FRAUD AND ADMINISTRATIVE CORRUPTION

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Abstract
The Royal Government of Bhutan has been pursuing a very prudent, well thought out and balanced socio-economic development policy. Under the dynamic leadership of His Majesty the King, the country has achieved unprecedented economic growth in just over the last two decades. Blending socio-economic growth with the real happiness of the people, His Majesty the King declared a vision and theme of Gross National Happiness, which not only provided a unique measurement yardstick but also gained wide recognition and acceptance. While developmental initiative brings about improvement in the living conditions of the people, Government has been very wary of many evils which are synonymous to the developmental activities. Fraud and corruption go hand in hand with the development process. Perhaps, it is only a question of degree and methodologies adopted in perpetrating corruption and fraud in different countries which may be in variance. His Majesty the King has always been very concerned on this issue and its likely effect in our small social set up. His Majesty has always aspired for a small, effective and clean government. Number of Royal kashas had been issued to step up due vigil over the public spending hoping for a clean and corruption free administrative set up. To mark the Silver Jubilee Celebration of His Majesty's enthronement, there is perhaps no other better alternatives than to express our solidarity on His Majesty's dynamism and reaffirm our commitment in establishing a corruption free society. The Royal Institute of Management has organized this seminar on Corruption and fraud and a much wider representation has been expected to deliberate on this issue. The Royal Audit Authority and the Division of Revenue and Customs have been advised to present a paper on the Extent and Magnitude of Corruption while papers on other themes will be covered by other agencies.

Key words: FRAUD, CORRUPTION, ROYAL AUDIT AUTHORITY, GOVERNMENTS

Introduction
Comparative academic studies have been focused on unethical behaviour, maladministration and mismanagement in public sector organizations. Governments all over the world and international organizations have designed strategies to fight corruption. Corruption is a multi-faced phenomenon, linking multiple issues together such as abuse of entrusted power for private gains, low integrity, taking bribes, maladministration, fraud, and nepotism. The big question is how to prevent the increase of administrative corruption in a single country? But, how to get a grip on the control of corruption in a
single-case comparison, and how to identify properly the most important implications of corruption? There are studies which concentrate on explaining the effects of corruption (e.g. Mauro 1995; 1998; Rose-Ackerman 1999), elaborating upon the implications, forms, and types of corruption (e.g. Caiden 2001; Levin & Satarov 2000; Stohs & Brannick 1999), and analysing anti-corruption mechanisms and effective ways of minimizing harms and preventing corruption (e.g. Maor 2004; OECD 2000; Clark & Jos 2000; Johnston 1999; United Nations 2004; OECD 2003a). The proper diagnosis of the causes and logic behind corruption plays an important role in combating it (Quah 1999; Maor 2004; Schwartz 2003). Huberts, Lasthuizen and Peeters (2006: 290) make clear the fact that researchers will never be able to reveal all corruption to the public. They compare corruption to an iceberg, in which only the tip can be seen and only known facts can be taken into consideration.

Conventional histories of nineteenth and early twentieth century America portray its corrupt elements as similar, and at times equal, to those found in many of today’s modern transition economies and developing regions. Nineteenth-century American urban governments vastly overpaid for basic services, such as street cleaning and construction, in exchange for kickbacks garnered by elected officials. Governments gave away public services for nominal official fees and healthy bribes. As late as the 1950s, reports Robert A. Caro (2002, pp. 403-13), cash-filled envelopes floated in the hallowed halls of the U.S. Senate. Harry Truman made it into the Senate as an agent of the notoriously corrupt Pendergast machine (McCullough 1992).

Some of the greatest U.S. universities were funded by individuals infamous for their roles in extracting public resources through allegedly corrupt political influence—Leland Stanford and George D. Widener, whose surname adorns Harvard’s largest library, come to mind. The presidential legacies of Ulysses Grant and Warren Harding were forever marred by the Crédit Mobilier and Teapot Dome scandals, respectively. The list could go on and on.

If the United States was once more corrupt than it is today, then America’s history should offer lessons about how to reduce corruption. After all, the dominant political movement of the early twentieth century—Progressivism—was dedicated to the elimination of corruption. From 1901 to 1917, under Presidents T. Roosevelt, Taft, and Wilson, a national legislative an administrative agenda was justified in part by a perceived need to reduce corruption.

Municipalities and states throughout the twentieth century regularly elected reform slates that promised to exercise a strong hand to root out corruption. Crusading journalists and ambitious prosecutors have frequently taken aim at corruption. While scholars can debate the impact of these various forces, there is no doubt that U.S. history offers many examples of reform movements that claimed as a primary goal to reduce corruption, similar to the stated goals of reformers in developing countries today. In this volume we take stock of corruption and reform in American history. Because conceptual clarity is a pre-condition for measuring the level of and temporal change in corruption, the first three chapters—this introduction, the essay by John Wallis, and that by Rebecca Menes—each squarely confront what is meant by corruption. Because corruption is generally illegal, or at least embarrassing, it tends to be hidden, and understandably, as the modern cross-national empirical literature has found, difficult to measure.

Time-series measurement is yet more difficult. Despite these problems there is great value in searching U.S. history for evidence on corruption and its time trend. Several of
the chapters address the measurement of corruption over time. The Menes essay uses information on the number of corrupt mayors and municipal administrations. That by Stanley Engerman and Kenneth Sokoloff uses evidence on cost overruns for major governmental projects. This introductory essay uses data on the reporting of corruption by hundreds of newspapers for the 160 year period from 1815 to 1975. The contributions by Howard Bodenhorn and Wallis, Price Fishback and Shawn Kantor add evidence on the time path but focus on shorter time periods.

After the discussion of the meaning and measurement of corruption, two of the essays in this volume address the consequences of corruption or of weak legal regimes more generally.

Naomi Lamoreaux and Jean-Laurent Rosenthal discuss the rise of corporations during the late nineteenth century and how their emergence was accompanied by decreased protection of minority shareholder rights. David Cutler and Grant Miller examine the diffusion of plentiful water in America’s cities during an era of legendary municipal corruption. Clearly corruption does not alone determine the extent of public good formation.

According to Lamoreaux and Rosenthal, the number of corporations in the late nineteenth century exploded, despite inadequate protection of minority shareholders, because returns to scale in production increased. Cutler and Miller argue, in a somewhat similar manner, that despite the corruption of municipal governments the increasing availability of municipal credit during the Gilded Age made large-scale water projects feasible. Of course, the increase in municipal credit availability must have had something to do with improvements in accountability, suggesting that some forms of corruption had been curtailed. Both essays suggest that despite substantial corruption in government and fraud in private dealings economic growth was curtailed far less in America than in today’s developing economies.

The volume then turns to the causes and consequences of reform. Reform and regulation were often rationalized as tools to protect consumers and workers, but as three of the essays—by Fishback, Bodenhorn, and Marc Law and Gary Libecap—note the actual situation was often more complex. Fishback suggests the importance of a Stiglerian view of workplace safety regulation. Workplace safety regulations in the manufacturing and mining industries, he finds, were supported by unions and opposed by certain manufacturers. Because workplace safety laws in manufacturing disproportionately raised costs for small firms, the laws were championed by large firms. Because they were perceived as protecting workers, the laws were supported by unions.

Bodenhorn’s essay emphasizes that reform can be the result of self-interested, competing politicians. He analyzes one of the first episodes of anti-corruption reform in U.S. history the fight against corruption in the chartering of New York State banks during the late 1830s.

Bodenhorn argues that reform emerged from the Whigs’ desire to deprive their opponents Van Buren’s Democratic Regency—of the rents of patronage. Deregulation was the weapon of choice against corruption since reducing chartering requirements limited the ability of government to manage their monopoly in a corrupt manner.

Though definition of fraud and corruption is not part of our paper, for proper understanding of the subject matter in the context of our presentation, fraud and corruption have been defined as follows;
Fraud: Fraud is usually characterized as an act of willful deceit, trickery, concealment or breach of confidence that are used to gain some unfair or dishonest advantage.

Corruption: Corruption is a much broader and multi-layered phenomenon. It is an unethical, illegal, dishonest act aimed at obtaining an unfair gain by one or more persons.

Definitions of corruption often found are:

Any form of unethical use of public authority for personal or private advantage; the perversion of integrity by bribery or favor.

Action by a government functionary that is different from the standard, in order to favor someone in exchange for a reward.

**Forms of corruption:**

It is intended to give an international dimension and perspective to this paper. As such, nature and forms of corruption presented in this paper depict a global scenario of corruption. It may not be necessary that some or all types of corruption discussed here may be prevalent in this country.

Many of us have wrong notions about our understanding as to what constitute corruption and fraud. Gift and presentations are generally not included under this category. Certainly, if gift and presentations of significant amounts are given with the intention of influencing present or future decisions in favour of the donors, it would be unethical to accept such calculated gestures. Similarly, acts of favouring close friends and relatives for employment-related issues and contract works, etc. in preference to others or carried out in a manner generally not permitted or not extended to others, would also constitute fraud and corruption. Many would still argue that such acts are gratuitous in nature and as such are not unethical. Perhaps, the question we should be asking is whether the recipients/beneficiaries would or would not have got it in the normal course.

In the professional circle, it has been generally understood that manifestations of corruption include, amongst others, the following:

- Bribery and extortion: commission, unreasonable gifts, Kickbacks etc.
- Fraud, embezzlement and theft: Forgery, manipulation of records, shortage of cash, pilferage of store etc.
- Misappropriation of resources: Irregular diversion of fund/properties/stores
- Undue favors in exchange for gains: Award of contracts to favored ones, Undue payments i.e. advances, escalation and not provided in the agreement etc.
- Abuse of authority: Exercising discretionary powers for personal gains, Misuse of office equipment, Misuse of funds and human resources,
- Nepotism: Favoring near and dears
- Under/over assessments of taxes and duties with personal motives
- Tax evasion and smuggling
- Over/under invoicing with a view to financial benefit
- Unfair recruitment/promotion/placements/training
- Non compliance of rules and regulations with a view to gain
Inaction by the rules enforcing authorities/regulatory bodies for violation Corruption is often kept in check by the media and the role of the press is directly confronted in the chapter by Matthew Gentzkow, Glaser, and Goldin. In 1870, the press was partisan, histrionic, and prone to omit facts that went against acknowledged political biases. But by 1920, most newspapers eschewed party affiliations, used more moderate and civil language, and made at least a pretense of reporting the facts of the day without spin. The chapter argues that the rise of the independent press and the remarkable transformation in U.S. newspapers between 1870 and 1920 was fundamentally the result of the increasing financial returns to selling newspapers rather than placating politicians for patronage and other reasons. While the essay does not document the impact that the press may have had on corruption, it does discuss circumstantial evidence suggesting that the rise of the independent press was an important factor in movements to reform American political corruption.

**Detection of Fraud and Corruption:**
Most audits are conducted on a test basis using audit sampling and other techniques. To carry out 100% checking of all transactions would be an expensive proposition and meaningless as it would still not be possible to derive complete assurance and satisfaction on the existence and detection of fraud and corruption. Most corruption cases that are serious in nature often take place out side the records e.g. Bribery, commission, kickbacks, etc. It is also difficult to detect systematic frauds. Authorities normally succeed in detecting some of the fraud and corruption cases through in-depth investigations that would require;
- Detailed scrutiny of accounts, records and operations
- Unrestricted access to information
- Unrestricted scope of examination
- Investigations and interviews and obtaining written statements
- Analysis and comparisons
- Individuals wealth assessment and inquiring as to the sources
- Gathering information from out side sources

Since both the Royal Audit Authority and the Division of Revenue and Custom primarily depend on the accounting records for their audit exercise, the cases of corruption noted do not give indication of extent and magnitude of corruption. Thus it would not be appropriate to draw conclusion from the observed cases. It is, however, evident that corruption in some form or other do exist in our society.

During the nineteenth century, the definition of corruption morphed into one specifically related to the bribery of public officials by private agents. Bribery was generally an illicit payment in exchange for some government controlled resource, such as a service or a public property or an exemption from government regulation. These forms of bribery, detailed in the chapter by Menes, form the lion’s share of what is known about nineteenth century municipal corruption. City governments were corrupt in the purchase of inputs, such as street cleaning or construction services, and bribes
were routinely given in exchange for overpayment for these inputs. City governments were corrupt in the distribution of publicly-owned property—land or access to a port—that was sold, not to the highest bidder for the good of the citizens, but to the most generous bribers for the benefit of the few. Finally city governments were corrupt in the administration of rules, such as prohibitions on gambling and prostitution, and officials accepted bribes for leniency in the administration of such regulations. In this volume we will use the word “corruption” to refer to what Wallis terms “venal corruption.” We view corruption to have three central elements: (1) payments to public officials beyond their salaries; (2) an action associated with these payments that violates either explicit laws or implicit social norms; and (3) losses to the public either from that action or from a system that renders it necessary for actions to arise only from such payment. Two examples from the volume illustrate how these elements describe corruption.

Areas prone to Fraud and Corruption:
It is generally understood that certain areas are more prone to corruption than others. The following areas are considered to be more prone to fraud and corruption:

- Procurements
- Construction works
- Stores / equipment
- Revenue receipts and cash collections / handling
- Filing of tax returns i.e., incidence of under declaration of income, inflated expenditure etc.
- Assessment of taxes and duties
- Commission on Sales : Usually documentation is not adequate

The Determinants of Corruption
The economic approach to corruption (as in Rose-Ackerman 1975) starts with the costs and benefits facing potentially corrupt public officials. Since economics predicts that we should expect to see corruption when the benefits are high and costs are low, it is worth analyzing what factors should impact the benefits and costs of corrupt behavior by a government official. The benefits from being corrupt are determined by the ability of a government official to increase someone’s private wealth; the costs come from the expected penalties from being caught. What determines the ability of a government official to increase someone’s private wealth? The most obvious means is to pay the person out of the public purse. In extreme circumstances, the person can just be the official himself; embezzlement is one example of corrupt behavior. More usually, paying someone out of the public purse occurs in exchange for services of some form, either labor or subcontracting. If fees are close to the costs of contracting firms or the opportunity costs of workers, then the opportunities for corruption are limited. If fees are significantly above free market prices, then there is opportunity for corruption in the assignment of work. High public sector wages and discretion over hiring has traditionally created some of the best opportunities for corrupt earnings.

This simple analysis helps us to understand some of the most popular reforms attempted to arrest corruption. Civil service reform which would take patronage out of the hands of politicians and replace discretion with test-based rules would naturally serve limit the
opportunity for corruption, especially when combined with a rigid pay scale for civil servants. Rules concerning procurement fees have also tended to be a popular tool against corruption.

Competitive bids for public projects linked to the requirement that the government accept the low cost bid is one of the simplest means of limiting corruption in administration of government projects. The approach relies on the existence of a competitive supply of contractors.

The second means that public officials have to create private wealth is to transfer government property to private individuals for their own profit. The transfer of government land to traction companies was a popular form of corruption in the nineteenth century. Information about future government actions is a more subtle form of in-kind transfer. The returns to corruption in these cases depend on the size of the assets at the government’s disposal and the discretion that individuals have in the distribution of these assets.

The third primary means that governments have to create private wealth is the manipulation of legal rulings or the enforcement of rules, such as regulations. Rules banning gambling and prostitution, for example, create the opportunity to extract bribes from potential providers. These bribes can be extracted by any and all members in the chain of enforcement.

As the amount of regulation increases, the opportunity to extract bribes also rises and leads reformers to fight against regulation and government monopoly (as in Bodenhorn’s essay).

Conversely, the connection between the intrusiveness of regulation and the ability to extract bribes creates an incentive for politicians to push for further regulation. Even in a libertarian’s dream world where government is restricted to enforcing disputes over property rights, there would still be considerable scope for corruption in the arbitration of these disputes. Every dispute over ownership creates the possibility for a corrupt ruling. After all, a corrupt judge can extract bribes even if when he rules in favor of the rightful owner. As the legal system has the ability to redistribute all of the wealth in society, the opportunities for corruption within the system are enormous. As corruption within the courts destroys the clear definition of property rights, this corruption has the potential to turn the libertarian dream into a Hobbesian nightmare. In practice, this ability may be limited by the ability of private litigants to rely on private arbitration and avoid a corrupt legal system.

Together these factors suggest that the benefits from corrupt practices for bribe-taking politicians or bribe-giving businessmen will rise with the size and discretion of the government and the amount of social and economic regulation. Benefits from corruption will also rise when the size of assets or damages involved in property rights disputes increases (Glaeser and Shleifer 2003). The late nineteenth century was a period of increasingly larger governments, more valuable public assets, more aggressive regulation, and bigger stakes litigation. The potential benefits from corruption rose along almost every conceivable dimension. The prediction is an absolute increase in the total amount of corruption (measured in either bribes given or in social losses). But the increase in corruption might not translate into an increase relative to the size of government or the size of the economy.

The limits on corruption have customarily come from three sources: legal penalties, career or social costs, and internal psychic pain. Thus, the overall costs of corruption come from the size of the potential penalties and the probability that these costs are
imposed which are in turn a function of information flows, social opprobrium, and the legal system.

The most obvious parameter influencing the cost of illegal corruption is the stated legal penalty for corrupt practices (the cost of corruption that violates social norms, but not laws, will not be connected to legal penalties). While this is certainly obvious, it is also important to remember that these penalties have changed significantly over time. For example, while Plunkitt’s honest graft the use of insider information by politicians to enrich themselves was surely corruption, at least by our definition, it was fully legal during Plunkitt’s time. Even the gifts of railway stock given to congressmen and others during the Crédit Mobilier scandal were perfectly legal at the time. In the 1790s, the number of laws regarding corruption was so modest that legal penalties against corruption were often negligible. Since that time, there has been a steady increase in the range of behaviors by public officials that are punishable by law and a steady increase in the attempt to craft laws, such as the RICO statute, that render illegal as yet unspecified forms of corrupt behavior.

**Magnitude of Fraud and Corruption:**

As already mentioned it is not possible to quantify the magnitude of corruption. Cases of fraud and corruption often reported, including those providing indication thereof, includes:

I. Bribery and Extortion
   - Extending/availing undue favours
   - Presentation of Gifts of large amounts

II. Fraud, Embezzlement and Irregular payments
   - Forgery of documents
   - Misuse of funds and properties
   - Pilferage of stores
   - Inclusion of dummy workers in Muster Rolls
   - Double claims
   - Intentional Irregular claims and payments
   - Concealment of information

III. Procurement and construction works related corruption
   - Direct procurements/ award of works from/to some preferred suppliers/contractors
   - Preferring a bidder without valid justification(s)
   - Accepting a non responsive bid
   - Non enforcing contractual terms
   - Accepting defective, inferior and unspecified items
   - Paying at higher rates than the agreed rates
   - Incorporating terms and conditions prejudicial to the interest of procuring agencies
   - Payment of unjustified escalation, freight, insurance claims etc.
Extending undue favour to suppliers/ contractors i.e. unauthorized advances, non recovery of security money, non recovery of advances in time etc.

Non processing and passing of bills in time without any reasons
Indication of undue harassment to contractors for insignificant issues
Disparities in enforcing contract terms
Payments made for works not executed/ materials not received
Procurements at exorbitant rates from private/ unauthorized sources
Payments made without any valid documents
Additional payments by showing excess measurements

- Deliberately under estimating quantities of works and paying at higher rates for quantities beyond deviation limit
- Non/short accountal of items procured
- Procurement of excessive materials/supplies
- Not inquiring into rates to be charged by the sub vendors and paying at higher rates to the main vendors
- Unjustified payment of compensation/recommending such payments

IV Misappropriation of public resources

- Unauthorized diversion of funds
- Payment/withdrawal of unauthorized /excessive advances
- Retention of excessive cash in hand
- Non/short accountal of revenue

- Non/short deposit/remittances of revenue
- Abnormal delays in accountal/deposit of revenue
- Unauthorized issue of stores for private purposes
- Non raising of bills for supplies/hiring charges to favour individuals
- Non deduction of house rent from employees occupying Government accommodation

V Abuse of Public Office and Nepotism

- Use of facilities for personal purposes
- Requiring public office to pay expenses of private nature
- Awarding supply orders / contracts to relatives
- Paying for self and relatives in preference to others
- Granting discounts/write off to favoured ones
- Using daily wages workers etc. for domestic purposes/personal works
- Sanctioning loans without proper scrutiny and appraisal

VI Over/Under invoicing

- Over invoicing sales to inflate sales to depict better results
- Over invoicing to share the difference
- Under invoicing to share the difference
Division of the Surplus

The division of the surplus from administrative corruption can be thought of as a cooperative game among the Payers and the Collector. The issue we face is that of dividing the potential gains from cooperation between the tax collector and a large number of taxpayers. We would like to have a rule that reflects the maximum tax liabilities of each payer and the fact that the tax collector is an essential party in the corruption process. It should be pointed out that this cannot be solved as a simple bargaining problem between a single taxpayer and the tax collector.

This is because there exists an aggregate revenue target, and therefore the current surplus available to be shared between the Collector and a Payer depends on the taxes that have already been collected elsewhere.

In this paper we use a simple solution to this problem – namely, the Shapley value. This solution concept defines the payoff to each person in a multiperson game as a function of their marginal contributions to the total surplus (see Moulin, 1988, for an excellent overview). We could have defined a noncooperative game, as in Gul (1989). However, this would have greatly complicated the analysis without offering a more convincing approach. The outcome predicted by the Nash equilibrium of an extensive form game is very sensitive to the way we define the extensive form. Furthermore, the extensive form is never observed in practice, and therefore its choice is necessarily arbitrary. The Shapley value has the attractive feature of ignoring the details of the strategic game and defining the payoffs only in terms of observable actions. Therefore, it is much more amenable to being confronted with the data.

The Shapley value is the unique division of the total surplus that satisfies the following conditions:

• Individuals are treated symmetrically. That is, their identities are irrelevant; it is only the way they are able to affect payoffs that matters.
• The value is additive. That is, if two different situations or games are combined, the payoff to an individual is equal to the sum of his/her payoffs from each game.

It can also be shown that the Shapley value allocation to each individual is an amount equal to the expected marginal contribution of that individual in a randomly chosen coalition.

This potential marginal contribution can be interpreted in terms of each coalition member's relative power in the group. The power of the Collector in this particular surplus division game derives from his or her ability to effect a reduction in tax liabilities. The power of the Payers derives from their ability to pay their full tax liabilities and deprive the Collector of supplementary income in the form of bribes.

Recommendations:

Existence of a proper system of check and balance reduces the risks of wrong doings and chances of indulging in fraud and corruption. Strong internal controls, proper rules and regulations, motivated employees, a rational taxation structure etc. tend to act as deterrent against perpetuating fraud and corruption. We are offering some suggestions and recommendations in controlling fraud and corruption for deliberations with the hope that more realistic recommendations will emerge from it.

Establishment of Adequate Regulatory Framework

Formulation of appropriate rules and regulations clearly stipulating punitive measures
Professional development programmers for accountants, auditors, tax-officials and administrators
Establishment of anti corruption Agency
Further strengthening legal System
Widening Tax Base
Power of Back Duty Investigations
Index linked Salaries of civil servants and others
Protection of salaries at least in monetary terms
Periodic transfers of employees
Rotation of duties
Appropriate representations on the Boards/ Committees avoiding conflicting decisions
Appropriate reward and incentive schemes- not necessarily directly linked to individual act of performance
Establishment of appropriate bodies to review reports on fraud and corruption
Rules and regulations to be developed with positive frame of mind. They should be perceived to be facilitating and not be seen as too prohibitive and restrictive.
A progressive and liberalized economic policy
Promoting self regulations of enterprises and greater accountability
Dissemination of information and creating awareness
Commissioning independent inquiries on large procurements and construction contracts by appropriate authorities
Establishment of independent quality control units to inspect quality of works, materials and equipment
Strengthening BCCI to look into grievances of business communities and offer business counseling / advise
A definitive and clear policy guidelines on privatization including post privatization commitments of corporations and role of government
Formulation of Unfair Trade Practices Act
Strengthening internal controls in the organizations
Introducing internal audits
Rules / laws with wider implication to be discussed and scrutinized at different levels before approval for their general acceptance and removing inconsistencies
Publicity and greater transparency
Adequate enforcement and monitoring by law enforcing bodies
Establishment of Consumer Protection and Advisory board
Announcements of adequate reward schemes to informers
Formulation of Essential commodities Act
Establishment of Bhutan Standards for manufactured and imported items
Development of Safety regulations
Strengthening Tax Administration and Audit System and other Regulatory Bodies

Conclusions:
Corruption undermines the entire administrative system and functioning of the public offices. It adversely effects the integrity and morale of the employees of the public offices including those who are responsible to enforce laws, rules and regulations. It encourages those responsible to deliberately keep loopholes in the rules. Corruption may be prevalent at any level and any where thus effecting day to day activities and causing harassment and inconveniences to the general public. Detection of fraud and corruption alone is not sufficient. We must take preventive measures to control it. A proper study of causes of corruption and environment favouring it would help initiate effective remedial measures.

Individual cases of corruption can be rooted out by the application of organizational sanctions. Systemic corruption cannot be handled so easily. There is no guarantee that if the most serious offenders are dismissed, or if everyone who is guilty is replaced, corruption will not persist. The old patterns will continue with new players. Moreover, in the wider society, systemic corruption impedes rather than aids change.

(a) Systemic corruption perpetuates closed politics and restricts access, preventing the reflection of social change in political institutions.
(b) Systemic corruption suppresses opposition contributing to increasing resentment.
Thus corruption, far from being an alternative to violence, is often accompanied by more violence.
(c) Systemic corruption perpetuates and widens class, economic, and social divisions, contributing to societal strain and preventing cohesion.
(d) Systemic corruption prevents policy change, particularly where this works against immediate market considerations. Individual or sectional interests are not the best guide to the public interest.
(e) Systemic corruption blocks administrative reform, and makes deleterious administrative practices profitable, e.g., induced delays.
(f) Systemic corruption diverts public resources and contributes to a situation of private affluence and public squalor, especially serious where affluence is confined to the few.
(g) Systemic corruption contributes to societal anomie in shoring up or transmuting traditional values into inappropriate areas.
(h) The effects of systemic corruption are not limited to a specific case: there is an accumulator effect upon public perceptions and expectations which subverts trust and cooperation far beyond the impact upon the individuals immediately concerned.
(i) Systemic corruption is not confined to poor, developing, or modernizing countries, but found in all organizational societies."
Existence of adequate regulatory and legal framework as well as a clean and efficient civil service with high morale reduces the risk of rampant corruption in the society. A sound fiscal and monetary policy with due encouragement and incentives for investment will certainly act as deterrent against corruption. Corruption weakens the economy, efficiency and effectiveness of the government systems. Rampant corruption should not be allowed to occur at any cost.
References


