

CORRUPTION IN INDIA : AN EMPIRICAL STUDY

Summary

Over five thousand citizens of India were interviewed in the house to house survey carried out to assess the citizens perceptions on corruption prevalent in ten sectors, Education, Health, Police (Law & Order), Power, Telephone (Communication), Railways (Transport), Land & Building Administration, Judiciary, Taxation and Ration (Public distribution system).

An estimated sum of Rupees (Rs.) 26,768 crores are extracted from citizens who interact with these ten sectors. Lower strata with lower earnings are hit harder due to corruption.

As per perception of the people, Police is the most corrupt sector. However, the impact of corruption is on a much larger scale in the Health and Education Sectors involving far greater number of population.

Corruption in Health and Education deprives people of these basic facilities and affects human development. These are, co-relates of Human Development. Cross country data of 102 countries show that there is a high rank correlation (0.788) as well as coefficient of correlation (0.766) between Human Development Index (HDI) and Corruption Perception Index (CPI). Countries with low scores in CPI have low HDI. See Annexure 'A'.

Many avenues of corruption cannot be dealt with under the Prevention of Corruption Act, 1988.

In many cases the citizen is not even aware that the practices can be classified as corrupt (eg., When patients are directed to specific pathological laboratories for conduct of tests).

Citizens are resentful of the existence of corruption and are willing to talk about it openly. Formation of interest groups of citizens interacting with various departments can channelise the resentments of the citizens constructively. Pressure groups so formed can take up matters with concerned authorities and seek redressal.

In such areas Civil Society organisations can raise awareness among the populace and acts as catalysts.

Cause for corruption is certainly containing not 'low salary' of those indulging in corruption. It is the lack of effective deterrence in the form of punishment to the corrupt and the lack of adequate supervision.

The fact that money is being demanded directly and openly by the corrupt is a clear indication that the corrupt persons are confident that no worthwhile action can be taken against them. This reflects the fact that those guilty of corruption do not expect to be hauled up. The existing systems for identifying the corrupt and punishing them appear ineffective and provide no deterrence to those indulging in corrupt practices.

Perceptions at best are indicative of the existing malaise in the systems. However, for prioritizing issues, formulations of policies and planning strategies hard data is a requirement. Policies and programs should not be based on perceptions alone.

Follow-up :

A survey is not an end in itself. Results of surveys need to be published to raise public awareness focus debates and promote institutional reform. To this end, TI India proposes to undertake the following steps :

- a) Disseminate the results of the survey to legislators, Central & State Governments, Sectoral Departments and Institutions, NGOs, and the public through print and electronic media.
- b) Act as a catalyst to promote Citizens Interest groups and support their actions.
- c) Press for the formulation and effective implementation of Citizens Charters in all government departments and allied institutions.
- d) Press for Service Charters from private business and institutions involved in delivery of services to the citizens.
- e) Press for augmenting the use of Information Technology to enable quick and easy access, and prompt disposal of cases by the government.
- f) Press for transparency in actions of the government agencies in the discharge of their functions.
- g) Strongly bid for accountability of all functionaries.
- h) Continue the programs already in hand for Moral and Ethical education, introducing Lok Pal (Ombudsman), and e-readiness and judicial reforms.
- i) Lobby for immediate legislation of the Right to Information Act.

* 10 Lakhs = 1 Million Crore = 10 Millions

PERSPECTIVES ON CORRUPTION

Global Scenario

The Transparency International (TI) Corruption Perception Index (CPI), 2002 ranks 102 countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index derived from 15 different polls and surveys from 9 independent institutions carried out among business people and country analysts. CPI defines corruption as the abuse of public office for private gains. The index provides an annual snap shot of the views of business people and analysts like bribing of public officials, kickbacks in public procurement or embezzlement of public funds.

Of the 102 countries surveyed, seventy countries – including many of the world's most poverty stricken – score less than five out of a clean score of ten. Corruption is perceived to be rampant in Indonesia, Kenya, Angola, Madagascar, Paraguay, Nigeria, and Bangladesh, countries with a score of less than two. Countries with a score of higher than 9, with very low levels of perceived corruption, are predominantly rich countries, namely, Finland, Denmark, New Zealand, Iceland, Singapore, and Sweden.

Consequences of Corruption

Corruption is found to be one of the most damaging consequences of poor governance characterized by lack of both transparency and accountability. Corruption lowers investment and hinders economic growth, and human development by limiting access to basic social services as well as increasing the cost of their delivery. It also increases poverty, subverts the financial system,, and undermines the legitimacy of the state. Thus, corruption is anti-poor, anti-development, anti-growth, anti-investment, and inequitable. The cost of corruption to a nation is very high.

Adverse effects of corruption on growth have been statistically corroborated from cross-country data. Based on the corruption rankings data assembled from the business and international communities in seventy countries finds a significant negative association between the Corruption Index and the rates of investment and economic growth. A one standard deviation improvement in the Corruption Index is estimated to be associated with an increase in the investment rate by about 3 percent of the Gross Domestic Product (Bardhan: Corruption & Development, Journal of Economic Literature, September 1997).

International Perspective on India

India is amongst the most corrupt countries of the world with a score of only 2.7 out of 10 and ranks 71st amongst 102 countries in 2002. India's score has declined from 2.9 in 1999 to 2.7 in 2002. TI's survey of international business' perceptions ranks India worse than China. World Competitiveness Year Book 2000 also ranks India amongst those countries where bribing and corruption is very high.

CORRUPTION PERCEPTION INDEX AND RANK OF INDIA, 1995-2002

Year	No. Of countries	CPI	Rank
1995	41	2.78	35
1996	54	2.63	46
1997	52	2.75	45
1998	85	2.9	66
1999	99	2.9	72
2000	90	2.8	69
2001	91	2.7	71
2002	102	2.7	71

Source: Corruption Perception Index, Transparency International, Berlin

Note: The corruption perception index is a composite index. In 2002, India with a score of 2.7 ranks 71st among 102 countries covered. Yearly variations in rank, if any do not reflect either improvement or deterioration in level of corruption.

CPI as the name indicates is a study based on perception of business people and risk analysts. It neither reveals the level and extent of corruption nor identifies sectors where corruption is prevalent. It is not based on hard data. Hence CPI though relevant and gives an overall view, falls short, if its data is to be utilised for identifying areas that need to be tackled, planning activities and conducting programs for the specific sectors. Hence the need for national and state level assessments of the actual experiences of the common man who is the legitimate recipient of the public services delivered by the government, and bears the brunt of all acts of misgovernance and corruption.

National and state level perspectives

National and state level perspectives of the common person are required to identify;

1. Where is corruption?
2. Extent of corruption.
3. Forms of corruption.
4. Who and how many indulge in corruption?
5. Who are affected by corruption?
6. Why corruption?
7. How to eliminate corruption.
8. What people and civil societies institutions can do?

Approach Developed by Human Development Reports

World Human Development Reports also first developed and prepared international perspective and then subsequently several national and regional level studies were prepared which led to a new policy and programmes framework to deal with human development. National and regional perspectives substantiated the international perspective on human development. The same approach is required on corruption. The international perspective on corruption needs to be substantiated by national and regional level perspectives, for formulating approach, policy, and programme for combating corruption and for educating and empowering people. There is a very high rank co-relation as well as coefficient of correlation between Corruption Perception Index and Human Development Index. See table 'A'

A recent study on relationship between Corruption Perception Index (CPI) and Human Development Index (HDI) ranked the CPI and HDI of 102 countries and estimated the Spearman's Rank Correlation and Coefficient of Co-relation for 2002. The Rank Correlation is estimated to be 0.788 and the coefficient of correlation 0.766. Linear relationship between HDI and CPI also exists. The relationship is estimated to be $Y = 0.52 + 0.048 X$, where Y is HDI and X is CPI.

GOD'S RESPONSE TO CORRUPTION

Perturbed by annual CPI rankings, many prime ministers and presidents of corrupt countries approached God for help in eliminating corruption. God's response was that it might not happen in their lifetime. It was a shock to them and all of them wept bitterly on God's shoulder.

Indian prime minister also sought God's help and advice so that he could also eliminate corruption from India. The response of God was "NOT IN MY LIFE TIME" and God commenced shedding tears. However, God did say that corruption could be eliminated provided people are educated and empowered about this evil.

PEOPLES' PERSPECTIVE

Indians think that corruption cannot be eliminated in India – at least not in their lifetime. This pessimistic and cynical perception of the people is largely an outcome of confusing corruption with all kinds of illegal actions and activities like dishonesty, cheating, duping etc. Most illegal actions, many of which are private actions, are confused with corruption. The Prevention of Corruption Act 1988 and Indian Penal Code clearly distinguishes between corruption indulged by public servants for private gains and illegal actions by individuals. There are separate Acts in India for dealing with different kinds of illegal actions of private individuals. For example, if a public servant amasses wealth disproportionate to his known sources of income then he can be tried under Prevention of Corruption Act 1988. However, if a businessperson amasses wealth disproportionate to his known source of income he will be dealt under Income Tax Act for concealing his income and not under Prevention of Corruption Act.

TYPOLOGY OF CORRUPTION

Corruption is defined as the use of public office for private gains. Scales of corruption can be Grand, Middling or Petty and payment of bribes can be due to collusion between the bribe taker and the bribe giver, due to coercion or even anticipatory.

Existence of corruption implies that there are corrupt people, there are also corrupt practices, and there is a corrupt system. Therefore, all the three have to be fought simultaneously to eliminate the vice of corruption. The present system provides for taking on the corrupt persons through a legal mechanism, which has not been found to be very effective. Many corrupt practices fall outside the purview of existing laws and need to be tackled by people themselves. The responsibility for dealing with corrupt people, corrupt practices and corrupt systems devolves equally on individuals, civil society institutions, legislature, executive, and the judiciary.

WHO CAN INDULGE INTO CORRUPTION IN INDIA

India is one of the most regulated economies of the world with powers concentrated in few hands. It is a poor country with scarce resources where demand is always more than supply. The receivers of the public services are largely poor, ignorant, and illiterate. There is also absence of transparency and accountability of the public servants. There is no system of rewards and punishments for the public servants. There is also no right to information. The license-permit-quota-inspector regime is pervasive in India since independence and continues even after liberalization and globalization of 1991. In addition, there are 3000 central statutes and 10 times as many state statutes plus subsidiary and administrative laws (most of them archaic), with several exemption clauses and discretionary powers sans accountability. All these conditions are fertile breeding grounds of corruption.

At present, 19.5 million people hold public office with central and state governments, quasi-central and quasi-state institutions, and rural and urban local bodies spread over 200,000 establishments and offices all over India.

Armed with these thousands of laws, 19.5 million public servants exercise their. Powers, control and regulate the remaining thousand million citizens. Since 90 percent of these 19.5 million public servants are, class III and class IV employees. Power is concentrated in the hands of less than 2 million public servants who regulate and control the fate of a thousand million people. This minority has the potential to indulge into corruption in all its forms and scale giving India an image of one of the most corrupt countries of the world. The remaining 17.5 million public servants with limited powers can indulge in petty corruption only.

The number of government establishments and offices have doubled from approx 100,000 to 200,000 in the last two decades and the number of government servants has bloated from 15.5 million 1981 to 19.5 million today.

Corruption can be reduced considerably in India by merely scraping obsolete and archaic laws (majority of them are such) and rationalizing the remaining ones. This task should be taken up seriously and vigorously by civil society, institutions using committed judiciary and lawyers because the government functionaries alone can never do this.

At present, the perception is that government can eradicate corruption and responsibility for eradicating corruption is that of government alone. However, in view of the kind of corruption and the framework that we have in India, it is very clear that government alone cannot eradicate corruption. If the people and civil society institutions remain indifferent and show helplessness in combating corruption then it can never be eradicated or for matter that even reduced. Thus, the responsibility and the onus of combating corruption are as much of the people and the civil society institutions as that of the government.

Prevention of Corruption Act 1988

To deal with corruption amongst public servants India enacted Prevention of Corruption Act 1988, replacing Prevention of Corruption Act 1947. PCA 1988 incorporates provisions of chapter IX of the Indian Penal Code to deal with Public servants and those who abet them by way of criminal misconduct and provides to enable attachment of their ill-gotten wealth obtained through corrupt means. This act also widens the scope of definition of Public servants. Public servant means any person in the service, pay of the government, or remunerated by the government by fees or commission for the performance of any public duty. Public duty means a duty in the discharge of which the state, the public, or the community at large has an interest. The 'State' includes a corporation established by or under a central, provincial or state act or an authority or a body owned or controlled or aided by the government or a government company defined in section 617 of the Company's Act 1956. In India in addition to a large number of health and educational institutions, the government also aids many other kinds of organisations. Hence, the employees of such bodies are also covered by this act. Normally corruption is defined as using public office for private gains. In PCA 1988 Public Servant and Public duty have very wide definitions covering every person who is in the actual possession of the situation of a public servant and discharging public duty which the state, public or the community at large has a interest. Persons holding various public offices are public servants, whether appointed by the government or not.

British Citizen's Charters

In Britain, there are more than ten thousand Charters setting service standards at a level that has a direct impact on the quality of individual's life. For example, what an elderly person can expect from his/ her local social service departments. Few years ago, many doubters said that the performance of the public servants could never be measured. These Citizen's Charters set new standards and new targets. They give more information about the performance tables for schools, hospitals, local authorities, and police and fire services, to help them make choices and question the way things are run. By setting up measurable targets, the government is delivering concrete improvements in the quality and efficiency of services. The Charter Mark Award's Scheme is now the focal point for recognizing the achievement of organisations that have made a special contribution to serving the public; it also demonstrates a strong public commitment to raising standards.

Citizens Charter

The concept of Citizen Charters has been introduced to improve the quality of public services. It ensures accountability, transparency and quality of services provided by various government organisations. It enables citizens to avail of services with minimum hassle, in reasonable time, and at a minimum cost. Effective implementation of Citizens Charters will go a long way in controlling corruption. The Government of India has launched an ambitious programme for formulation and implementation of Citizens Charters in all government departments.

To over see the implementation and diffusion of these Charters, there must be Watch/ Monitoring Committees consisting of both public service providers and service receivers.