Corruption and economic development in the SADC region: Panel Data Analysis

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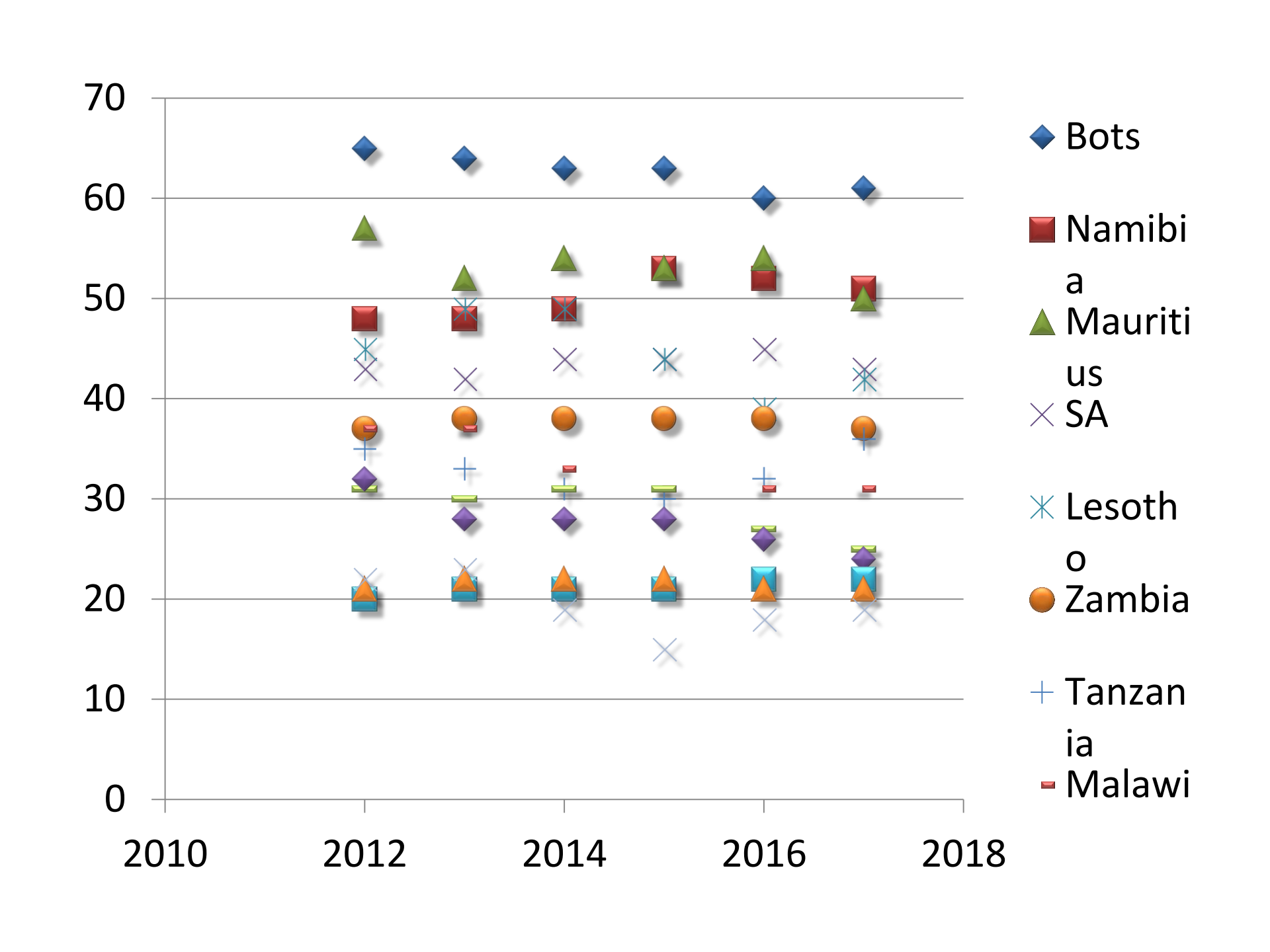
INTRODUCTION

- Jain (2001) identifies three kinds of corruption: grand corruption, bureaucratic corruption, and legislative corruption.
- Corruption is a self-motivated chapter which has enormously affected economic development and has been at hand since ages.
- It is widespread predicament that has demonstrated to be more injurious in the SADC region.

LITERATURE REVIEW

- **Corruption hampers economic development (Dissou & Yakautsava, 2012; Ajie & Wokekoro, 2012; Adenike, 2013; Matthew and Idowu, 2013; Saha and Gounder, 2013; Dhull, 2014) etc**

Country	2017	2016	2015	2014	2013	2012
Bots	61	60	63	63	64	65
Namibia	51	52	53	49	48	48
Mauritius	50	54	53	54	52	57
SA	43	45	44	44	42	43
Lesotho	42	39	44	49	49	45
Zambia	37	38	38	38	38	37
Tanzania	36	32	30	31	33	35
Malawi	31	31	31	33	37	37
Moza	25	27	31	31	30	31
Madgscr	24	26	28	28	28	32
Zim	22	22	21	21	21	20
DRC	21	21	22	22	22	21
Angola	19	18	15	19	23	22


70
60
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30
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2010
2012
2014
2016
2018
Bots
Namibia
Mauritius
SA
Lesotho
Zambia
Tanzania
Malawi

Methodology

- **13 countries out of 15 SADC states were considered. The excluded 2 countries were Swaziland and Seychelles.**
- **The data was drawn from The World Bank (World Development Indicators), United Nations Development Programme (Human Development Index) and Transparent International (Corruption Perceptions Index).**

- **The paper adopted the bounded rational corruption model of Suriya and Pruekruedee (2014) which was put into empirical studies by the suggestion of an econometric model and some possible estimation methods.**
- **It constructs the econometric model including Corruption Perceptions Index as part of the variables (Volrasarn and Harnpornchai, 2014).**
- **Stata was used to analyse the panel data using random-effects GLS regression.**

- **Reviewing the recent literature regarding the relationship between corruption and economic growth, corruption appears that it influences economic growth through several channels.**
- **Many models have been applied to measure this relationship and the most popular method is a regression model.**

Discussion of findings

GDPpercapta = -4198.02+5.628915*CPIscore+2.028195*FDI+-897.72*6POPGRWTH+-2.00314*CPIindex+16998.37*HDI

Random-effects GLS regression

R-sq: within = 0.1733

between = 0.8426

overall = 0.8411

Wald chi2(5) = 55.99

Prob > chi2 = 0.0000

GDPpercapta	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
CPIscore	5.62892	14.5853	0.39	0.700	-22.958	34.2155
FDI	2.0282	7.85352	0.26	0.796	-13.364	17.4208
POPGRWTH	-897.73	396.928	-2.26	0.024	-1675.7	-119.76
CPIndex	-2.0031	2.10993	-0.95	0.342	-6.1385	2.13224
HDI	16998.4	3410.67	4.98	0.000	10313.6	23683.2
cons	-4198	2296.87	-1.83	0.068	-8699.8	303.757

- **The parameter estimate for the variable CPIscore is 5.628915, nevertheless, the increase is not statistically significant as evidenced by the P-value (0.7). The study's results concur with other empirical literature which confirms the significant negative impact of corruption on economic growth (Mauro, 1997; Stapenhurst etal, 2014; Ugur & Dasgupta, 2011; Ajie and Wokekoro, 2012; Matthew and Idowu, 2013; Dissou & Yakautsava, 2012; Saha & Gounder, 2013)**

- **The coefficient for the variable FDI is 2.028195; even though the increase is not statistically significant as reflected by (0.796) P-value There is a consensus in the literature that corruption is harmful for a society as it deters FDI which has got a huge impact on economic development (Stapenhurst etal, 2014; Ugur & Dasgupta, 2011; Ajie and Wokekoro, 2012; Matthew and Idowu, 2013; Ertimi & Saeh, 2013).**

- **The coefficient for the variable POPGRWTH is -897.726 meaning that increase of one-unit in POPGRWTH leads to a decrease in GDPpercapta by -897.726. The effect is relatively statistically significant as is shown by (0.024) P-value.**
- **Parameter estimate for the variable HDI is 16998.37. The effect is statistically significant as evidenced by (0.000) P-value.**

Conclusions & Implications

- **The study concludes that economic development as measured by GDP per capita increases as the countries' CPI score improves.**
- **SADC countries need increase oversight potential, such that it becomes easier to scrutinize and control the government and its activities, and, since controlling the government is a key component of all anticorruption strategies, the more a government is subject to control, the more likely it is that corruption will be reduced.**

- **Reduction in corruption increases FDI that subsequently increases economic development.**
- **The study also concludes that improvement in Human capital development increases economic development in the SADC region as it reduces corruption.**
- **However, an increase in population growth decreases economic growth as measured by GDP per capita.**

Thank you

Contributions Only