

DEMOCRACY, CORRUPTION, AND GROWTH OF INDIAN ECONOMY –A STUDY IN INDIA

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Abstract:

This paper surveys the relationship between democracy and corruption in India and puts forward some suggestions for possible solutions. It begins by outlining the problem and surveying literature on corruption, growth, and democracy in India and in other developing countries, situating the problem of corruption in the context of India's democracy and economic liberalisation since 1991. Outlines are then given of the body of anti-corruption and transparency laws, of the government institutions of India, and of the recent anti-corruption movement. India liberalised its economy in 1991, drastically reducing tax rates, tariffs, and detailed micro-control of economic activity. This opened up sectors hitherto reserved for the public sector, including to foreign companies. Analysis is made of the state of economic liberalisation and discretionary regulation in India, which sets the political economic context for corruption.

Key Words: Democracy, Corruption, and Economy

INTRODUCTION :

Corruption in India is a major issue that adversely affects its economy. A study conducted by Transparency International in year 2005 found that more than 62% of Indians had first hand experience of paying bribes or influence peddling to get jobs done in public offices successfully. In its study conducted in year 2008, Transparency International reports about 40% of Indians had firsthand experience of paying bribes or using a contact to get a job done in public office. In 2015, India was ranked 76th out of 175 countries in Transparency International's Corruption Perceptions Index, compared to its neighbors Bhutan (30th), Bangladesh (145th), Myanmar (156th), China (100th), Nepal (126th), Pakistan (126th) and Sri Lanka (85th). This is the second least corruption rank for India in the whole of South Asia. Most of the largest sources of corruption in India are entitlement programmes 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.

Objectives of the Study:

1. To know the Corruption, and Growth of Indian economy; and
2. To study the problems and prospects of corruption India.

Review of Literature:

Mauro (1995) examined that corruption reduces growth through dis-incentivising and making private investment more costly, due to the cost of bribes and uncertainty. Pranab Bardhan argues that “higher bribes imply declining profitability on productive investments relative to rent-seeking investments, thus tending to crowd out the former” (Bardhan 1997, 1328). This is contested empirically by the fact that several countries ranked highly corrupt by agencies such as Transparency International, including China, Indonesia and Vietnam, and, among democracies, India, post-1999 Indonesia, and several others, have had comparatively high growth rates over several years or decades. It can be argued that corruption in many countries, including in America’s ‘gilded age’ in the late nineteenth and early twentieth centuries, was a product of growth, rather than a restriction on growth.

RESULTS AND DISCUSSION:

POLITICS

As of December 2009, 120 of India's 524 parliament members were accused of crimes, under India's First Information Report procedure wherein anyone can allege another of committing a crime. Many of the biggest scandals since 2010 have involved very high level government officials, including Cabinet Ministers and Chief Ministers, such as in the 2G spectrum scam (₹1.7 lakh crore (US\$25 billion)), the 2010 Commonwealth Games scam (₹70,000 crore (US\$10 billion)), the Adarsh Housing Society scam, the Coal Mining Scam (₹1.86 lakh crore (US\$28 billion)), the Mining Scandal in Karnataka and the Cash for Vote scam.

BUREAUCRACY

A 2005 study done Transparency International in India found that more than 62% of the people had firsthand experience of paying bribe or peddling influence to get a job done in a public office. Taxes and bribes are common between state borders; Transparency International estimates that truckers pay annually ₹222 billion (US\$3.3 billion) in bribes. Government regulators and police share in bribe money, each to the tune of 43% and 45% respectively. The en route stoppages including those at checkpoints and entry-points take up to 11 hours in a day. About 60% of these (forced) stoppages on road by concerned authorities such as government regulators, police, forest, sales and excise, octroi, weighing and measuring department are for extorting money. The loss in productivity due to these stoppages is an important national concern. The number of truck trips could increase by 40%, if forced delays are avoided. According to a 2007 World Bank published report, the travel time for a Delhi-Mumbai trip can be reduced by about 2 days per trip if the corruption and associated regulatory stoppages to extract bribes was eliminated.

LAND AND PROPERTY

Officials are alleged to steal state property. In cities and villages throughout India, 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. Tendering processes and awarding contracts A 2006 report claimed state-funded construction activities in Uttar Pradesh, such as road building, were dominated by construction mafias, which are groupings of corrupt public works officials, materials suppliers, politicians and construction contractors. Corruption caused problems in government funded

projects are not limited to the state of Uttar Pradesh. According to The World Bank, aid programmes are beset by corruption, bad administration and under-payments. As an example, the report cites only 40% of grain handed out for the poor reaches its intended target. The World Bank study finds that the public distribution programmes and social spending contracts have proven to be a waste due to corruption.

HOSPITALS & HEALTH CARE

In Government Hospitals, corruption is associated with non-availability/duplication of medicines, getting admission, consultations with doctors and availing diagnostic services. National Rural Health Mission is another health care-related government programme that has been subject to large scale corruption allegations. This social spending and entitlement programme hoped to improve health care delivery across rural India. The programme has been managed since 2005 by the Ministry of Health of the Indian government. The Indian government mandated a spending of ₹277 billion (US\$4.1 billion) in 2004–05, and increased it annually to be about 1% of India's gross domestic product. The National Rural Health Mission programme has been clouded by a large-scale corruption scandal in which top government appointed officials were arrested, several of whom died under mysterious circumstances including one in prison. Corruption, waste and fraud-related losses from this government programme has been alleged to be ₹100 billion (US\$1.5 billion).

SCIENCE AND TECHNOLOGY

CSIR, the Council of Scientific and Industrial Research, has been flagged in ongoing efforts to root out corruption in India. Despite being established with the directive to do translational research and create real technologies, CSIR has been accused of transforming into a ritualistic, overly-bureaucratic organisation that does little more than churn out papers. There are many issues facing Indian scientists, with some - such as MIT systems scientist VA Shiva Ayyadurai - calling for transparency, a meritocratic system, and an overhaul of the bureaucratic agencies that oversee science and technology.

PREFERENTIAL AWARD OF MINERAL RESOURCES

In August 2011, an iron ore mining scandal became a media focus in India. In September 2011, Janardhana Reddy – an elected member of Karnataka's legislative assembly – was arrested on charges of corruption and illegal mining of iron ore in his home state of Karnataka. It was alleged that his company received preferential allotment of resources, organised and exported billions of dollars worth of iron ore to China in recent years, without paying any royalty to the state government exchequer of Karnataka or the central government of India, and these Chinese companies made payment to shell companies controlled by Reddy and registered in Caribbean and north Atlantic tax havens.

DRIVER LICENSING

A study conducted between 2004 and 2005 found that India's driver licensing procedure was a hugely distorted bureaucratic process and allows drivers to be licensed despite their low driving ability through promoting the usage of agents. Individuals with high willingness to pay make a significant payment above the official fee and most of these extra payments are made to agents, who act as an intermediary between bureaucrats and applicants.

BLACK MONEY

Black money refers to money that is not fully or legitimately the property of the 'owner'. A white paper on black money in India by the Government of India suggests two possible sources of black money in India. The first includes activities not permitted by the law, such as crime, drug trade, terrorism, and corruption, all of which are illegal in India. The second, more likely source is that the wealth may have been generated through a lawful activity but accumulated by failing to declare income and pay taxes. Some of this black money ends up in illicit financial flows across international borders, such as deposits in tax haven countries.

INDIAN BLACK MONEY IN SWITZERLAND

According to a 2010 The Hindu article, unofficial estimates indicate that Indians had over US\$1456 billion in black money stored in Swiss banks (approximately US\$1.4 trillion).¹ While some news reports claimed that data provided by the Swiss Banking Association Report (2006) showed India has more black money than the rest of the world combined, a more recent report quoted the SBA's Head of International Communications as saying that no such official Swiss Banking Association statistics exist. Another report said that Indian-owned Swiss bank account assets are worth 13 times the country's national debt. These allegations have been denied by Swiss Bankers Association. James Nason of Swiss Bankers Association in an interview about alleged black money from India, holds that "The (black money) figures were rapidly picked up in the Indian media and in Indian opposition circles, and circulated as gospel truth. However, this story was a complete fabrication. The Swiss Bankers Association never published such a report. Anyone claiming to have such figures (for India) should be forced to identify their source and explain the methodology used to produce them."

DOMESTIC BLACK MONEY

Indian companies are reportedly misusing public trusts for money laundering. India has no centralised repository—like the registrar of companies for corporates—of information on public trusts.

BUSINESS AND CORRUPTION

Public servants have very wide discretionary powers offering the opportunity to extort undue payments from companies and ordinary citizens. The awarding of public contracts is notoriously corrupt, especially at the state level. Scandals involving high-level politicians have highlighted the payment of kickbacks in the healthcare, IT and military sectors. The deterioration of the overall efficiency of the government, protection of property rights, ethics and corruption as well as undue influence on government and judicial decisions has resulted in a more difficult business environment.

JUDICIARY

According to Transparency International, judicial corruption in India is attributable to factors such as "delays in the disposal of cases, shortage of judges and complex procedures, all of which are exacerbated by a preponderance of new laws". Over the year there have been numerous judges who have faced allegations of corruption, however in 2011, Soumitra Sen, a former judge at the Kolkata High Court became the first judge in the India to be impeached by the Rajya Sabha, the Upper House of the Indian Parliament for misappropriation of funds.

CONCLUSION:

To conclude, Corruption may lead to further bureaucratic delay and inefficiency as corrupted bureaucrats may introduce red tape in order to extort more bribes. Such inadequacies in institutional efficiency could affect growth indirectly by lowering the private marginal product of capital and investment rate. Levine and Renelt showed that investment rate is a robust determinant of economic growth. According to the neoclassical growth model, institutional variables contribute to determining steady-state per capita income levels and speed of convergence to its steady state, hence affecting its growth rate. Bureaucratic inefficiency also affects growth directly, such as through misallocation of investments in the economy. Additionally, corruption results in lower economic growth for a given level of income. Corruption in India affects all levels of the society but it's in the administrative one that the biggest damage is done to the people and comes to exacerbate poverty. So there's no doubt poverty and corruption are linked. And corruption in India is quite the thing. In 2003, only 15% of the government's anti-poverty funds reached the poor. Anti-corruption laws have existed since 1968, supported by agencies such as the Central Bureau of Investigation and the Central Vigilance Commission and yet... failure has been the common point of these efforts.

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