

ABSTRACT

Everyone especially the policy makers know well the role of corruption in a country's economic, financial, human and political environment, but the role of that economic, financial, human and political environment on corruption is also worth notifying. In developing countries specifically, it is seemed to be harder to cope up with this problem. This study empirically measures the impacts of Economic, Financial, Human and Political Development factors on corruption in developing and developed countries separately. Development has been observed through different aspects and different variables according to the aspects. For Economic Development (Exports of Goods and services as % of GDP, Gross Domestic Product per Capita, and Imports of Goods and Services as % of GDP), for Financial Development (Domestic Credit to Private Sector as % of GDP), for Human Development (Human Development Index) and for Political Development (Bureaucracy, Democracy, Political Stability and Rule of Law) has been used. For Corruption, the study employed Corruption Perception Index. Analysis of long-run relationship and short-run dynamics has been done by using 20 years data from 1995-2014 on 31 developed and 49 developing nations separately. To get the objectives achieved, the study used Levin-Lin-Chu (2002), Fisher-ADF and Fisher-PP for stationarity. To check co-integration, Pedroni Residual based Co-integration test has been employed. The estimation of co-integration coefficient has been done through FMOLS by Phillips & Hansen (1990). At the end, speed of adjustment and short-term relationship has been tested through VECM. Unit Root Tests were resulted in showing Unit root at level and stationarity at 1st difference. Co-integration test proved a long-run relationship in every combination of variables. Empirical conclusions described that in case of developed countries, IMP and POLSTB affect Corruption negatively while EXP, GDPpc, DCP, HDI, BUR, DEMO & RLW affect it positively. Short-term dynamics has been observed between EXP, GDPpc, IMP, BUR, DEMO, POLSTB, RLW and CPI. Whereas in developing countries, all variables influence corruption positively except EXP, BUR, POLSTB & RLW and all variables have short-run relationship with Corruption except GDPpc.

Keywords: Economic Development, Financial Development, Human Development, Political Development, Corruption, Co-integration, FMOLS, VECM.