

LITERATURE REVIEW : THE IMPACT OF CORRUPTION ON ECONOMIC GROWTH A CASE STUDY BY COUNTRY: SAUDI ARABIA, QATAR AND TURKIYE

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ABSTRACT

This study examines the direct influence of corruption on economic development in Saudi Arabia, Qatar, and Turkiye. The descriptive analysis is offered in tables and narratives related to the results obtained from the articles collected in the form of a literature review. The findings of this literature study indicate that researchers have identified a detrimental influence of corruption on economic growth. Specifically, corruption has been seen to have direct repercussions on variables such as the debt-to-GDP ratio and Foreign Direct Investment, posing a substantial obstacle to sustainable development. On the other hand, corruption has indirect consequences via many transmission channels, such as its impact on investments in physical capital. This study aims to conduct a comprehensive literature analysis using a comparative case study approach focusing on three countries: Saudi Arabia, Qatar, and Turkiye. In contrast, scholars like the Organization of Islamic Cooperation (OIC), GCC Countries, and D-8 Countries want to undertake targeted investigations. To the author's understanding, this study represents a pioneering effort to establish an empirical and theoretical foundation to support the researcher's analysis of the ramifications of corruption within Saudi Arabia, Qatar, and Turkiye.

Keywords: Corruption; Economic Growth

INTRODUCTION

Research conducted by (Azam & Emirullah, 2014) shows that Corruption significantly impedes economic progress due to its propensity to generate economic inefficiencies, impede investment by raising company expenses, and exacerbate inequality. A high prevalence of corruption within a nation signifies a governance issue stemming from institutional weaknesses, including deficiencies in accountability, transparency, bureaucratic competence, and, notably, the absence of the rule of law. Therefore, enhancements in governance The reduction of corruption is expected to enhance the strength of a nation's institutions, foster the development of a more streamlined and proficient bureaucracy, cultivate a favorable investment environment, and optimize the distribution of resources. All of these factors will contribute to the advancement of economic growth. In addition, the relationship between trade policy space and economic growth is contingent upon a nation's structural policies: financial development, financial openness, educational attainment, and institutional and governance quality(Gnangnon, 2019).

On the other hand, to a greater extent, the effect of fossil fuel subsidies on inequality is exacerbated by political corruption and uncertainty(Solarin, 2022). In addition, (Zardoub & Abed, 2019) examine that To attract foreign direct investment (FDI), developing nations should make it easier for businesses to operate there and create policies that welcome investors from all over the world. Furthermore, there is a negative correlation between corruption, including tax evasion, and economic progress, moderated by institutional quality. It follows that government agencies with transparent systems may put them into action to curb tax dodging and corruption while encouraging faster economic growth(Amoh et al., 2023).

In the short term, it may be observed that foreign direct investment has a detrimental impact on economic growth. However, this effect does not have substantial significance when considering the long-term perspective. Conversely, the impact of remittances on economic growth exhibits noteworthy significance during a limited timeframe. Nevertheless, its long-

term significance is negligible(Zardoub, 2023). In addition, foreign divestments have a negative impact on both economic growth and development. Moreover, the findings indicate that the adverse consequences of foreign divestments surpass the beneficial impacts of foreign direct investment inflows(Matekenya & Moyo, 2023).

This study reveals several key findings. Firstly, it demonstrates a positive correlation between a country's weighted average city size and economic growth. Secondly, it establishes a positive relationship between fiscal decentralization and economic growth. Lastly, it uncovers a negative association between the combination of larger weighted average city sizes and greater decentralization and a country's economic growth rates(Clifford et al., 2023).

According to(Olamide & Maredza, 2023), in order to mitigate the evident adverse consequences of this societal phenomenon on the overall productivity of the economy, it is imperative to enhance the capabilities of institutions such as the National Prosecution Authority, Public Service Anti-Corruption Strategy, and Special Investigation Unit in their endeavors to investigate and prosecute individuals involved in corrupt practices. In addition, it ensures that institutions entrusted with anti-corruption responsibilities have the financial and human resources to carry out their duties. Furthermore, a steadfast dedication to implementing human rights principles will guarantee the triumph of the ongoing reforms.

The remainder of the paper is structured as follows: the subsequent literature review, then the next step is what the method uses. The following sections represent the result and discussion of the impact of corruption on economic growth, and this paper seeks to make a policy recommendation to the government to reduce corruption in the long term and short term in Qatar, Saudi Arabia, and Turkiye.

LITERATURE REVIEW

The literature review identifies the scientific sources published during the last five years on a subject related to the study topic. In addition, it presents the concerns and actual scientific controversies that are relevant to the study subject in a critical manner and assesses the research stance of the present research being conducted. Overall, the literature reviews may be organized in various ways, including chronologically, topically, methodologically, and conceptually.

RESEARCH METHOD

To begin, a literature search was conducted on the research subject, namely pieces that discussed corruption's influence on the economy's growth. In the first stage, the researcher examines to collect information pertinent to the study. In the research process, the bibliography helps prevent unnecessary repetition of work. Furthermore, the data source comprises journals indexed on Google Scholar and fall under national and international categories such as data gathering, data reduction, data presentation, and conclusion. These are the four stages of the analytic process. One of these stages is the conclusion. The descriptive analysis is presented in tables and narratives connected to the findings acquired from the articles gathered in the form of a literature review.

Within this area, the literature is an essential component of research that explains past studies on comparable topics. At the same time, the theoretical framework offers the researcher a theoretical foundation to assist in their thinking. The purpose of the bibliographical table is to assist in explaining the material to facilitate the process of inferring conclusions.

Table 1.
Literature

No	Author	Title	Year	Methods	Findings
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1	Mohamed Ali Trabelsi and Hédi Trabelsi	At what level of corruption does economic growth decrease?	2021	Quantitative	Beyond a certain threshold, it has been seen that both elevated and diminished levels of corruption may have a detrimental impact on economic development. According to the proposed optimum threshold, economic development may have potential benefits associated with a modest degree of corruption. This level is characterized by the point at which the curve depicting the marginal impact of corruption on growth reaches its reversal point (Trabelsi & Trabelsi, 2021)
2	Carole Ibrahim	Corruption, Public Debt, and Economic growth – evidence from developing Countries	2021	Quantitative	Corruption has been shown to directly impact the debt-to-GDP ratio, with evidence suggesting that the relationship between corruption and public income and public expenditure contributes to an overall rise in public debt over time. The calculations also indicate that pervasive corruption impedes sustained economic development and exacerbates the adverse impact of public debt on economic growth in emerging nations (Ibrahim, 2021)
3	Arielle Beyaert, Jose García-Solanes and Laura Lopez-Gomez	Corruption, quality of institutions, and growth	2023	Quantitative	The influence of the conventional factors that determine economic development varies among nations due to the amount of corruption present. This observation further supports the parameter heterogeneity of the Solow model, as previously identified in other academic studies (Beyaert et al., 2023)
4	Beatrice D. Simo-Kengne and Siphwo Bitterhout	Corruption's effect on BRICS countries' economic growth: a panel data analysis	2023	Quantitative	The presence of corruption in BRICS countries has a negative impact on their economic development. Moreover, a quadratic connection suggests varying levels of corruption throughout these nations, with some countries exhibiting a lower prevalence of corruption than others. Hence, it is recommended

					that the governments of BRICS nations undertake anti-corruption measures to enhance their economic performance(Simo-Kengne & Bitterhout, 2023)
5	Azzouz Zouaoui, Mounira Ben Arab Ahmad Mohammed Alamri	Determinants of corruption in developing countries: The case of Tunisia	2022	Quantitative	The variable of economic independence has significant importance in corruption within the context of Tunisia. The second factor to consider is the government subsidies, which serve as a significant breeding ground for corruption in Tunisia due to their diversion towards objectives other than their intended allocation. This study identifies a significant increase in the unemployment rate, which continues to worsen in the present day. The following three elements, public spending, the human development index (HDI), and education, are also considered causative factors with relatively lower significance. Socio-economic variables such as education, the Human Development Index (HDI), and the unemployment rate have been identified as influential elements contributing to corruption's prevalence(Zouaoui et al., 2022)
6	Ebenezer Gbenga Olamide Andrew Maredza	Pre-COVID-19 evaluation of external debt, corruption, and economic growth in South Africa	2023	Quantitative	Corruption, inflation, and foreign debt payments have been shown to have detrimental effects on economic development, while investment has been shown to have a favorable impact on growth. The impact of external debt in the near term was favorable. However, its influence on long-term economic growth was seen to be adverse. The need to enhance and fortify public institutions, as well as focus on identifying and pursuing tax evaders and avoiders to enhance government income, were highlighted, among other factors(Olamide & Maredza, 2023)

7	M. Mesut Badur, Ekrem Yilmaz and Fatma Sensoy	Do corruption and inequality shape sustainable development? Evidence from the post-soviet countries	2023	Quantitative	The escalation of corruption and economic disparity poses a significant threat to achieving sustainable development. The adverse impacts on sustainable development are evident when corruption levels and economic disparity are heightened. Furthermore, it is seen that the occurrence of unemployment and the implementation of trade liberalization measures have adverse effects on the progress of sustainable development. Conversely, foreign direct investments (FDIs) are beneficial in achieving sustainable development goals (Badur et al., 2023)
8	John Kwaku Amoh, Kwasi Awuah-Werekoh and Kenneth Ofori-Boateng	Do corrupting activities hamper economic growth? Fresh empirical evidence from an emerging economy	2022	Quantitative	Several economic growth indices are negatively impacted by all of the corrupting actions that have been seen, except the diversion of public monies. Based on the research findings, it can be concluded that corrupting actions, separately and collectively, hinder the development of Ghana's economy (Amoh et al., 2022)
9	John Kwaku Amoh and Ebenezer Bugri Anarfo	Revisiting the tax evasion and corruption-economic development nexus in Ghana: fresh evidence from an SEM approach	2023	Quantitative	A positive correlation exists between corruption and GDP per capita, but corruption exhibits an inverse link with the Economic Freedom of the World Index (EFWI). The research concludes that institutions' quality influences the relationship between tax evasion, corruption, and economic progress (Amoh et al., 2023)
10	Anas AlQudah, Azzouz Zouaoui and Mostafa E. Aboelsoud	Does corruption adversely affect economic growth in Tunisia? ARDL approach	2020	Quantitative	Corruption has indirect effects via transmission channels, such as investment in physical capital, which is positively significant in the presence of corruption. The same observation is made at the level of government expenditure during the previous year, while for those of the current year, the coefficient becomes negative but insignificant. Concerning human capital, the impact of corruption on education

RESULT & DISCUSSION

The discussion portion of the research results presents the study's findings about the current literature or hypotheses. Demonstrates that the study results represent unique additions to the existing information or scientific understanding. Research conducted by (Zallé, 2022) found that the interaction between corruption and tax revenue mobilization is influenced by resource rents, resulting in a mutually detrimental relationship between these two factors. The findings of this study indicate that it would benefit governments to concurrently enhance their fiscal transformation investments and anti-corruption measures in tax administration and resource rent capture. This is supported by(Boudreaux et al., 2018).

The institutional environment that is created as a result of corruption encourages entrepreneurs to engage in damaging activities rather than constructive ones. Corruption diminishes economic development, decreases investment, and erodes faith in government officials. The micro level is also affected by corruption because some industries are in a better position to maximize their profits from corruption than others. In addition, corruption has been shown to directly impact the debt-to-GDP ratio and indirect effects via its interactions with public income and public expenditure. These interactions have been seen to have a favorable influence on the accumulation of public debt over the long term. The calculations also indicate that pervasive corruption impedes sustained economic development and exacerbates the adverse impact of public debt on economic growth in emerging nations(Ibrahim, 2021). According to the information shown in Figure 1, the Corruption Perceptions Index 2022 was issued by the website of Transparency International. The number of nations with a score in the global corruption category is shown below. In addition to that, it illustrates the relative positions of the nations of Qatar, Saudi Arabia, and Turkiye in the year 2022.





Figure 1: Corruption Perceptions Index 2022
Data Sources: Transparency International Website

Besides, The provision of foreign finance to an economy can enhance investment by expanding the accessibility of credit, thereby facilitating economic expansion. In addition, foreign direct investment (FDI) enhances economic performance by facilitating banking development and mitigating susceptibility to financial crises and their associated recessionary impacts(Gaies & Nabi, 2019). Besides, corruption is often seen as a manifestation of governance metrics' inadequacy. Enhancing the quality of governance is expected to decrease corruption levels, increasing the GDP growth rate (Shaheen et al., 2023). On the other hand, The influence of human capital on economic development is shown to be minor, contrary to theoretical expectations, but aligns with actual findings seen in emerging nations(Janjua et al., 2018).

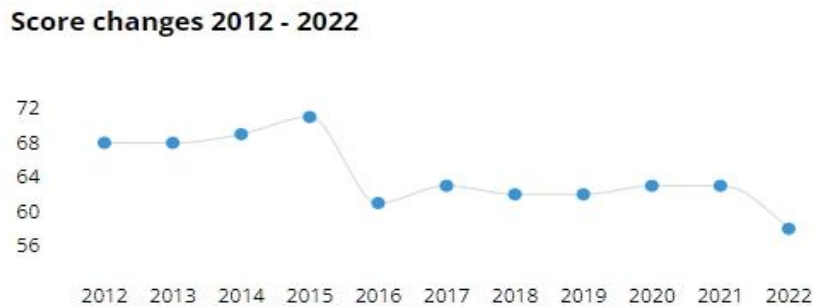


Figure 2: Qatar
Data Sources: Transparency International Website

Figure 2 shows that the Qatar economy is expected to decline between 2021 and 2022 substantially; this score is ideal for putting faith in the country's economic expansion. In addition, this country undergoes perpetual transformation from the year 2021 until the year 2022. However, The fact that corruption does not matter much in the grand scheme of things suggests that investors are more motivated by things like potential profits, incentives set by the government, and the efficiency of local institutions and human resources(Freckleton et al., 2012).

In the same case, Determinants of corruption in developing countries: the case of Tunisia(Zouaoui et al., 2022) utilizes The notion of openness and economic freedom is a relatively recent development in Tunisia, and it has garnered significant interest from the majority of players within the business community who are eager to reap its advantages. This

is research supported by (Amoh et al., 2022); all detected corrupting acts (excluding diversion of public monies) have a negative impact on a specific economic growth metric.

Score changes 2012 - 2022



Figure 3: Saudi Arabia

Data Sources: Transparency International Website

Figure 3 illustrates that The score for Saudi Arabia is practically identical to that of Qatar (-5 in 2021 to 2022), but Saudi Arabia has a lower score(-2 in 2021 to 2022). Saudi Arabia has seen a massive reduction in the amount of corruption that exists in this scenario. The worsening corruption and wealth disparity impede the advancement of sustainable development. Furthermore, sustainable development is impacted adversely by rising corruption and economic disparity. In addition, FDIs favor sustainable development, but trade liberalization and unemployment have a negative effect(Badur et al., 2023). On the other hand, corruption has indirect repercussions via several transmission channels, including allocating resources towards physical capital investment. This relationship exhibits a positive and statistically significant association in the context of corruption(Al Qudah et al., 2020).

Score changes 2012 - 2022

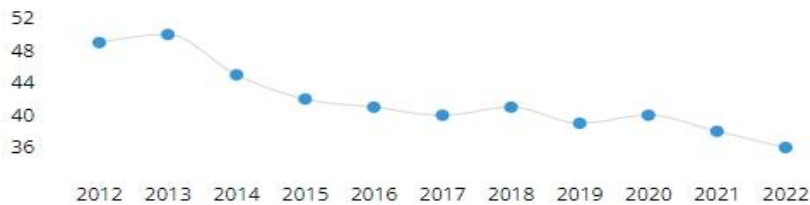


Figure 4: Turkiye

Data Sources: Transparency International Website

Figure 4 shows that from the year 2020 to the year 2022, Turkiye saw a very substantial fall, with the score changing in the range of 40, 38, and 36. In other words, corruption tends to redirect financial resources into ventures that lack productivity. Consequently, Islamic financial institutions must enhance their corporate governance frameworks to deter corruption within the banking sector. Nevertheless, it is of utmost importance that governmental bodies and policymakers in nations adhering to the Islamic faith focus more on mitigating corrupt practices(Yunan, 2020).

In addition, economic globalization catalyzes businesses to prioritize quality, fostering a climate conducive to developing creativity and innovation in their operational strategies(Ajide et al., 2021). The availability of finances for catastrophe preparation and response depends on eradicating corruption(Al Kurdi, 2021). According to (Trabelsi & Trabelsi, 2021), the degree of economic development may be negatively impacted by both high and low levels of corruption if they exceed an ideal threshold. Under this optimum threshold, a modest amount of corruption, characterized by the point at which the curve of the marginal

corruption impact on growth reverses, may have positive implications for the economy's expansion.

However, corruption seems to be a significant factor that hinders governments from completely embracing the move toward complete reliance on renewable energy sources (Hargrove et al., 2021). Those nations with greater control over corruption are farther away from their steady-state than those with a higher level of corruption (Beyaert et al., 2023). In contrast to the result (Simo-Kengne & Bitterhout, 2023), the conclusion of this study aligns with a substantial amount of empirical evidence, suggesting that corruption can potentially contribute to economic growth. However, it is essential to note that the relationship between corruption and growth is influenced by various factors, such as the specific corruption indicator used, the contextual factors, and the study's time frame. Therefore, additional research is needed to delve deeper into this complex relationship.

CONCLUSION

The findings strongly supported the significance of effective leadership. Hence, while formulating and executing public and macroeconomic policies, officials should prioritize fighting corruption and controlling inflation. In addition, getting to the bottom of corruption is the key to effectively combating it. However, implementing systemic trade, fiscal, finance, investment, and competition policy changes may help reduce policy distortions. Meanwhile, reformation—raising bureaucrats' capacity and salaries, adopting performance indicators, streamlining public service processes, improving accountability and transparency, and enforcing laws, regulations, and ethics—can upgrade weak state institutions.

LIMITATIONS AND FUTURE RECOMMENDATIONS

The study that is being conducted right now is centered on Qatar, Saudi Arabia, and Türkiye. Additionally, future studies should provide policy proposals to combat corruption and encourage economic progress, considering each nation's unique circumstances and obstacles.

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