UTTARA UNIVERSITY

Project Report

On

"Corruption plays an important role to economic growth in Bangladesh."

Submitted to:

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Submitted by:

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Letter of Transmittal

30 August 2020.

Md. Mohedul Islam
Assistant Professor of Accounting
Department of Business Administration
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Uttara University

Subject: Submission of Project Report.

Dear Sir,

It is my pleasure to submit you my project report entitled **"Corruption plays an important role to economic growth in Bangladesh."** The purpose of this report was to fulfill the partial requirement of the degree Bachelor of Business Administration (BBA).

I would like to thank you for your support and guidance that you provided for this report completion. Without your help, it would have been impossible to complete. This has given me the opportunity to investigate the economic conditions of Bangladesh. The report contains the corruption and the economic conditions in Bangladesh. I have tried to collect relevant information to make my report as analytical and reliable as possible. I have gathered huge knowledge and experience during my report preparation, which certainly offer assistance me in my proficient life.

I, therefore, would really be grateful if you enlighten me with your thoughts and views regarding the report. Thank you once again for your support and patience.

SincerelyYours,

…….

Sourav Biswas
ID: 2162011028
Batch: 40th (A)
Department of Business Administration
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Student's Declaration

I Sourav Biswas bearing ID: 2162011028, hereby declare that this project report entitled **"Corruption plays an important role to economic growth in Bangladesh."** has been prepared by me towards the partial fulfilment of the requirement for the award ofthe Bachelor of Business Administration (BBA) degree under the guidance of **Md. Mohedul Islam**, **Assistant Professor of Accounting, Uttara University.**

I also declare that this project report is my original work and has not been previously submitted.

……

Sourav Biswas
Id: 2162011028
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Supervisor's Declaration

This is to certify that Sourav Biswas, ID: 2161011052, Batch: 40th (A), Program: BBA, Major in Accounting and Finance a student of Uttara University, Department of Business Administration has completed his Project report entitled **"Corruption plays an important role to economic growth in Bangladesh."** under my supervision. I am pleased to state that he has worked hard in preparing this report. The data and findings are presented in the report seems to be authentic.

I wish his every success in life.

……

Md. Mohedul Islam
Assistant Professor of Accounting
Department of Business Administration
School of Business
Uttara University

Acknowledgement

In the present world of competition there is a race of existence in which those are having will to come forward succeed. Project is like a bridge between theoretical and practical working. With this I joined this particular project.

First of all, I would like to express my gratitude to Almighty Allah to enabling me to complete this report on "Does corruption a matter for economic growth? An evidence from Bangladesh." Next to him are my parents, whom I am greatly indebted for me brought up with love and encouragement to this stage.

Successfully completion of any type of project requires helps from a number of persons. I have also taken help from different people for the preparation of this report. Now, there is a little effort to show my deep gratitude to that helpful persons.

I convey my sincere gratitude to my Academic Supervisor Md. Mohedul Islam, Assistant Professor of Accounting, Uttara University. Without his kind direction and proper guidance this study would have been a little success. In every phase of the project his supervision and guidance shaped this report to be completed perfectly.

I would also like to thanks all of my mentors Md. ShahnawajMostofa, Senior Lecturer in Finance, Uttara University, Md. Jahirul Islam, Senior Lecturer in Accounting, Uttara University, Md. Anisuzzaman, Assistant Professor of Finance, Uttara University, Sonia Rezina, Assistant Professor of Finance, Uttara University to give a clear idea about preparing a successful project report and to encourage me all the time.

At last but not the least I am thankful to all of my teachers and friends who have been always helping and encouraging me throughout the year. I have no valuable words to express my thanks, but my heart is still full of the favors received from every person.

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Acronyms

- **GDP** = Gross domestic product.
- **CPI** = Corruption Perceptions Index.
- **TI** = Transparency International.
- **TIB** = Transparency International Bangladesh.
- **ABDC** = Australian Business Deans Council.

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Section 1: Justification of The Study

This study is unique in that it addresses the relationship between corruption and economic growth. As we know that corruption leads a country to destruction day by day. In addition, corruption delays a country from its economic growth. Bangladesh is always ahead in terms of corruption. Every sector in Bangladesh where ever you go whether it is government or non-government organization corruption is existed. These reasons highly motivate me in doing research about this topic.

"Bangladesh has ranked 14th among the most corrupt countries, according to the Global Corruption Perception Index 2019 released by the Berlin-based Transparency International." That's another reason I am very much curious about this topic.

Moreover, this study is going to help me in finding the current status of corruption and how it affects the economic growth in Bangladesh. It will also serve as a future refence for researchers on the subject of Economics & Finance and the society. It will create an awareness of corruption and its impact on our economy in Bangladesh.

Finally, as a student of business studies it will also help me in finding a lucrative job and my future research. The findings of this study will redound to the benefit of society considering that the impacts of corruption on our economy is huge and will help our government to reduce the corruption.

Section 2: Objective of the Study

A project objective describes the desired results of a project. An objective must be specific and measurable. There are two types of objective broad objective and specific objective. For accomplishing my project report I have also set some objectives. These are as shown:

1. I want to learn more about the impacts of corruption on economic growth.
2. I want to know the relationship between corruption and economic growth.
3. I want to tell my readers that corruption is a curse for Bangladesh.

Section 3: Methodology

Every research has a methodology. On the way of the formation of this report, it has a methodology too. The study is descriptive in nature to analyze the existing studies. In this report qualitative approach has been applied by analyzing existing theories and relevant kinds of literature. Due to this CORONA Pandemic situation this study is largely based on the secondary data from academic articles, books, working papers, academic theses, reports, policy documents by the government, and domestic and international development agencies. The applied data have been gathered from several authentic sources.

In this report most of the information's are collected from various articles. To collect all this articles my supervisor suggests me go ABDC journal ranking website. Where I found several categories of journal related to Accounting, Finance and economics. I choose some A categories of journal website and go through it. After analyzing all the journals, I selected my topic.

Then, I selected some key words related to my topic as like relationship between corruption and economic growth, impacts of corruption on economic growth, does corruption matter, economic condition in Bangladesh, corruption in Bangladesh etc. I put these key words in Google Scholars. Then I found many articles related to my topic. From those articles I selected 10 important articles based on my topic. It was quite impossible for me to collect or download all my articles. But in this case my supervisor helped me very much. Even he collects some articles for me. After collecting those articles, I numbering those articles from 1 to 10 which helps me in preparing my report appendices. After collecting articles at first, I read them very carefully and marked my important paragraph from those articles.

To present all these data I used MS. Word. Sometimes I used some table in MS. Word to represent the data. For analyzing all these data, I used MS. Excel as an analyzing tool. In this project report some graphs has been shown which is prepared by using MS. Excel.

Initially, the project will review the previous studies on corruption, economic growth, and sustainable development in context on Bangladesh. Secondly, it will highlight some potential impacts of corruption on sustainable development & growth and will suggest some essential recommendations.

Section 4: Discussion

Objective-1: I wanted to learn more about the impacts of corruption on economic growth.

I learned that there are negative impacts of corruption on economic growth. **MH Pulok (2017)** studied **"Does corruption matter for economic development? Long run evidence from Bangladesh."** His findings revealed that the results of co-integration test confirm that there is a long run relationship between corruption and real GDP per capita. The long run estimates indicate that corruption has negative impact on per capita GDP i.e. economic development of Bangladesh during the study period **(p. 8).**

From the journal "**Corruption and Growth"** I find that corruption lowers private investment, thereby reducing economic growth, even in subsamples of countries in which bureaucratic regulations are very cumbersome.

"Corruption's Effect on Growth and its Transmission Channels" journal indicate that a common finding of recent theoretical and empirical literature is that corruption has a negative effect on economic growth.

Moreover **PH Mo (2001)** studied **"Corruption and Economic Growth"**. They found that a 1% increase in the corruption level reduces the growth rate by about 0.72% or, expressed differently, a one-unit increase in the corruption index reduces the growth rate by 0.545 percentage points. The most important channel through which corruption affects economic growth is political instability, which accounts for about 53% of the overall effect **(p. 76).**

From the journal "**Does Corruption Matter?"** I find that corruption can adversely affect the interest of the poor, whether corruption is petty or grand. Due to corruption, politicians, bureaucrats and wealthy sections in society win. However, the poor and marginalized as a whole lose. Therefore, corruption is associated with a large number of costs with regard to economic, social, political and international perspectives.

"Corruption, Investment and Economic Growth: Theory and International Evidence" journal indicate that Corruption has recently found its way back in the mainstream of the economics literature. Most recent contributions to the body of literature have focused on its

distortionary effects on a market economy. To a large extent, most of these works have provided support of a negative effect of corruption on investment and economic growth **(E Coupet & Jr, 2003, p. 103).**

Now I can summarize my main discoveries that the impacts of corruption on economic growth is negative meanwhile corruption also reduces the standard of living and growth.

Objective-2: I wanted to know the relationship between corruption and economic Growth.

From "**Corruption and Growth"** journal I find that the negative association between corruption and investment, as well as growth, is significant, both in a statistical and in an economic sense.

"The comparative politics of corruption: accounting for the East Asian paradox in empirical studies of corruption, growth and investment" journal suggest that corruption is likely to be much more damaging to investment and growth in small as opposed to large developing countries. They also demonstrate that corruption tends to slow growth and/or investment in most developing countries but increase growth in the large East Asian newly industrialized economies.

From the journal **"Does Corruption Matter?"** I find that Corruption and poverty are interrelated. Though there is no conclusive study that concludes that corruption creates poverty or that poverty creates corruption.

Table 1: CPI Score, Rank in Countries, GDP Growth Rate

Year	CPI Score Source: Transparency International Bangladesh (TIB)	Rank in Countries	GDP Growth (in %) Source: BBC
2014	25	145/198 Countries	6.06 %
2015	25	139/198 Countries	6.55 %
2016	26	145/198 Countries	7.11 %
2017	28	143/198 Countries	7.28 %
2018	26	149/198 Countries	7.86 %
2019	26	146/198 Countries	7.90 %

Figure 1: CPI Score

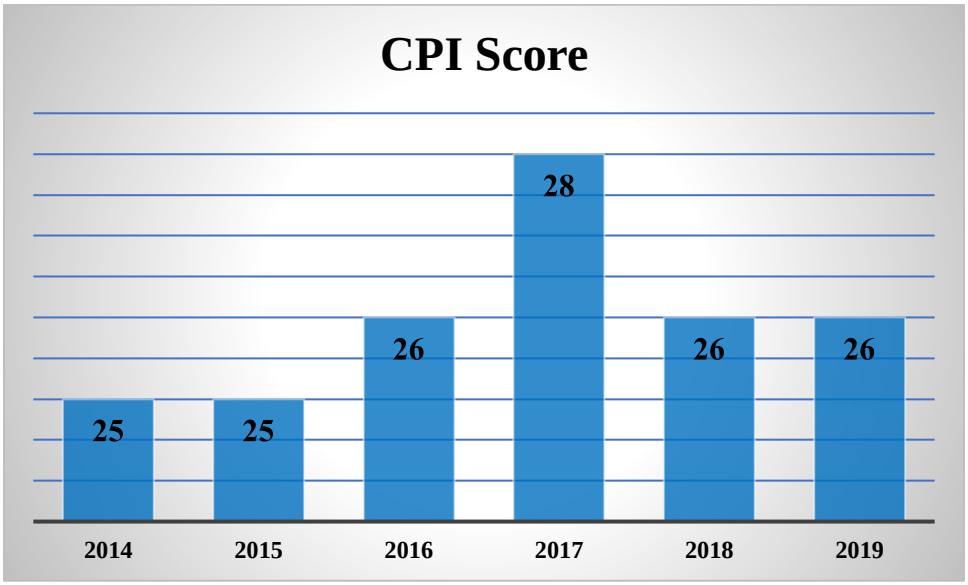


Figure 2: GDP Growth Rate

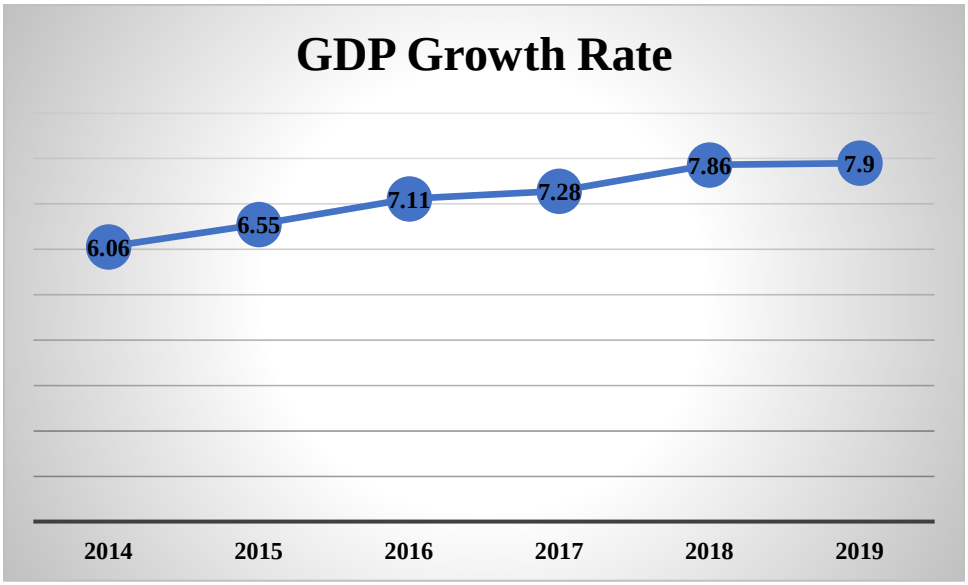
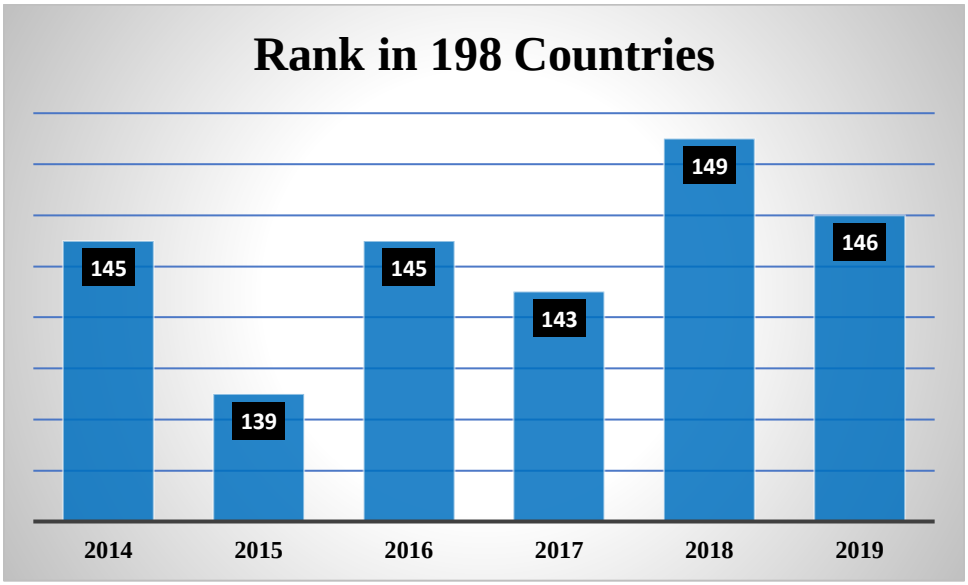


Figure 3: Rank in 198 Countries



Here I can explain that corruption and economic growth is inversely correlated with each other. These figures demonstrate that in 2017 the CPI index was very high and as a result rank was very low. On the other hand, we can see that in 2017 CPI index was 28 which is decreased in 2018 by 2 index as a result GDP growth rate increased in 2018 from 2017 by 0.56%. Meanwhile in 2018 and 2019 CPI index remain same and we can see that GDP growth rate changed by 0.04%. Here we can see that if corruption decrease then GDP growth rate is increased and if corruption increase then GDP growth rate is decreased.

Thus, I can conclude that there is a negative relationship between corruption and economic growth.

Objective-3: I wanted to tell my readers that corruption is a curse for Bangladesh.

The most interesting learning that I will share now is corruption and economic growth is highly interrelated with each other. Though only corruption is not responsible for increasing or decreasing economic growth other factors are responsible too. But corruption is a huge resistant for economic growth specially for developing country like Bangladesh.

From the journal **"Development of Bangladesh Economy: Obstruction and Challenges"** I find that the greatest obstruction of Bangladesh economic growth and most important obstacle to economic development is corruption on the part of both government and non-government

departments. It has destroyed society from human conscience and people are losing faith in the ministry and judiciary, respect for the law. The rich continue to become richer and the poor become poorer.

"Does Corruption Matter?" journal indicate that that the costs that are generated through corruption is a serious matter for a developing country's economic and social, political perspectives. Though it costs severely developed countries also, however, the cost of corruption is significantly high in developing and transitional economies. Corruption reduces GDP growth and imposes a tax on FDI and these are crucial for these economies. In addition, it restricts poverty alleviation by limiting job opportunities for poor. Furthermore, it weakens democracy, public institutions, rule of law, result in weak state.

Findings of **"Corruption, Investment and Economic Growth: Theory and International Evidence"** journal suggest that increased levels of corruption reduce a country's standard of living. Since this finding is linear, an increase in the amount of corruption has a proportional decrease in a country's level of investment – regardless of the size of the country. The results for standard of living are not so uniform.

So, my readers should accept that corruption is a curse for Bangladesh. And Bangladesh govt. should take necessary steps for reducing the corruption.

Section 5: Future Forward

The study has some limitations which could not avail to overcome during the study. As the study mainly covers the recent trend, a short time period 2014 to 2019 on a single country which does not show any broader and comparative view. The research is qualitative in nature based on a secondary study which lacks some concrete findings. As the study is futuristic in nature based on recent trend and covering very few factors is challenging to measure the impact on economic development. In terms of methodologies, the study lacks any scientific methods which challenge the reliability. Despite of these limitations, the project makes a scope for further study by forwarding few questions in relevant areas:

- What is the relationship between corruption and Industrial sector in Bangladesh?

- How corruption affects the agriculture sector in Bangladesh?
- What is the impact of corruption on GDP in Bangladesh?
- Does corruption reduce investments or reduce the positive effects of investments on growth?

Section 6: Appendices

Appendix I
Introducing Consulted Articles

Sl	Article Title	Author(s)	Journal Name	Volume & Issue	Year	Publisher
1	Does corruption matter for economic development? Long run evidence from Bangladesh	Mohammad Habibullah Pulok Moin Uddin Ahmed	International Journal of Social Economics	Volume 44, Issue 3	2017	emerald.com
2	Corruption and economic growth	Pak Hung Mo	Journal of comparative economics	Volume 29, Issue 1	2001	Elsevier
3	Corruption and growth	Paolo Mauro	The quarterly journal of economics	Volume 110, Issue 3	1995	academic.oup.com
4	Corruption's Effect on Growth and its Transmission Channels	Lorenzo Pellegrini and Reyer Gerlagh	Kyklos International Review for Social Science	Volume 57, Issue 3	2004	Wiley Online Library

5	The comparative politics of corruption: accounting for the East Asian paradox in empirical studies of corruption, growth and investment	MT Rock, H Bonnett	World Development	Volume 32, Issue 6	2004	Elsevier.com
6	Development of Bangladesh Economy: Obstruction and Challenges	Mukut Sikder, Xuecheng Dou	IJCIRAS	Volume 3, Issue 1	2020	academia.edu
7	Does Corruption Matter?	Asma Ara Begum	International J. Soc. Sci. & Education	Volume 6, Issue 4	2016	ijsse.com
8	Corruption, Investment and Economic Growth: Theory and International Evidence	Ernst Coupet, Jr	Journal of Business & Economics Research (JBER)	Volume 1, Issue 1	2003	clutejournals.com
9	Does Corruption Lead to Welfare Loss? an empirical evidence from real estate sector of Bangladesh	AT Muzaffar, SSM Huda	Organizations and Markets in Emerging Economies	Volume 2, Issue 1	2011	search.ebscohost.com
10	Corruption and Good Governance: The Case of Bangladesh	SK Saha	SUST Journal of Social Sciences	Volume 22, Issue 2	2014	researchgate.net

Appendix II
Compilation of Objectives/ Purposes/ Questions/Hypotheses Addressed by the Articles

Article	Objectives/ Purposes/ Questions/Hypotheses
1	Despite commendable progress in economic growth, corruption is a 'way of life' in Bangladesh. The objective of this article is to investigate the long run relationship between economic development and corruption in Bangladesh over 1984-2013.
2	This study introduces a new perspective on the role of corruption in economic growth and provides quantitative estimates of the impact of corruption on the growth and importance of the transmission channels
3	This paper analyzes a newly assembled data set consisting of subjective indices of corruption, the amount of red tape, the efficiency of the judicial system, and various categories of political stability for a cross section of countries. Corruption is found to lower investment, thereby lowering economic growth. The results are robust to controlling for endogeneity by using an index of ethnolinguistic fractionalization as an instrument.
4	In the present paper, we use a method similar to one developed by Mo (2000, 2001) and elaborated on in Papyrakis and Gerlagh (2004), to analyse empirically the contribution of various direct and indirect channels through which corruption affects economic growth. Our findings suggest that corruption slows down economic growth, mainly through its effect on investments and trade policies. The latter transmission channel has not been taken into account in previous empirical work, while trade openness has been shown to be of major importance for economic growth.
5	Numerous empirical studies demonstrate that corruption reduces investment and/or slows growth. But how robust are these relationships? This question is answered by conducting a series of cross-country regression tests using four different corruption datasets. We find that corruption slows growth and/or reduces investment in most developing countries, particularly small developing countries, but increases growth in the large East Asian newly industrializing economies. The latter finding provides solid empirical support to a country case literature that explains the East Asian paradox—

	the combination of high corruption and high growth—in terms of stable and mutually beneficial exchanges of government promotional privileges for bribes and kickbacks.
6	The article proofer some tentative challenges to the obstructions within the Bangladesh economy. The data for the work was gathered by reviewing relevant literature in the subject matter. The work first presents an abridged profile of Bangladesh and also identifies the problems each component of the economy comes with. The need for competent government policies, administrative rules, and effective proposals are unequivocal in increasing education, health, micro and macro-economic indicators in Bangladesh. The study postulates effective judicial law as the best way to curb corruption. The work concludes by calling for a sustainable tax reform system to help increase the country's national revenue.
7	Corruption is a matter for both developed and developing countries as it restricts economic growth that is crucial for poverty alleviation and retards poverty reduction processes through increasing income inequality. This research essay will provide a cost-benefit analysis to support the above statement. The benefits that are gained by voters through corruption, are not well-distributed as different elite groups benefit the most from scarce resources and the net benefit of elite classes, bureaucrats and politicians are the net losses of poor citizens. Therefore, the benefits that corruption can bring, is a matter for poor citizens as corruption creates economic, social and political costs for them. Corruption reduces GDP growth and imposes a tax on FDI and these are crucial for developing and transitional economies. In addition, it restricts poverty alleviation by limiting job opportunities for poor.
8	This paper analyzes the real effects of corruption on a firm’s production function. Using an augmented-Solow Growth model, with multifactor productivity as a function of corruption, a closed form solution is derived for real GDP per capita, economic growth and physical capital per capita, at steady-state. With the a priori assumption of a negative relationship between corruption and multifactor productivity, it is shown that corruption negates a society’s standard of living, economic growth and investment level. OLS results of the closed-form solutions not only support this theoretical finding for a full cross-section of countries, but they also reveal that corruption may have a positive concave effect on economic variables for

	the OECD sample. Nonlinear least squares estimate of the elasticities of physical and human capital, with the inclusion of the corruption index, confirm that the productivity of inputs is impacted.
9	This research aims at measuring the impact of corruption on the real estate sector of Dhaka city, the capital of Bangladesh. It makes an attempt to measure the welfare loss resulting from corrupt practices exercised mainly by government regulatory agencies. Bribe and extortion fee are the two main indicators whereby welfare loss is measured. Evidence from the study reveals that around 8 floors are lost due to payment of bribe and other such payments.
10	This paper highlights the view that corruption can be combated if good governance can be put into practice, i.e. 'good governance' has been viewed as a key strategy to curb corruption. The argument is developed in three sections: in the first section, the article focuses on the conceptualization of corruption, governance and good governance. In the second section, the article examines corruption-good governance nexus and in the final section, the article outlines issues and experiences related to corruption in Bangladesh.

Appendix III
Compilation of Methods

Article	Methods
1	This paper uses International Country Risk Guide (ICRG) corruption index as a proxy to measure the level of corruption. This study employs auto regressive distributed lag (ARDL) bounds test method to examine the long run relationship or co-integration between corruption and per capita real GDP in Bangladesh using annual time series data.
2	In our framework for investigating the growth mechanism, the input–output relationship is characterized by a general production function, Y = Tf(K,L), where Y is the total output level, T is total factor productivity, and K and L are the capital stock and labor, respectively. Total differentiation of Y gives dY = fdT+T(fKdK+ fLdL). (1)

Dividing (1) by Y yields a decomposition similar to that of Solow (1957)2:

dY Y =

dT T +TfK

dK Y +

fLL f

dL L

. (2)

However, Eq. (2) canbeinterpretedaccordingtoSchumpeter'stheoryofeconomic development (Schumpeter, 1912, 1939),3 in which two classes of influence on the evolution of an economy are distinguished. One is the effect of changes in factor availability, the growth component, which is related to the growth rates of capital and labor in the production function. The other is the effect of social and technological changes, the development component, which is related to the forces driving total factor productivity growth in the production function (Schumpeter, 1912). We characterize these components as

GR = F[γ,IY,dLL], (3)

whereGRandγ arethegrowthratesofrealGDPandtotalfactorproductivity,IYis the investment output ratio, and dLL is the growth rate of labor. In this expression, Fγ equals 1, FIY is the marginal production of capital, and FdLL is the elasticity of output to labor. Levine and Renelt (1992) identify four variables that are robust in determining growth; these are the share of investment in GDP, the rate of population growth, the initial level of real GDP per capita, and a proxy for human capital. The first two variables belong to the growth component and the last two belong to the development component. Based on this work and the discussions in the Introduction, the rate of productivity growth is determined by

γ = γ (CORRUPT, y0, HUMAN), (4)

where CORRUPT is an index for the level of corruption, y0 is the initial GDP per capita, and HUMAN is an index for human capital stock. The expected sign of the initial per capita output is negative because of the convergence tendency due to the knowledge gap between countries in the literature of endogenous growth. The larger the knowledge gap, the easier it is for a country to raise its productivity by learning,

	imitating, and adapting technology from the leading economies (Barro and Sala-I-Martin, 1995). The initial per capita output is commonly used to capture this effect. According to Benhabib and Spiegel (1994), the human capital stock has a positive effect on the growth rate of total factor productivity because an educated labor force is better at learning, creating, and implementing new technologies, which generates a higher rate of productivity growth. As discussed in the Introduction, we do not have any a priori expectation about the sign on the coefficient of corruption. Except for the corruption index, all data are obtained from the panel data set assembledbyRobertBarroandJong-WhaLee.4 Thedatabeginin1960, gothrough 1985, and are divided into five 5-year subperiods. In the periods before 1970, some essential variables have a large number of missing observations. Hence, meaningful estimations can start only from 1970. Recent financial crises in the world reveal that the short-term GDP growth rate of a country may fluctuate wildly according to its country-specific conditions. To study the determinants of the growth rates of total factor productivity and the capital stock, we need a relatively long observation period. Hence, the period from 1970 to 1985 is chosen for this study. As similar data sets have been used for empirical studies, our results can be easily reproduced and compared with other studies employing a similar framework.
3	The indices proxying for corruption and various other institutional variables are drawn from Business International (BI), now incorporated into The Economist Intelligence Unit. BI is a private firm that sells these indices typically to banks, multinational companies, and other international investors. BI published indices on 56 "country risk" factors for 68 countries, for the period 1980-1983, and on 30 country risk factors for 57 countries, for the period 1971-1979. "Factor assessment reports" are filled in by BI's network of correspondents and analysts based in the countries covered. Assessment reports undergo further checks at BI's regional level, as well as BI's corporate headquarters, in order to ensure accuracy and consistency of the results.
4	The paper proceeds as follows. In the next section, basis cross-country regressions are presented with estimates of the direct effect of investments, schooling, trade openness, political instability, and corruption, on growth. In Section III, the

	transmission channels through which corruption affects growth are studied and their relative importance and long-term effect on growth are calculated. The last section concludes. Furthermore, Appendix 1 provides the derivation of long-term income effect, Appendix 2 provides estimates with instrumental variables for corruption and robustness checks of our main results and Appendix 3 provides a description of the variables and of the sources.
5	Empirical tests of hypotheses relating corruption to investment and growth are motivated by the vast growth accounting literature as well as by the need to test for the robustness of regression coefficients of particular interest (Levine & Renelt, 1992). 21 Data constraints, particularly on corruption variables, led to estimation of four different sets of crosscountry regressions for four different time periods— 1980–83, 1988–92, 1984–96 and 1994–96. In each instance, variables are calibrated as close as possible to the time period covered by each measure of corruption. This enables us to avoid the pitfall evidenced in Mauro (1995, pp. 690, 699 & 702–703) of assuming that the average level of corruption measured in one period (1980–83) is the same as the average over a much longer period (1960–85). 22 As the Political Risk Services' (Political Risk Service, 2002) time series data on corruption during 1984–96 shows, this assumption is a not a particularly good one. 23 We made four adjustments to these basic corruption variables. As is well known, each of our corruption variables was originally scaled so that an increase in the measured variable indicated a decline in corruption. To begin with, we simply re-scaled each corruption variable so that an increase signifies an increase in corruption. To capture the impact of corruption on investment and growth in developing countries we created several new corruption variables. The first is a simple developing country corruption variable where, for example, for the Business International corruption score BILDC¼0 if the country is a developed country and BILDC¼the country's corruption score if the country is a developing country. This particular developing country corruption variable is constructed on a traditional neoclassical rent-seeking hypothesis that increases (reductions) in corruption anywhere in the developing world slow (increase) investment and reduce (raise) growth. Since the region and

	country case literature suggests that corruption is likely to be investment and growth reducing everywhere in the developing world except in the large East Asian newly industrializing countries (NICs) we created two other developing country corruption variables. The first is an ‘‘other developing country’’ corruption variable. For this variable, as in BIOLDC for the Business International corruption variable, BIOLDC¼0 if a country is a developed country or one of our large East Asian newly industrializing economies and BIOLDC¼the country’s corruption score if the country lies elsewhere in the developing world. Finally, we created a ‘‘large East Asian NIC’’ corruption variable. 24 For this variable, as in BILEANIC for the Business International corruption variable, BILEANIC¼0 if a country is a developed country, a developing country outside East Asia, or an East Asian non-NIC developing country and BILEANIC¼the country’s corruption score if the country is a large East Asian NIC.
6	This paper uses data and information from both secondary sources a large part of the literature of Bangladesh, recent information and many authors have been reviewed. It is about the principles of existing national issues, the overall trade and development of the country, related issues related to foreign trade, development of different countries, political difficulties and other trade-related projects, future planning, mutual planning, trade policy, flow monitoring and evaluation impact the existing and process for national Analysis of information related to current evolving development from international literature and information. A model was developed to show the effect of all the problems and solutions of commercial and internal problems on the economic Cervical growth of Bangladesh. Then the model was compared to all the South Asian countries and the economic development models among developed and rapidly developing countries of the world. In these advanced models has shown economic growth of real GDP, infrastructural development and the positive impact of foreign trade, etc. The actual GDP is dependent and the country's internal variables are used because of the increase in the population. It is acknowledged that due to the excessive population, corruption, and lack of investment at speed the higher impact on the economy.

7	This research essay will provide a cost-benefit analysis to support the above statement. Firstly, the essay will define corruption. Subsequently, the benefits of corruption will be addressed. Then the costs will be discussed from an economic, social, political and international perspective. Finally, a conclusion will assert that corruption is a matter of concern specifically for poor countries where people are dying in the vicious cycle of poverty; a condition that is perpetuated due to nourishing corruption.
8	The model begins with an economy that produces only one good. Output is produced with a well-behaved neoclassical production function with positive and strictly diminishing marginal products of human and physical capital. The Inada conditions assure that the marginal products of both capital and labor approach infinity as their values approach zero and approach zero as their values go to infinity. The functional form of the production function is Cobb-Douglas1 Yt = Kt□Ht□[At(□)Lt]1-□-□; (1) where Yt is the aggregate level of real income, Kt is the level of physical capital, Ht is the level of human capital, Lt is the amount of labor employed, At is the level of multifactor productivity and □ is the level of corruption in a country; where A'(□) <0. Let 0 < □ < 1, 0 < □ < 1 and □ + □ < 1. These ensure that the production function exhibits constant returns to scale and diminishing return to each input. The state equations are: dt dK = sKYt - □KKt (2) dt dH = sHYt - □HHt; (3)

	where sH, sK , □H and □K are exogenous parameters that represent, respectively, shares of income that are allocated to human capital investment, physical investment, and depreciation rates of human and physical capital. Population is exogenously determined and defined as Lt = Loent so that population growth is constant over time, (dL/dt)/Lt= n.2 Let At describe the economy's multifactor productivity; At(□) = Ãte-□□, where 0 □ □ □ 1 and (4) Ãt = Aoegt. (5) The corruption parameters, □ and □, together determine the magnitude of the effect of corruption on multifactor productivity. The parameter, □, is a measure of the economy's overall level of corruption while □ captures the sensitivity of corruption to the production function. Conventional multifactor productivity, Ãt, is exogenous and grows at rate g. We assume that dAt /d□ < 0 and d2At /d□2 > 0. If there is no corruption (□ = 0), then Ãt = At and equation (6) reverts to the traditional Solow growth model (MRW, 1992). The sign and value of □ are instrumental in modeling the net effect of corruption on multifactor productivity. Since □ is a nonnegative real number bounded by 0 and 1, a positive (negative) value of □ causes corruption to reduce (improve) multifactor productivity.
9	In order to measure the welfare loss due to corruption which in turn results from regulations and extortion, the research makes an attempt to collect information on completed projects of real estate companies in Dhaka city. A structured questionnaire was designed to collect data relating to payment of legal fee, bribe, extortion fee, and other such information. A number of government agencies are identified from the study of Haque & Muzaffar (2008), responsible for providing different kinds of permission to the builders of apartments. These include: Design: The design of the project needs approval from the regulatory agency called RAJUK (Dhaka Development Authority). Water, Gas, and Electricity: To supply the utility services such as water, gas, and electricity a builder requires to take permission from Dhaka WASA (Dhaka Water Supply Authority), TITAS Gas Supply and Distribution, and Dhaka Electric Supply Authority (DESA) respectively. Leaving equipment on the roadside: In order to leave the construction equipment, such as rods, bricks, and

	cement, on the roads adjacent to the construction site, the builder needs a temporary permission from the Dhaka City Corporation. Hand-over of the apartment to the client: At the time of hand over of apartments to flat-owners, the builder sometimes requires to pay a fee on the basis of per square foot to RAJUK. This fee sometimes is paid by the flat-owners depending on how the contract is signed. Registration of the project: The Registry Office located at Tejgaon; Dhaka charges a fee from the builder at the time of registration process. Value added tax (VAT): The builder needs to pay VAT at 3% rate of the apartment price quoted when the hand-over is done. The agency responsible for collecting the VAT is the Circle Zone Office at Shegunbagicha, Dhaka. Apart from the above government regulatory agencies where payment of legal fee and bribe (the possibility of it) is involved during the completion of a project, the other two areas where a builder might require to pay bribe or extortion fee are the police and local extortionists (the "mastans"). Using the structured questionnaire, a survey was conducted during the months of November and December 2008 on companies, enlisted with the Real Estate and 28 Housing Association of Bangladesh (REHAB), in Dhaka city. Although a random selection process of companies was followed, collection of information was possible only from the companies who were willing to respond and provide such data. The data was analyzed using spreadsheet and software such as SPSS.
10	The argument is developed in three sections: in the first section, the article focuses on the conceptualization of corruption, governance and good governance. In the second section, the article examines corruption-good governance nexus and in the final section, the article outlines issues and experiences related to corruption in Bangladesh.

Appendix IV
Compilation of Conclusions

Article	Conclusions
1	Corruption has become rampant almost in every sphere of life in Bangladesh. The country is one of the most corrupt countries in the world in various rankings of corruption while GDP growth rate is also impressive. The article pays a particular attention to study the economic development and corruption nexus in Bangladesh using annual time series data for the period of 1984-2013. According to our knowledge, this study is the first attempt to apply a multivariate time series approach to examine the long run relationship between GDP per capita and corruption for Bangladesh. We investigate the long run relationship between corruption and real GDP per capita using ARDL bounds method. We use International Country Risk Guide (ICRG) corruption index as a proxy to measure the level corruption and real GDP per capita measures economic prosperity. The results of co-integration test confirm that there is a long run relationship between corruption and real GDP per capita. The long run estimates indicate that corruption has negative impact on per capita GDP i.e. economic development of Bangladesh during the study period. This finding is similar to the results of (Dreher and Herzfeld, 2005; Mauro, 1995; Rahman et al., 2000) but differs in magnitude as these studies are based on average of cross-sectional data for different time periods. Our results highlight that the contribution of government expenditure is positive while the contribution of investment is downsized due to corruption in Bangladesh. Because corruption provides opportunities to increase the size of public investment at the cost of private investment. Earlier studies also support this proposition. For example, Mo (2001) found that investment channel causes about 28% of the growth rate reduction in the corruption–growth linkage. Further studies may get results that are more robust after the inclusion of other determinants of GDP. However, it will not probably alter the conclusion drawn from our analysis that corruption has strong and significant retarding impact on economic development of Bangladesh. From policy perspective, this study suggests that Bangladesh would be able to accelerate her economic

	development further by reducing the level of corruption through institutional reforms and raising public awareness. Digitalization of public services from the root level can be an effective tool to curb the extent of corruption. Most importantly, government should focus on identifying and abolishing laws and programs promoting corruption. Finally, corruption should be prevented not cured to lead Bangladesh into middle-income country.
2	Given the complexity of the growth process, our framework is necessarily incomplete. However, our new perspective generates the estimations of the impact of corruption on growth and the relative importance of the channels of transmission. We find that a 1% increase in the corruption level reduces the growth rate by about 0.72% or, expressed differently, a one-unit increase in the corruption index reduces the growth rate by 0.545 percentage points. The most important channel through which corruption affects economic growth is political instability, which accounts for about 53% of the overall effect.13 The other channels include the level of human capital and the share of private investment.
3	This paper has used a newly assembled data set consisting of subjective indices of bureaucratic honesty and efficiency to provide empirical evidence on the effects of corruption on economic growth. The negative association between corruption and investment, as well as growth, is significant in both a statistical and an economic sense. For example, if Bangladesh were to improve the integrity and efficiency of its bureaucracy to the level of that of Uruguay (corresponding to a one-standard-deviation increase in the bureaucratic efficiency index), its investment rate would rise by almost five percentage points, and its yearly GDP growth rate would rise by over half a percentage point. As these relationships are robust to controlling for endogeneity by using an index of ethnolinguistic fractionalization as an instrument, there is evidence that bureaucratic efficiency actually causes high investment and growth. Furthermore—though some caution is needed, owing to data limitations—the paper has shown the extent to which the relationship is robust to controlling for standard determinants of investment and growth. In particular, there is evidence that bureaucratic efficiency may be at least as important a determinant of investment and growth as political stability

4	In this paper, we have studied the effect of corruption on economic growth, directly and through its impact on investment, schooling, trade openness, and political instability. Based on the empirical results, we can search for a better understanding of the transmission channels through which corruption affects the economic performance. While combating corruption is a long-term task, an understanding of the transmission channels through which corruption affects the economy may suggest ways to limit corruption's negative, but indirect, effects on growth. Our results suggest that the most important (for its effect on growth) policy variables that are likely to be distorted by the presence of corruption are investments and trade openness.
5	Taken together, these empirical results provide substantial statistical support for our two central hypotheses. To begin with, they suggest that corruption is likely to be much more damaging to investment and growth in small as opposed to large developing countries. They also demonstrate that corruption tends to slow growth and/or investment in most developing countries but increase growth in the large East Asian newly industrialized economies. What are the implications of these results for policy-makers? Several deserve mention. Although we found some evidence to support the conclusions reached in other cross-country regression studies of the impact of corruption on growth and investment, our findings are more ambiguous and nuanced. By itself, this should caution those committed to reducing o eradicating corruption as it suggests that efforts to reduce corruption may not always yield the expected economic outcomes. Demonstration that corruption is more damaging to investment and growth in small developing countries than in large ones is important because it tentatively suggests that the international institutions, regional development banks and bilateral aid donors might have more to gain by focusing their anti-corruption programs on small developing countries. It also suggests why it may be so hard to reform corrupt governance structures in large developing countries.
6	Summarily, it is obvious from the findings that, since independence, Bangladesh has made frantic efforts to warrant economic growth and development. Speaking in relative terms, Bangladesh has surpassed many countries in terms of economic

	growth and GDP performance. However, the major obstructions of Bangladesh sustain growth and development include: High population growth rate. Bangladesh is the world's 8th most populous country with a population density of 1138 per kilometer. This phenomenon of high population amidst limited resources not only results in pressure on amenities but also constant increase in unemployment. Also, Bangladesh heavy dependence on imports rather than export, also impedes the country's economic growth, since more Bangladesh currency is spent in buying foreign currency particularly the dollar. The country most often is without foreign exchange because she lacks exports. The greatest obstruction of Bangladesh economic growth and most important obstacle to economic development is corruption on the part of both government and non-government departments. It has destroyed society from human conscience and people are losing faith in the ministry and judiciary, respect for the law. The rich continue to become richer and the poor become poorer.
7	From the above cost-benefit analysis, it can be concluded that the costs that are generated through corruption is a serious matter for a developing country's economic and social, political perspectives. Though it costs severely developed countries also, however, the cost of corruption is significantly high in developing and transitional economies. Corruption reduces GDP growth and imposes a tax on FDI and these are crucial for these economies. In addition, it restricts poverty alleviation by limiting job opportunities for poor. Furthermore, it weakens democracy, public institutions, rule of law, result in weak state. However, grand corruption in public procurement is not only a serious matter for developing or developed countries but also for international business firms and aid agencies. Because, corruption restricts competition, increases cost of production, result in efficiency and low quality of goods and services. Though bureaucrats for personal gain, growing middle classes might be benefited through corruption. However, bureaucracy as an institution, can be devastated entirely that also poisons politics and state apparatus. International donors also consider it as a serious matter due to the devastating effect of corruption on foreign aid that could be invested for poverty alleviation and other development purposes. Furthermore, if $500 billion that was robbed from Nigeria could be

	invested in education and health, or the money that was received from foreign aid by Bangladesh, this would help the poor more efficiently (Cullen 2008). Therefore, corruption is a great concern for developing and transitional economies where every day thousands of people enter into poverty and a substantial number of them die every day due to poverty-related causes.
8	The empirical findings suggest that increased levels of corruption reduce a country's standard of living. Since this finding is linear, an increase in the amount of corruption has a proportional decrease in a country's level of investment – regardless of the size of the country. The results for standard of living are not so uniform. Increases in the level of corruption retards standard of living proportionally for developing countries, but it does so in a decreasing, convex way for the OECD. An analysis of the effects of corruption on economic growth produces similar results. Corruption has a negative linear effect on developing countries. However, the results are rather surprising for OECD countries. A reduction in corruption has a positive concave effect on economic growth. OECD countries can improve their economic growth by becoming more corrupt. Hence, there is a n "optimal" level of corruption for OECD. One potential explanation for these results is that the eradication of corruption carries an opportunity cost. Ceteris paribus, as a developing country deploys its resources from productive activities to the detection and prevention of corrupt ones, there are positive, but diminishing returns.
9	The paper provides information on taking bribes in government regulatory agencies and the amount of loss incurred as a result of it. The primary objective of the study was to show a quantitative measure of welfare loss studied in economic literature. Despite several limitations, such as information on a few completed projects and availability of confidential data, the study reveals evidence of significant amount of welfare loss in the construction of apartments in Dhaka city. Perhaps what is required is to identify critical governance capacities of the institutions and set realistic and feasible institutional reforms and anti-corruption strategies to combat corrupt practices.
10	Corruption is the tip of the iceberg. It has deleterious effect on the development process of a country. The existence of corruption clearly denotes that there is

	something wrong in the management of the state affairs, because it is the visible sign of underlying governance failures. A number of fundamental changes must be brought immediately to reduce deeply entrenched corruption in Bangladesh. Consecutive governments in Bangladesh have tried to reduce corruption by taking isolated punitive measures but they have mostly failed to address the underlying structural issues. Addressing the underlying governance failures, successful anti-corruption programs should be targeted to decrease the opportunities for corruption. Efforts targeted to fight corruption should take into account the underlying causes of corruption or in other words, drivers of dysfunctional governance; otherwise these efforts will not be able to generate desirable and sustainable results. As corruption is a symptom of governance failure at the country level, fighting corruption requires pulling out the traits of bad governance which act as the stimulants of corruption.

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