

THE INFLUENCE OF SOCIAL & ECONOMIC FACTORS ON THE EXISTENCE OF CORRUPTION

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Abstract

The aim of the paper, rather than just defining the characteristics of corruption is on observing the relationship between the social and economic environment and the existence and characteristics of corruption. We will try to find out in this paper, what are the environmental factors and characteristics that favor and contribute to corruption. This study is a literature review, which goes through several models, focusing at different aspects of the relationship between corruption and socio-economic factors. It is believed and tested, that the states with the more educated population, the richest, the ones with the lower income inequality, the lower ethnic/racial diversity and the more economic development are less corrupt than the other states. The more educated people are, the more interested are they to observe the way the politicians are behaving and the more able they are to discover the cases of corruption. On the other hand, factors like income and ethnic/racial diversity seem to take away the attention of people towards corruption and reduce their ability to fight against it. When analyzing corruption in the utility sector, it is proved that the privatization of the utility-providing firms would lower the likelihood of them taking bribes, since the capacity is usually in these cases expected to be higher and often the control of the management over the employees can be stricter in the case of private firms for a number of reasons. High competition among the utility firms is also proved to lower the bribing probability and amount, which can be supported by the argument that in a competitive market, the clients would have the choice to switch the utility provider rather than bribe in the case of existing competitors in the market. Checking for the macroeconomic and political controls, research finds that countries where exports of natural resources are less important, where the openness to imports is higher and where the growth is faster, the likelihood of paying and receiving bribes is lower. Further, corruption is found to cause slower growth of the countries. Still, it is seen that this effect is not robust when including a group of other controls which are likely to be correlated with corruption and growth at the same time.

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