

An Analysis of Corruption in India

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Introduction:

"Power tends to corrupt, and absolute power corrupts absolutely." It is not easy to define corruption. But in a narrow sense, corruption is mostly concerned with "bribery" and it takes several forms. Corruption is a global phenomenon and it is omnipresent. Corruption has progressively increased and is now rampant in our society. National scenario Corruption in India is a consequence of the nexus between Bureaucracy, politics and criminals. India is now no longer considered a soft state. It has now become a consideration state where everything can be had for a consideration. Today, the number of ministers with an honest image can be counted on fingers. At one time, bribe was paid for getting wrong things done but now bribe is paid for getting right things done at right time.

Corruption in India is a major issue that adversely affects its economy. In 2012 India has ranked 94th out of 176 countries in Transparency International's Corruption Perceptions Index, tied with Benin, Colombia, Djibouti, Greece, Moldova, Mongolia, and Senegal.

Most of the largest sources of corruption in India are entitlement programmers and social spending schemes enacted by the Indian government. Examples include Mahatma Gandhi National Rural Employment Guarantee Act and National Rural Health Mission. Other daily sources of corruption include India's trucking industry which is forced to pay billions in bribes annually to numerous regulatory and police stops on its interstate highways.

Review of Literature:

The body of theoretical and empirical research that objectively addresses the problem of corruption has grown considerably in recent year (Elliot 1997.) Coolidge and Rose-Ackerman 1997, Gandhi 1998, Gill 1998, Girling 1997, HDC 1999, Kaufmann and Sachs 1998, Maurw 1995, Paul and Guhan 1997, Shleger and Vishray

1998. A preliminary analysis of the literature shows that corruption in India and elsewhere is recognized as a complex. Phenomenon as a consequence of more deep scatted Problems of policy dictation, Institution incentives and governance. It thus cannot be addressed by simple legal acts proscribing corruption, the judiciary, legal enforcement institution, police and such other legal bodies cannot be relied upon as the rule of law is of then fragile and thus can be turned in their favors by corrupt interests.

Objectives:

Main objectives of the paper are as follows:

1. To define the concept of Corruption in India.
2. To study the impact of Corruption in India on economic system.
3. To study the impact of Corruption in India on social system.

Research methodology:

The research methodology is based on the secondary data which include compilation of research article of the experts in the field and reflections of the various books on the Corruption in India. The approach of the research paper is exploratory in nature.

Brief History of Corruption after Independence:

Probably the first high profile scandal after independence was the Jeep scam in 1948, when jeeps were required for the army operation in Kashmir. V. K. Krishna Menon, the then High Commissioner for India in London entered into a deal with a foreign firm without following the normal procedure. Rather than initiating a judicial inquiry, as suggested by the Inquiry Committee led by Ananthsayanam Ayyangar, the then Government announced in 1955 that the Jeep scandal case was closed.

Union Minister G.B.Pant made a funny announcement "that as far as Government was concerned it has made up its mind to close the matter. If the opposition was not satisfied they can make it an election issue." Soon thereafter in 1956, Krishna Menon was inducted into the Nehru cabinet as minister without portfolio.

Other notable scandals include the Mudgal case (1951), Mundra deals (1957-58), Malaviya- Sirajuddin scandal (1963). The governing climate in those days can be gauged from the following observations:

A one man committee of A. D. Gorwala, set up to suggest ways to improve the system of governance, observed that quite a few of Nehru's ministers were corrupt and this was common knowledge and that the government goes out of its way to shield its ministers.

The Santhanam Committee, which was appointed in 1962 to examine the problem of corruption, observed in 1964 that: "There is widespread impression that failure of integrity is not uncommon among ministers and that some ministers, who have held office during the last sixteen years have enriched themselves illegitimately, obtained good jobs for their sons and relations through nepotism and have reaped other advantages inconsistent with any notion of purity in public life."

In later years, corruption gradually became almost institutionalized when power got concentrated in just one person – Indira Gandhi. Nagarwala case (or V K Malhotra) was a most bizarre scandal when the Chief Cashier of State Bank of India, V.P.Malhotra paid Rs 60 lakhs to one Nagarwala supposedly on telephonic instructions from Indira Gandhi. Nagarwala died in jail but the mystery was never really resolved.

Later, the Bofor's deal and the kickback charges led to Rajiv Gandhi losing power. Then Narsimha Rao became the first Prime Minister to be prosecuted in corruption charges in the JMM bribery case. Of course, he was later acquitted.

What is surprising is that despite the knowledge of widespread corruption no effective measures have yet been installed that curb the menace. The **Lokpal Bill** could NOT be passed in last decades; it speaks for the utter lack of political will in the country.

What is corruption?

Corruption is an age-old phenomenon. The word corruption means destruction, ruining or spoiling – a

society or nation. Selfishness and greed are at the root of it; it also implies lack of integrity and honesty. A corrupt society is characterized by immorality and lack of fear or respect for the law. When it stops valuing integrity, virtue or moral principles it starts decaying. Corruption is the abuse of public power for private gain. Corruption comes under many different guises: bribery, misappropriations of public goods, nepotism (favoring family members for jobs and contracts), and influencing the formulation of laws or regulations for private gain.

Corruption is not just the clearly "bad" cases of government officials skimming off money for their own benefit. It also includes cases where the systems don't work well, and ordinary people are left in a bind, needing to give a bribe to get a work done or the licenses they need.

The state of economy also plays an important role in corruption. Inequality of wealth distribution, exploitation by employers, and low wages and salaries provide ideal breeding ground for corruption. A license-permit regime or scarcity of basic commodities adds fuel to the fire. India is a textbook example of how license-permit Raj can vitiate political as well as economic atmosphere of the nation.

Broadly speaking, there are two forms of corruption:

Administrative Corruption:

Corruption that alters the implementation of policies, such as getting a license even if you don't qualify for it.

Political Corruption:

Corruption that influences the formulation of laws, regulations, and policies, such as revoking all licenses, and gaining the sole right to operate some public utility with monopoly.

Root Cause of Corruption:

Corruption is always contextual and rooted in a country's policies, bureaucratic traditions, political development, and its social and cultural history. Still, corruption tends to flourish when policies are complicated, their implementation is weak, and the general public has no redresses mechanism.

Klitgaard has modeled the dynamics of corruption (C) in the public sector in the following equation:

$$C = M + D - A$$

Corruption tends to increase when an organization or person has **monopoly (M)** power over a good or service, which generates income, has the **discretion (D)** on its allocation, and is **not accountable (A)**.

Financial Scams in India:

Almost all major scams of last twelve decades are a direct result of deficit in Governance by our corrupt Politicians and Bureaucrats. Following is a partial list of financial scandals since the economic liberalization of 1991-92. The total monetary worth of the Scam committed since 1992 in India is worth more than around Rs 1,00,00,000 crores (One Crore Crores). Needless to say, a lot of other scandals of probably smaller magnitude must have also taken place, but have gone unnoticed or unreported.

1992 — Harshad Mehta Scam was worth Rs 5000 Crores.
1994 — Sugar Import Scam was worth Rs 650 Crores.
1995 — Preferential Allotment Scam was worth Rs 5000 Crores.
1995 — Yugoslav Dinar scam was worth Rs 400 Crores.
1995 — Meghalay Forest Scam was worth Rs 300 Crores.
1996 — Fertilisers Import Scam was worth 1300 Crores.
1996 — Bihar fodder Scam was worth 950 Crores
1997 — Sukhran telecom Scam was worth Rs 400 Crores.
1997 — Lavalin Power project Scam was worth Rs 374 Crores.
1997 — Bihar Land Scam was worth 1200 Crores
1997 — C R Bhansali stock scam was worth Rs 1200 Crores.
1998 — Teak Plantation Scam was worth rs 8000 Crores.
2001 — UTI Scam was Rs 4800 Crores.
2001 — Dinesh Dalmia Stock Scam was worth Rs 596 Crores.
2001 — Ketan Parekh security scam was worth Rs 1250 Crores.
2002 — Sanjay Agarwal Home Trade Scam was worth Rs 600 Crores.
2003 — Telgi Stamp paper Scam was worth Rs 172 Crores.
2005 — IPO Demat Scam was worth Rs 146 Crores.
2005 — Scorpene submarine Scam was worth Rs 18,978 crores.
2006 — Punjab's city centre project scam
2006 — Taj Corridor Scam was worth 175 Crores.
2008 — Pune Billionaire Hasan Ali tax default scam was worth Rs 50,000 crores.
2008 — Satyam Scam was worth Rs 10,000 Crores.
2008 — Army Ration Pilferage Scam was worth Rs 5000 crores.
2008 — 2G Spectrum Scam was worth Rs 60,000 Crores.

2008 — State Bank of Saurashtra Scam was worth Rs 95 crores.
2008 — Illegal money in Swiss Bank is worth Rs 71, 00,000 Crores.
2009 — Jharkhand Medical equipment scam was worth Rs 130 Crores.
2009 — Rice export scam was worth Rs 2500 crores.
2009 — Orissa Mine scam was worth Rs 7000 crores.
2009 — Madhu Koda scam was worth Rs 4000 crores.
2010 — IPL fraud involving swine called Lalit Modi option yet to be fixed.
2010 — Commonwealth Games scam. Quantum of loot yet to be fixed.
2011—Reddy brothers illegal mining activity. Recently arrested by CBI on High Courts directive. Quantum of loot yet to be fixed.

Impact on the Poor:

There is considerable evidence to show that although rich people are more likely to pay bribes, the poor bear a disproportionately high burden of corruption if measured as the fraction of income paid in bribes. They often face outright exclusion when access to public goods and services require bribing, given their powerlessness due to lack of voice or political influence. Moreover, when corruption results in shoddy public services, the poor have no other options but to live with sub-standard services. Corruption also unfairly weighs heavily on trade and service activities of small enterprises not only for the added cost but also as a discouraging factor. Corruption allows already influential individuals or groups of individuals to take advantage of state activities at the cost of the rest of the population; it hurts the poor disproportionately and increases income inequality.

Corruption in Government Offices:

In cities and villages throughout India, “mafia raj” consisting of municipal and other government officials, elected politicians, judicial officers, real estate developers and law enforcement officials, acquire, develop and sell land in illegal ways. Many state-funded construction activities in India, such as road building, are dominated by construction mafia, which are groupings of corrupt public works officials, materials suppliers, politicians and construction contractors. Shoddy construction and material substitution (e.g. mixing sand in cement while submitting expenses for cement) result in roads and

highways being dangerous, and sometimes simply washed away when India's heavy monsoon season arrives. In government hospitals, corruption is associated with non-availability of medicines, getting admission through back-door, consultations with doctors and availing diagnostic services illegally. Civil servants/public officials were rated by 13 of respondents as the second most corrupt institution in the country. Other institutions that were polled included Parliament/legislature, the private sector, media and the judiciary. The Barometer, now in its sixth edition, surveyed 73,132 people in 69 countries including 12 countries from Asia Pacific. In India, the survey was conducted in five metros – Delhi, Mumbai, Kolkata, Chennai and Bangalore.

Corruption in Politics:

Political parties are perceived to be the most corrupt institutions by Indians, according to 2009 Global Corruption Barometer. The Barometer, a global public opinion survey released by Transparency International, found that 58 per cent Indian respondents identified politicians to be the single most corrupt individuals. Forty-Five per cent of the people sampled felt that the government is ineffective in addressing corruption in the country. The survey in India, conducted at the national level between October and November last year, also indicated that the perception of government effectiveness in relation to addressing corruption had improved from 2007. Forty-two per cent respondent's analyses that government's actions in the fight against corruption were effective.

Corruption in the Private Sector:

Almost 9 per cent of those surveyed considers business and private sector to be corrupt. The private sector used bribes to influence public policy, laws and regulations, believe over half of those polled for the survey. The business-related findings of the Barometer send a powerful signal to the private sector to prove that they are clean and to communicate this clearly to the public. Forty-five of those polled felt that the existing channels for making corruption-related complaints were

ineffective. Very few lodged formal complaints, demonstrating serious defects in the perceived legitimacy and effectiveness of channels for reporting and addressing bribery.

Corruption in Media:

As many as 8 per cent of the respondents in India consider that corruption in the media affects the lives of the people. The media while not being perceived as clean scored best with just over 40 per cent of respondents labeling the sector as corrupt, globally.

Corruption and Economic Growth:

The world would be a better place without corruption and it does impose a cost on the economy. But the contention, that it is our biggest problem and we need to eliminate it before meaningful change can occur, is not supported by evidence. We need to look beyond the simple answer to figure out what else is holding back economic growth in our country. Just as there are people who believe that overpopulation is our biggest problem, there are others who attribute most of our difficulties to corruption. There is no doubt that corruption is a pervasive and aggravating phenomenon but even a cursory comparative analysis should make one skeptical of the assertion that it is a major cause of our underdevelopment. The issue of corruption is very high on the political agenda of the Chinese government. But despite corruption the economy has expanded continuously over the past fifteen years at historically unprecedented rates of growth. Today China is being spoken of as a major economic power of the future. The concern with corruption stems less from its impact on growth and more from the social discontent it causes and which negatively impacts the credibility of the government. Indonesia is another country where considerable economic development occurred despite very high levels of corruption that are well documented. The country was very much a part of the East Asian miracle whose momentum was broken by the financial crisis in 1997. While the other regional economies have recovered, Indonesia is lagging not because of corruption but because of the political instability that ensued after the fall of the Suharto government. The East Asian crisis

raises interesting issues related to corruption. Many analysts were quick to attribute the crisis to the high levels of corruption in the regional economies and “crony capitalism” emerged as a popular explanation for what happened. This may or may not be correct but from our perspective the relevant aspect of the East Asian miracle is the tremendous economic development that took place prior to the crisis. That suggests that significant economic growth is possible despite high levels of corruption.

Therefore, we need to continue searching for the causes of the lack of similar development in Pakistan. Closer to home, the Indian economy has picked up steam and the country has begun to be mentioned in the same league as China and no one has attributed the acceleration of the rate of growth to a sudden decrease in corruption in India. It would be hard to argue that the level of corruption in India is significantly different from that in Pakistan and if someone does argue the case, it would be of considerable interest to go into the reasons for the difference. A discussion of the causes of corruption could yield some valuable pointers regarding the measures that could contribute to reducing its prevalence. A focused discussion of corruption would benefit from defining it narrowly as the abuse of public office for private gain. This would distinguish it from other criminal acts like fraud, embezzlement, extortion and blackmail, all of which can be committed by private individuals not holding public office.

It would also help to consider separately the phenomena of low and high level corruption, respectively. Low-level corruption (best characterized as “chai paani” corruption) is what the common citizen encounters every day and what colors his perception of its importance. The social frustrations caused by having to run around and pay extra money for virtually everything can understandably make it seem the cause of all our problems. In fact, “chai paani” corruption may not have major negative consequences for economic growth. It constitutes more a transfer of money from one pocket to another in a society where many public officials are not paid a living wage and where bureaucratic procedures remain archaic, cumbersome and slow. Its incidence inevitably diminishes with economic growth and modernization as both the needs to demand small bribes

and the opportunities to manipulate procedures decrease. High-level corruption (the domain of big people and big businesses playing for big stakes), on the other hand, can have much more lasting effects if public resources are diverted from economically useful to economically useless activities. But the fact remains that there are economies that have continued to grow even in the face of such corruption. In South Korea, family members of the former President have gone to jail, and Prime Ministers have been indicted in Japan on charges of corruption. Nevertheless Japan is among the richest countries in the world and South Korea has vaulted into the ranks of developed countries within the period of a few decades. This is not a defense of corruption. The world would be a better place without it and it does impose a cost on the economy. But the contention that corruption is our biggest problem and we need to eliminate it before meaningful change can occur is not supported by evidence. We need to look beyond the simple answer to figure out what else is holding back economic growth in our country.

Causes and Consequences of Corruption:

Corruption is a global phenomenon and it is omnipresent. Corruption has progressively increased and is now rampant in our society. Corruption in India is a consequence of the nexus between bureaucracy, politics and criminals. India is now no longer considered a soft state. It has now become a “consideration state” where everything can be had for a consideration.

Causes:

Corruption in India has wings, not wheels. As the nation grows, the corrupt also grows to invent new methods of cheating the government and public. The causes of corruption are many and complex. The following are some of the causes of corruption.

- Emergence of political elite which believes in interest-oriented rather than nation-oriented programmes and policies.

Artificial scarcity created by 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 a 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 corruption. Graduates from Indian Institutes of Management (IIMs) with no experience draw a far handsome salary than what government secretary's draw.
- Complex laws and procedures deter common people from seeking help from the government.
- Election time is a time when corruption is at its peak. Big industrialists fund politicians to meet high cost of election and ultimately to seek personal favors. Bribery to politicians buys influence, and bribery by politicians buys votes. In order to get elected, politicians bribe poor, illiterate people.

Consequences of Corruption:

Corruption is as much a moral as a development issue. It can distort entire decision-making processes on investment projects and other commercial transactions, and the very social and political fabric of societies. The following are some of the consequences of corruption.

How to Stop Corruption:

Accountability and transparency are two great antidotes to corruption. If the legal system is quick, fair and uncomplicated, it makes the task of fighting corruption easier. Free and strong press is the third facilitating factor. Therefore, laws fixing accountability and encouraging transparency combined with efficient judiciary and free press provide ideal atmosphere to tackle the menace of corruption. Anna Hazare's crusade for an effective Janlokal Bill and reforms of election and judicial system, if implemented properly, will go a long way in curbing corruption in India.

Conclusion:

There is a much better grasp today of the extent to which corruption is a symptom of fundamental institutional weaknesses. Instead of tackling such a symptom with narrow intervention designed to "eliminate" it, it is increasingly understood that the approach ought to address a broad set of fundamental institutional determinants. However, the challenge of integrating this understanding with participatory process has barely begun. The implementation of institutional reforms can benefit significantly from the participatory process that is being developed for anti-corruption activities.

Equally important, any participatory process, however sophisticated, ought to lead to concrete results beyond enhanced participation and heightened awareness. Thus, identifying key institutional reforms in India, and mobilizing support for such reforms, needs to be fully integrated into the participatory process from very early on. Such early convergence is likely to promote a better balance between prevention and enforcement measures in addressing corruption. Until recently, the pendulum was firmly in the "enforcement" corner. The gradual swing towards the middle ground has taken place due to recognition of the limitations to expose legalistic enforcement measures, since the law institutions themselves are currently part of the corruption problem in India. Therefore, corruption is an intractable problem; it is like diabetes, which 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 some of the important prescriptions to combat corruption. Corruption has a corrosive impact on our economy 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.

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