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RFC: ATI120618V12

Revista Dilemas Contemporáneos: Educación, Política y Valores.

<http://www.dilemascontemporaneoseducacionpoliticayvalores.com/>

Año: VI Número: 2 Artículo no.:49 Período: 1ro de enero al 30 de abril del 2019.

TÍTULO: Estrategias de reducción de la pobreza. Explorando el vínculo entre pobreza y corrupción de países menos desarrollados.

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RESUMEN: El documento se propone compartir una visión más profunda del concepto de pobreza y sus diversas dimensiones. El vínculo entre pobreza y corrupción también se analiza y se discute con una perspectiva especial de los países menos desarrollados. Se ha elaborado una revisión detallada de la literatura y el análisis para respaldar la afirmación de que existe una relación fuerte y positiva entre la pobreza y la corrupción. Se discuten algunas medidas de reducción de la pobreza global y se explica la efectividad de estas medidas. El documento ha concluido con la propuesta para la identificación de la pobreza debido a la corrupción en las naciones menos desarrolladas y algunas de las medidas importantes para reducir la pobreza.

PALABRAS CLAVES: pobreza, objetivos de desarrollo del milenio, estrategias de reducción de la pobreza, corrupción.

TITLE: Poverty Reduction Strategies. Exploring the link between Poverty and Corruption from less developed countries.

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ABSTRACT: The document aims to share a deeper vision of the concept of poverty and its various dimensions. The link between poverty and corruption is also analyzed and discussed with a special perspective of the least developed countries. A detailed review of the literature and analysis has been developed to support the claim that there is a strong and positive relationship between poverty and corruption. Some measures to reduce global poverty are discussed and the effectiveness of these measures is explained. The document has concluded with the proposal for the identification of poverty due to corruption in less developed nations and some of the important measures to reduce poverty.

KEY WORDS: poverty, millennium development goals, poverty reduction strategies, corruption.

INTRODUCTION.

There is a common belief in the development research literature that corruption and poverty are interconnected phenomena in developing and less developed nations. The development research literature is very rich on the theoretical insight about the association of corruption and poverty. According to the World Bank (2001), the link of corruption and poverty can be explained as “The burden of petty corruption falls disproportionately on poor people ...For those without money and

connections, petty corruption in public health or police services can have debilitating consequences. Corruption affects the lives of poor people through many other channels as well. It biases government spending away from socially valuable goods, such as education. It diverts public resources from infrastructure investments that could benefit poor people, such as health clinics, and tends to increase public spending on capital-intensive investments that offer more opportunities for kickbacks, such as defense contracts. It lowers the quality of infrastructure since kickbacks are more lucrative on equipment purchases. Corruption also undermines public service delivery” (World Bank, 2001: 201). Corruption is one of the causes of poverty in developing nations, and causing barriers to reduce poverty and hinder the effectiveness and efficiency of the poverty reduction strategies (Lambsdorff, 1999). Gupta et al (1998) proposed that there are various aspects and facets of the relationship between poverty and corruption, in public sector organizations corruption caused slow economic growth which even worsens the poverty conditions, they explored the poverty and corruption nexus in 37 countries through a cross-sectional analysis. Ndikumana, (2006) highlighted that in less developed nations there is a greater imbalance in power which leads to corruption, the foundation of this can be traced between social and economic inequalities. It is established that corruption will leads toward a higher level of poverty and the living standard will be declining in the existence of corruption. There are multiple studies that have been conducted to explore and examine the relationship between poverty and corruption, and it is mentioned that there exists a strong link in poverty and corruption (You and Khagram, 2005; Husted, 1999; Gyimah-Brempong, 2002; Gupta et al., 2002; and ACEG, 2000).

In view of the above deliberation, the present study is aimed at providing conceptual insights into the poverty and its various dimensions, the link between poverty and corruption is explored and investigated through detailed analysis of the existing research literature. The significance of the present study is that it tries to gauge the causal relationship among the poverty and corruption.

DEVELOPMENT.

The present paper is divided into the following subsections: next section is about the poverty as concept and its various definitions and will also be trying to grasp the deeper insight into the construct of poverty itself and various views of poverty will be shared, following section is for the discussion on poverty and corruption, different research studies have been reported and results are shared on these studies on the relationship of poverty with inequality of income and corruption. Next section will provide some discussion of the initiative of the World Bank and IMF called Poverty Reduction Strategy Papers along with some discussion on the Millennium Development Goals of the United Nations. The subsequent section will provide some implications of the study and some suggestions are proposed for poverty reduction with a special focus on developing nations. The last section concludes the paper.

Poverty.

Poverty is a very multifaceted phenomenon, and it has many dimensions. There are multiple aspects of poverty and there is no agreement on the definition of poverty. Kankwenda (2003:3) defined poverty as, “A multidimensional phenomena influenced by a wide range of factors, these include poor people lack access to income earning and productive activities and to essential social services”.

While Edoh (2003:68) defined poverty in a broader way: Poverty has various manifestations, including lack of Income and productive resources sufficient to ensure sustainable livelihood; hunger and malnutrition, ill health; limited or lack of access to education and other basic services, increase morbidity and mortality from illness, homelessness and inadequate housing; unsafe environments, social discriminations and exclusion. It is also characterized by a lack of participation in decision and in civil, social and cultural life (Edoh 2003:68).

Various social scientist has addressed poverty differently (Baumol, 1990) but the agreement can be located on major types of poverty reported in the research literature in developmental studies, these major types are multidimensional poverty, capabilities approach and monetary poverty (Misturelli & Heffernan, 2008).

World Bank (2010) reported several multidimensional of poverty, these dimensions are Material Wellness, Food security, Employment conditions, Psychological conditions, Power and Voice, Cultural & Social Norms, State-owned Infrastructure for people, Assets at the disposal of Poor people, Physical Capital, Human Capital, Social Capital, Environmental Assets, Assets and Vulnerability and Vulnerability in House and on Job. Since poverty is considered as a multidimensional concept and it may be described in a various way, similarly the underpinning causes are also varied across the research literature on poverty. Edoh (2003) reported some of the causes of poverty in Nigeria are, Corruption and misappropriation, Lack of Leadership, Absence of all-inclusive National Poverty reduction policy, Lack of proper agricultural policy, neglecting the agriculture sector, poor basic infrastructures, High population growth and Disproportionate internal and external loans.

The next section of the paper is about the explanation of the role and association of poverty and corruption.

Poverty and Corruption.

In order to proceed with the discussion to explore the possible relationship between poverty and corruption, it is imperative to first, defined the terms under consideration, poverty has been defined and explained in the previous section. There are various ways in which the term corruption is defined in the existing research literature.

Khan (1996) defined corruption as “any act which deviates from the rules of conduct, including normative values, governing the actions of an individual in a position of authority or trust, whether in the private or public domain, because of private-regarding motives, (that is non-public or general) such as wealth, power, status etc” (1996:12).

According to World Bank (2005), corruption can arise at different types, at various level of organization and it has various dimensions to it. Corruption may be grand corruption, political corruption, corporate corruption, administrative corruption, petty corruption and systemic corruption. Moreover, corruption is becoming a global issue.

Huntington (1968) defined corruption as a behaviour of public officials that is not according to the accepted social and cultural norms. USAID (1999), defined various types of corruption as “It encompasses unilateral abuses by government officials such as embezzlement and nepotism, as well as abuses linking public and private actors such as bribery, extortion, influence peddling and fraud. Corruption arises in both political and bureaucratic offices and can be petty or grand, organized or disorganized” (USAID, 1999: pp.236).

Nye (1970) defines corruption as a behaviour, which deviates from the normal duties of a public role because of private relationships (family, close private clique), pecuniary or status gain: or violates rules against the exercise of certain types of private relationship. This includes such behaviour as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of a restrictive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses) (Nye, 1970: 566-67).

According to USAID (1999), corruption may be but not limited to Embezzlement, Bribery, Nepotism, Influence peddling, Fraud and Extortion.

There have been various empirical studies on the relationship of corruption with various economic variables such as income and rate and economic growth (Pellegrini and Gerlagh 2004; Keefer and Knack 1997; Knack and Keefer, 1995; Mauro 1995). Transparency International has initiated the empirical investigation on the impact of corruption on poverty in the 1990s. This was later joined by World Bank and International Monetary Fund (IMF).

Rose-Ackerman (1978) proposed a theoretical proposition on the role and impact of corruption on poverty and inequality of income. Gupta, Davoodi, and Alonso Terme, (1998) further added that corruption results are offering undue privileges to individuals and group of people. Gupta et al., (1998) confirmed through a cross-sectional study that corruption leads to poverty and inequality. This study was conducted in 56 different countries, and they concluded that there is a significant relationship between corruption and poverty. Additionally, many empirical studies have supported the claim that there exists a positive relationship between corruption and economic growth in Asian countries, also called as Asia Paradox (Capmpos, et. al., 2010).

The studies aimed at investigating the impact of corruption and poverty leads to two types of models called as governance model and economic model, means that investigation and eradication of poverty can be made through governance model and economic model. Figure No. 1 is indicating the Interconnection between Corruption and Poverty (Kaufmann, 2002).

Figure No. 1 Interconnection between Corruption and Poverty.

	CORRUPTION CAUSES:	DUE TO:
IMMEDIATE/PROXIMATE CAUSE OF POVERTY	Lower Growth	<ul style="list-style-type: none"> · Unsound economic/institutional policies due to vested interests · Distorted allocation of public expenditures · Low human capital accumulation · Absence of Rule of Law and property rights · Governance obstacles to Private sector development · Capture by elite firms reduces overall enterprise sector growth.
	Poor gets smaller <i>share</i> in growth	<ul style="list-style-type: none"> · 'Capture' by elite of government policies and resource allocation · Regressivity of Bribery 'Tax' on small entrepreneurs and the poor · Regressivity in public expenditures and investments · Unequal income distribution · Smaller firms are disproportionately affected by corruption/bribery
	Impaired access to public services	<ul style="list-style-type: none"> · Bribery impairs access and quality of basic services for health, education, justice – particularly to the poor · Capture by elites of access to quality public services
	Health/Education	<ul style="list-style-type: none"> · Corruption affects human capital accumulation (incl. infant mortality, literacy, as per above, with disproportional impact on the poor)

Source: (Kaufmann, 2002, page. 7).

N'zue and N'Guessan (2005) also examined the causality of the relationship between corruption and by using a group of 18 less developed countries during the time period between 1996- 2001, they confirmed that high level of corruption leads to higher level of poverty in less developed and developing countries. Negin et al (2010) explore the link between poverty and corruption using the Granger causal relationship, using a sample of 97 less developed countries from 1997 till 2006. They also concluded that there exists empirical evidence that poverty and corruption are interrelated and have bidirectional causality. They measured poverty using the Human Poverty Index.

World Bank (2000) conducted a study of the possible relationship of corruption and poverty in central Asia and Eastern Europe, the study concluded that low level of income and low level of corruption are positively correlated; furthermore, the impact of corruption is more likely to have an adverse

impact on small and medium-size businesses. Karstedt (2001) conducted a study on 35 members countries of The Organization for Economic Co-operation and Development OECD in order to investigate income distribution and corruption, results revealed that counties with high score on income inequality were also on a higher score on corruption, moreover the countries scoring high of education and higher representation of women in government offices also scored low on corruption. A nonlinear relationship was also reported between income inequality and corruption, showing that if a high level of income equality is achieved the level of corruption will decrease. You and Khagram (2005) reported that inequality of income distribution will also result in a high level of corruption through normative mechanisms and martial gains. They analyzed 129 countries by applying 2SLS methodology through varied variables in support of their hypothesis using multiple factors of corruption.

Dincer and Gunalp (2008) conducted a research in the United States to investigate the impact of corruption on poverty and income inequality, using an objective measure to study the possible relationship of poverty, corruption and inequality of income using cross-sectional and time series approach. The study concluded that corruption will lead to poverty and a high level of income inequality. There is an agreement among the researchers of the relationship of poverty with corruption and inequality of income in developing nations (Husted, 1999; Paldam, 2002; You and Khagram 2005). It is also important to mention that corruption is the phenomena of developing nations in general; Table No. 1 is indicating the corruption perception index (2017), as reported by Transparency International.

The countries scoring highest on Corruption Perception Index are less developed and less privileged nations, this call for great implication for the governments and policymakers to take some serious remedial measures to eradicate Corruption so that poverty can also be reduced for better social and economic development. There is a need for less developed nations to make such policies and

regulations which discourage corruption and poverty simultaneously. Please refer to Table No. 1 for the Corruption Perception Index, reported by Transparency International in 2017.

Table No. 1 Corruption Perception Index (2017).

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
180	Somalia	9	10	8	8	8	8	Sub Saharan Africa
179	South Sudan	12	11	15	15	14	N/A	Sub Saharan Africa
178	Syria	14	13	18	20	17	26	Middle East and North Africa
177	Afghanistan	15	15	11	12	8	8	Asia Pacific
175	Sudan	16	14	12	11	11	13	Middle East and North Africa
175	Yemen	16	14	18	19	18	23	Middle East and North Africa
171	Equatorial Guinea	17	N/A	N/A	N/A	N/A	N/A	Sub Saharan Africa
171	Guinea-Bissau	17	16	17	19	19	25	Sub Saharan Africa
171	Korea, North	17	12	8	8	8	8	Asia Pacific
171	Libya	17	14	16	18	15	21	Middle East and North Africa

Source: Transparency International (2017).

Chetwynd, Chetwynd, & Spector (2003) conducted a thorough review of the previous research literature and concluding proposition was made after the review that creates and establishes a link between poverty and corruption. This proposition can be taken as a foundation for future research studies on the academic front while on the practical side these can be seen as policy parameters and guidelines to reduce poverty from underdeveloped nations. Their propositions were enlisted below.

- There is a link between poverty and economic growth.
- The impact of slow economic growth and poor performance of the economy hurts the poor section of the society more badly.

- There is an association between corruption and slow economic growth
- Corruption can reduce the quantity of foreign direct investment and local investment
- The expenses of governance are increased in the existence of corruption
- The productivity of the public sector is reduced due to corruption.
- Corruption will result in low budget available for social projects of education, operations of governance and health.
- Better educational and health-related indicators are linked with the low level of corruption.
- Government's revenue will be reduced in the existence of corruption.
- Public infrastructure will be of low quality due to corruption.
- Budget and spending on social projects will be on the lower side in corruption.
- Income inequality will increase.
- Inequality in factor ownership will also increase.
- Inequality also results in slow economic growth.
- The efficiency of the tax collection system will decrease due to corruption.
- Corruption will function as a substitute to tax which is not being paid to the state.
- A small percentage of total household income will be used for bribes.
- Effective governance will result in better economic growth.
- Effective governance is also associated with a low level of poverty and corruption.
- Corruption will result in poverty even though economic growth is substantial.
- Well organized and effectively managed political structure and competition will also reduce the corruption.
- High level of social capital will result in a low level of poverty.

According to World Bank (2010), corruption adversely impacts economic growth, poverty reduction initiatives, public health facilities, employment opportunities and performance of law enforcement agencies. Furthermore, World Bank (2001) also reported that the impact of corruption on the lives of the poor people is multifaceted, as it reduces access to basic social facilities of health and education. It is important to note that corruption does not directly produce poverty, but it creates the conditions that will lead to poverty. Corruption has a direct relationship between governance and economic growth, which are associated directly with poverty (Chetwynd, Chetwynd, & Spector, 2003).

The next section of the paper is about the initiative called the Poverty Reduction Strategy Papers.

Poverty Reduction Strategy Papers (PRSP).

In accordance with the Millennium Development Goals of United Nations, International Monetary Fund (IMF) joined hands with World Bank initiated PRSP in 1999 with the vision of creating national ownership of poverty reduction. PRSP were launched to provide a national level strategic framework for poverty reduction in less developed nations. Millennium Development Goals and PRSP soon became bilateral initiatives due to the similarity of objectives. Adejumobi (2006) underlined the core characteristics of the PRSP that explained the initiative.

- Poverty Reduction Strategy Papers suggested that country under implementation should take the ownership of poverty reduction initiatives with the engagement of all key stakeholders.
- Poverty reduction initiatives should be result oriented, the focus should be placed on the root causes of poverty and strategies should be devised to overcome the causes.
- The approach to poverty reduction should be all-inclusive, the focus may be on micro and macro types of initiatives which can reduce poverty.
- Poverty reduction initiatives should be supported and powered by international development organizations and international sponsoring bodies working for poverty reduction. This will assist

government officials not only to seek funding but also the global best practices and knowledge can also be beneficial.

- PRSP are essentially long term, these initiatives required commitment from government and another stakeholder. Performance review, planning for the timeframe and monitoring & evaluation should be aligned with the strategic plans of Poverty Reduction Strategy Papers.

There has been quite significant research on the measurement of the effectiveness of the Poverty Reduction Strategy Papers in various underdeveloped nations (Chirwa and James 2002; Jenkins and Tsoka 2001; Chirwa and Nyirenda 2002). The reported results are different in various accounts World Development Indicators (2006) reported the mixed and modest type of impact of Poverty Reduction Strategy Papers (PRSP) in less developed nations. However, on the other hand, there are some studies that showed that the Poverty Reduction Strategy Papers resulted is a significant improvement in poverty indicators. Table No. 2 is showing the poverty rates after implementation of Poverty Reduction Strategy Papers in various underdeveloped nations.

Table No. 2 Poverty reduction after Poverty Reduction Strategy Papers.

COUNTRY	POVERTY REDUCTION
Uganda	56% 1992 to 38% 2003 ¹¹ (overall poverty reduction based on the poverty line)
Bolivia	69% (Extreme Poverty ¹² Headcount Index) in 1992 to 37% in 1999 ¹³
Ghana	42% 1997 to 35% 2003 (overall poverty reduction based on the poverty line)
Mozambique	69% 1997 to 54% 2003 (poverty headcount index)
Armenia	50 % 2000-01 to 39% 2004 (overall poverty reduction based on the poverty line) 16 % 2001 to 7.2 % (Extreme Poverty ¹⁴ Headcount Index)

Source: World Development Indicators (2006).

The next section of the paper will share some practical implications of the present study, and suggestions are proposed for poverty reduction from developing nations. Furthermore, some areas of future research are also highlighted along with the limitations of the present study.

Implications and Suggestions of the Study.

This section of the paper is designated for some of the practical implications of the current study, some suggestions and practical measure are proposed for the underdeveloped nations for poverty reduction and social welfare. This section will provide some guidelines and suggestion for the improvement of poverty and poverty reduction strategies in underdeveloped countries. These guidelines are drawn from the existing research literature on the subject along with the working paper released by the development sector organizations.

Well-thoughtout anti-corruption programs and initiatives need to be introduced and their effective implementation should be secured to reap greater benefits. The aforementioned discussion and literature suggest if the anti-corruption programs and poverty reduction measures are implemented followings can be achieved.

- The reduction in corruption will lead to better economic growth.
- The income distribution in the society will be more justified, and concentration of the wealth will be discouraged.
- Reduction in poverty will enhance the capacity of the government institutions, therefore, public service delivery will be better, which will lead towards more socially and economically developed nation.
- The trust of the public will be on the higher side if the government is perceived as corruption free.

Tanzi (1998), proposed four dimensions of any effective program which is aimed at reducing corruption and poverty in any developing country:

- The commitment of the leadership to reduce corruption with zero level of tolerance of any type of corruption. This commitment should be visible and free of any biases. No discrimination is made while implementing measure against corruption.
- The government must take such measures and draft such rules and regulations which ensure a high level of transparency. This will help to gain the trust of the public in general.
- Corruption in the public sector can be reduced through a high level of monetary benefits, incentives for honest conduct and taking effective controls for public sector employees if any instance is reported.
- Ensuring the political stability and making sure that continuation of the policies for reaping long-term benefits.

There are still some questions will need further research, particularly the representation and implications of the critical factors discussed in this paper and their manifestation in various different social and economic conditions. Future research may focus on the contextual factors while exploring the link between corruption and poverty. Furthermore, there is also a need to explore the dual type of relationship between corruption and poverty in terms of what is antecedent and what is the consequence. Another aspect of the relationship between corruption and poverty which call for further research is the impact of any other moderating and mediating factor on the relationship, this may be a level of trust, economic condition, the rate of inflation, the standard of living or a value structure in any society.

CONCLUSIONS.

The present study concludes that there exists a positive relationship among poverty and corruption. The aforementioned suggestions and implications of different elements of poverty reduction and remedial measures, it is proposed to the government officials and policymakers to include these dimensions of poverty while proposing the future poverty reduction policies and strategies.

This measure will help the underdeveloped nations to achieve social and economic prosperity. Moreover, it is also suggested that a low level of corruption and effective governance can lead towards economic growth, equal distribution of wealth, strengthening organs & institutions of governance, capacity building of government officials, better public health services, better education level and better public service level in public sector organizations, which will ultimately reduce the poverty on social and economic fronts.

There are immense needs that government and policymakers along with the key stakeholders in underdeveloped nations to identify the seriousness of the issue and to take some remedial measures to solve the issue of poverty.

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RECIBIDO: 21 de septiembre del 2018.

APROBADO: 10 de octubre del 2018.