

AN EMPIRICAL INVESTIGATION OF THE GOVERNANCE-CORRUPTION  
NEXUS: A WAY FORWARD



Mona Khan

Lahore School of Economics

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Supervised by:

Dr. Hafiz Pasha

Dr. Ahmad Nawaz

## **Abstract**

Controlling corruption is on the agenda of all the developing countries because of its harmful and corrosive effects on investment and growth. The existing literature provides evidence that good governance eventually leads to lower levels of corruption in a society. However, this complex governance-corruption relationship is moderated by the prevailing socio-economic conditions, among many other factors. In this context, the empirical evidence is mixed and the jury is still out there. Utilising a dataset comprised of 128 developing countries for a period of 15 years, this thesis aims to empirically investigate the role of various socio-economic factors in determining the governance-corruption relationship. Considering the overall perceptions of corruption, the results confirm that governance related variables do affect the level of peoples' perceptions about corruption. Particularly, the presence of voice and accountability, political stability, government effectiveness and rule of law contributes to building peoples' perceptions of less levels and more control of corruption in developing countries, unlike the regulatory quality. Further, some evidence is found that socio-economic variables related to the presence of natural resources, foreign direct investment, spending on health and education, and low business start-up costs do contribute to building perceptions of less levels and more control of corruption. The study concludes that conducive socio-economic environment does play an important role in building people's perceptions of lower corruption levels through good governance. This warrants a focus on the socio-economic stability in the development agendas for national governments in developing countries.

*Keywords: Corruption, Governance, Socio-Economic environment, Cross-country.*