doing anything about it. We cannot look to businesses, industrial houses or management education for help for their entire raison d'être is profit. Nor can money solve the problem. Only exceptional individuals can make a difference.

In Sweden and Norway, it was sociologists who cleaned up corruption in their countries. In the USA, individual police officers and bureaucrats made sacrifices to streamline and rationalize the system. In China, a cultural revolution changed the people and transformed the entire country. But India is a law unto herself. Perhaps a little parable can illustrate this.

Some Improvement; Some Distance Yet to Go

Transparency International monitors corruption globally and puts out an annual report which it refers to as the Global Corruption Barometer. The most recent figures from 2006 provide an interesting perspective on how Indians see progress in the area of corruption. “ Indians report a substantial reduction in the perceived level of corruption in a number of sectors,” according to the most recent report. “ Improvements encompass education, the legal system/judiciary, media, parliament/legislature and utilities. It should be noted, however, that Indian respondents still indicate that the majority of sectors highlighted are significantly affected by corruption. These improvements should therefore be understood as a positive sign of progress, but not an indication that the problem of corruption has been solved.”

How much is left to be done? Some three out of four Indian respondents, on the question of the degree to which their government is fighting corruption, answered that the government was either “not effective,” “does not fight at all” or “actually encourages” corruption. Where does business fit into this? Asked to rate the impact of corruption on various spheres of their lives — on a scale of one to four, from

“not at all” to “to a large extent” — Indians identified “political life” as the sphere most significantly impacted (2.9), and personal and family life as the least impacted (2.3). They put the business environment squarely in the middle (2.6). What institutions are respected? Rating the impact of corruption on different sectors and institutions (on a scale of one to five, from “not at all corrupt” to “extremely corrupt”), Indians identified “political parties” (4.2) and “police” (4.3) as the most corrupt institutions, with business again near the middle (3.2). The least corrupt institution? The military, at 1.9.

Corruption is an intractable problem. It is like diabetes, can only be controlled, but not totally eliminated. It may not be possible to root out corruption completely at all levels but it is possible to contain it within tolerable limits. Honest and dedicated persons in public life, control over electoral expenses could be the most important prescriptions to combat corruption. Corruption has a corrosive impact on our economy. It worsens our image in international market and leads to loss of overseas opportunities. Corruption is a global problem that all countries of the world have to confront, solutions, however, can only be home grown. We have

tolerated corruption for so long. The time has now come to root it out from its roots.