



CAUSALITY OF RELATIONSHIP BETWEEN POVERTY AND ECONOMIC GROWTH
TOWARD CORRUPTION IN SIX ASEANS COUNTRY

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DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
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"DECLARATION OF ORIGINAL WORK"**

I, NOR SHORIA FADILLAH BINTI ABDULLAH, (I/C Number: 920620115776)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____ Date: _____

ACKNOWLEDGEMENT

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ABSTRACT

Corruption is a complex phenomenon. It led the government to interfere where they do not need, and it affects their ability to formulate and implement policies in areas where government intervention is clearly needed-whether environmental regulations, health and safety regulations, social safety nets, macroeconomic stability, or the enforcement of contracts. Thus, corruption country will cause the poverty and also affect the gross domestic product. Poverty occurs when there are changes in the country's economy when the country has economic problems. This study seeks to examine causality of relationship between corruption and poverty also economic growth. Six countries which are Malaysia, Philippines, Vietnam, Singapore, Indonesia and Thailand were involved in this study. The performance was measured by looking at the score of corruption percentage index. From the financial data for each country are collected from year 2009 until 2013. Through statistical tests of significance (P-value in regression model) revealed that there were strongly positive significance of poverty and economic growth can cause to corruption. This study contributes to the existing literature by providing an insight of relationship between corruption, poverty and economic growth in time of previous articles.

CHAPTER 1

INTRODUCTION

This chapter discusses the background of the study. It provides the problem statement, significance of study, research objective and research question.

1.1 Background of Study

Whether we realize it or not, pitch corruption has become the cultures that make up a system that is increasingly accepted and has been functioning in our country today almost indescribable.

While society may demonstrate resistance to the corruption of others, but very often its take a different attitude when faced similar situation involving its own interests or parties related to us. There are many signs of corruption in the country have begun to be accepted in society as a system and these signs can be seen anywhere irrespective of whether in the community or rural town and do not know the standard of living.

Corruption has been blamed for the failure of certain "developed" developing countries and recent empirical research has confirmed the link between corruption in higher visits and lower investment and growth (Mauro 1995; World Bank 1997).

Corruption is defined as illegal acts such as fraud, money laundering, drug trafficking and black market operations, not the corruption in and of themselves because they do not involve the use of public power (Jain 2001)

Receiving and giving bribes become tradition. It also leads to social of inequality and the gap widens between rich and poor also public endeavor, and increase in poverty. Corruption can distort the composition of government spending. Corruption could

tempt government officials to extort bribes choose. For example, most of the traffic police on duty.

A corruption of economy can't function properly because of corruption prevents the natural laws of economics work independently. Therefore, corruption in the operation of a country's political and economic causes the entire community suffers.

According to (Marie Chene, Transparency International, tihelpdesk@transparency.org)
By using state-level data to explore the cross-country variation in both governance and economic indicators, has consistently found that corruption significantly reduced economic growth and development.

The social costs of corruption can't be measured by the number of bribes paid or the number of stolen government property. Rather, it is the loss of output due Misallocation of resources, distorting incentives and other inefficiencies caused by corruption which represent the real cost to society. And in addition to loss of production, it could cost an extra welfare in terms of adverse effects on income distribution and disrespect for environmental protection.

Since corruption will only exist if it is possible to hide the illegal agreements involved or avoid punishment if they are found, transparency and accountability arguably the most important materials in an environment that aims to reduce corruption.

Police ensure accounting, internal control and audit system in the public sector is essential for transparent and accountable institutions that enable sustainable and balanced growth.

Corruption in Latin origins of the word 'curruptio', from the verb 'corrumpere' which means rotten, spoiled, shake, twist, and bribery. In Arabic the word "rasuh" means "al-risywah". In the Quran, corruption is classified in the general words of vanity, which includes also the word to other crimes such as robbery, fraud and extortion. Overall, corruption is a behavior that is condemned and despised not only by religion even though humanity. In this country, in terms of law all the "give and take bribes" is part of an act and a criminal offense of corruption.

Does corruption affect poverty? Does economic can cause of corruption? This question would discuss in this study to find the solution of the study. Does the corruption, poverty and economic growth related to each other? The research is investigated on the relationship between corruption and poverty.

There is a significant relationship between corruption and poverty and also economic growth. This is because of the imbalance between the poor and the rich make the poor more weak and incapable than the rich. At the national level, effective participation and representation of the people in the community may be affected by corruption and at the local level, corruption can make day to day life more painful for all involved.

(Yusuf, Malarvizhi et al. 2014) Corruption often gives the image of being rich. But in fact, the connection to corruption and poverty is much more widespread. Delay corruption, distorts economic growth and redirect. As (Neild 2002); *The Dark Side of Social Evolution* (London: Anthem Press, 2002) Rich countries and their agencies, usually have an accomplice in bribery abroad, encouraged by their actions rather than prevent it.

The study of (Lambsdorff 2007) Integrated ratios to GDP ratio of share capital and the proxy of GDP on average capital productivity macroeconomic measures. The

results show that there are significant negative consequences the existence of corruption in this ratio.

According to a World Bank study, per capita income in the richest countries was 11 times greater than in the poorest countries in 1870, 38 times greater in 1960, and 52 times greater in 1985. In the early 1990s, less than 20 percent this is only \$5 trillion from \$23 trillion in global GDP. It was generated in developing countries even though these countries accounted for about 80 percent of the world's population.

1.2 Background of the Country

Figure 1: Map of Six Aseans Country



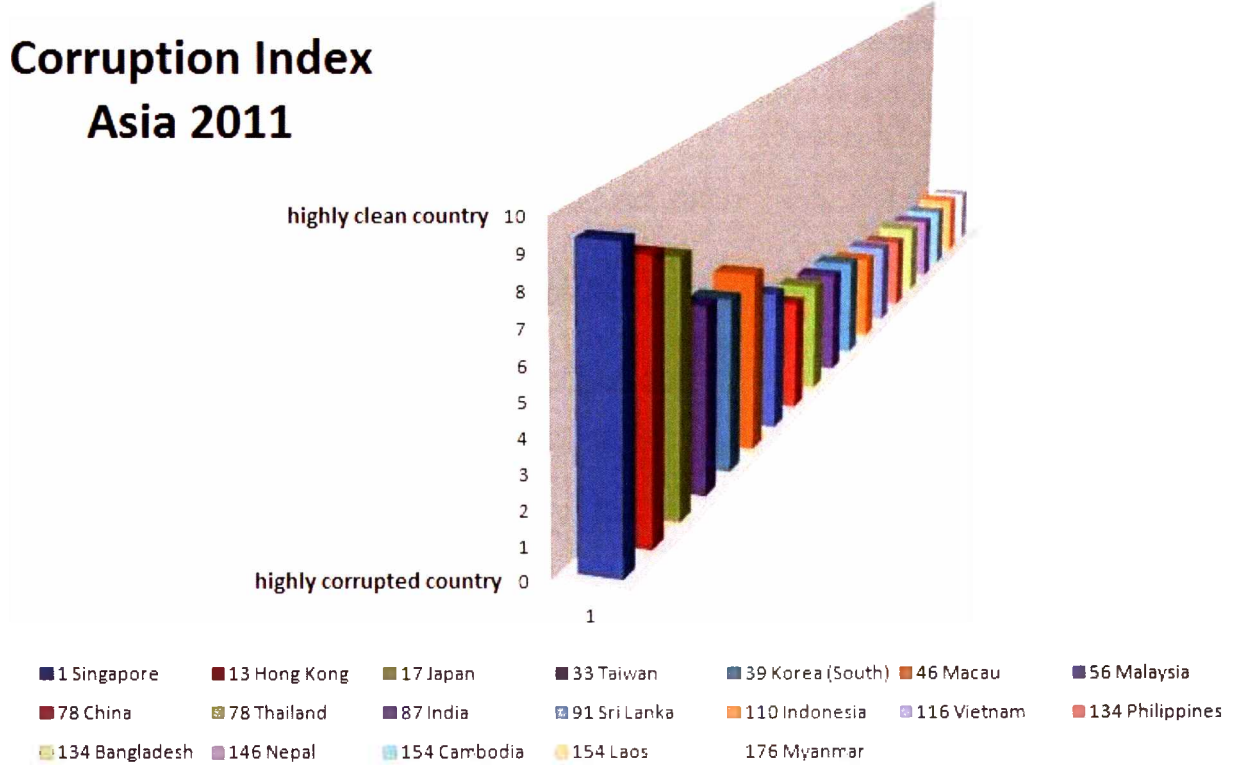
Based on international standards, The Southeast Asia has been doing very well in the matter of economic growth and reduction of unemployment. The growth rate during the last 25 years an average of about 5.0% per year, while the corresponding figure for Asia and the world around 3.9% and 2.6%, this growth is also accompanied by rapid poverty reduction. However, these achievements cannot be uniformly in all countries in the region. Indonesia, Malaysia, Thailand, and Vietnam has recorded rapid economic growth and are well on their way to achieving the Millennium Development Goals (MDGs), but not for Myanmar, and the Philippines that the growth rate of output is relatively low, and population growth high.

According to (Ravallion 2004) Sub-national study shows that the nature of growth not only speed but also should be added to the reduction of poverty. They also show that

there is big impression in households with different characteristics, including location, which in any given level of income.

Per capita income is different in all Asean countries. There are up and some are down. Countries increased twice are Thailand, Indonesia, and Malaysia. Due to structural changes in the agricultural sector, per capita income between the countries relative declined. Governments need to adopt policies to address structural changes in agriculture because it is very important and influential to economic growth. Agricultural problems also occur as a result of than the non-agricultural sector.

Figure 2: corruption index 2011



Sources: DoingBusinessThailand.com and the Transparency (Rene-Philippe April 15 2014)

The resources for corruption in Asean country come from corruption percentage index. Corruption is one thing that is difficult to measure or compare, however, is the impact of corruption on poverty compared the effects of inequality that are structured into law, such as trade agreements that are not equal. According to the figure 2, Vietnam was ranked 116th with a score of 2.9 only (out of ten), the score is much lower than the average of 5 marks. Singapore is the cleanest economy in Asean with the position of each one in 9.3 points. The chart shows that which country in Asean got highest score clean from the corruption. From the figure above, if the column is highest it's mean that the country is the most corrupted country because it's almost to 10. If the column is lowest, it's mean that is the cleanest corrupted country because it almost to 0.

Malaysian Anti-Corruption Commission Act 2009 (the MACC Act 2009)

In act 694, there are four main corruption offenses, Request / Receive corruption
(sections 16 & 17 (a) of the MACC Act 2009)

- Provide bribes – (section 17 (b) of the MACC Act 2009)
- Submitting false - claims (Section 18 of the MACC Act 2009)
- Abuse of power – (Section 23 of the MACC Act 2009)

Failure to Report:

- Failure to report such gift, promise or offer a bribe to Section 25 (1) and (2) Act 2009
- Penalty: Not more than RM100,000
- Prison: Not exceeding 10 years or both, failed to report the request or obtain feeds

As the public, there is no need to be afraid to help combat corruption. MACC always ensure the confidentiality of the information provided and provider information is protected and cannot be disclosed to any third party under any circumstances. Information provider is the person who made the disclosure about his knowledge of criminal corruption. They are protected under (Section 65 of the Act 2009). The informant also protected under the Whistleblower Protection Act 2010. Witnesses of information becoming for a corruption case protected under the Witness Protection Act 2009 at www.sprm.gov.my/apa-itu-rasuah.html

1.3 Problem statement

Corruption is unresolved property acquired as a human interest (whether for profit or to avoid harm) which should be settled without compensation. When it was high corruption in the country, it will lead the poverty. Some countries such as Indonesia, most of their people living in poverty. So they are willing to work as maids in neighbour countries.

This is because of the imbalance between the poor and the rich make the poor become more weak and incapable than the rich. This highlights the causality from poverty and economic growth to corruption. Focused on inversely related to corruption implying that economic growth affect poverty through mean income. Corruption also controlling for other factors that affect economic growth and poverty. Corruption also controls other factors that affect economic growth and poverty.

(Blackburn, Bose et al. 2006) focuses on corruption among civil bureaucracy and the implications for economic development. His analysis shows some important indicators that require government intervention in the civil service administrators gather information and potential, and at least one of them is corruption in terms of misinformation out the correct price. These indicators provide a response to three major conditions in which corruption is a major delegation of power from head to subordinates that these authorities can be exploited to gain economic rewards. The impact of economic growth on poverty has been well documented. The relationship is not direct.

In some cases it can be positive for example economic growth leading to reduction in poverty, in some cases it can be negative for example economic growth leading to increase in poverty. The impact of economic growth on poverty depends highly on the inequalities that are prevailing in an economy. So, this research is to study about

actually the determinants that influence corruption in Asean countries. It conducts to determine is there relationship between of poverty and economic growth on corruption in Asean countries.

1.4 Research Questions

1.4.1 Does the corruption affect the poverty and economic growth on the country?

1.4.2 What is the causality from poverty to corruption?

1.4.3 What is the causality from economic growth to corruption?

1.5 Objective of the research

To determined the causality from poverty and economic growth to corruption.

1.5.1 General

To investigate whether there is causality from poverty and economic growth to corruption.

1.5.2 Specific

To investigate whether there is causality between corruption and poverty and whether there is causality between corruption and economic growth.

1.6 Significance of Study

This study is important because it discusses and explores the benefits and disadvantages corruption. Besides that, to know their causality of relationship between poverty and economic growth toward corruption. This study is important to ensure that decision-makers:

Researcher - The researcher can directly get more knowledge on the topic and gain experience that acquire from the reading and understanding from the sources gathered. Besides that, this research enables to improve the skills of searching information as well as the easiest ways to find the important information such as getting through internet, journals, articles and books. Hence, the researcher is able to gain the satisfaction by doing this research.

Students - Other than gaining more information, the students of UiTM can also make this research as their future reference including the lecturers. For example, the students can make this research as reference for project papers, proposals, assignments, and others.

1.7 Scope of Study

This paper focused on the study the causality from poverty and economic growth to corruption. There are 6 countries which are Malaysia, Philippines, Vietnam, Singapore, Indonesia and Thailand. Financial data for each company are collected from year 2009 to 2013. I choose the data until 2013 because it is incomplete data for recent years.

This study would emphasize as a secondary data source for information on corruption and poverty and literature studies of materials based media such as journals and articles that should be supported for all depend and dependent variable to carry out this study. The researcher focus is about the poverty and economic growth in six countries in Asia. The data collected is panel data about 5years which from year 2009 until 2013. Researcher use real Gross Domestic Product (GDP) and Human Development Index (HDI) for poverty, while for corruption, researcher uses Tranperancy Index Data (TI) as measurement.

1.8 Limitation

This study has some of limitation as follows:

1.8.1 Time Constraint

Time factor is one of the limitations for the researcher to conduct this study. Schedule was rather tight as this study was conducted concurrently with the researchers' internship training. Since the researcher is in final year and last semester degree, the schedule is quite tight because have to attend industrial training. Hence, the time available for the researcher to carry out this study was

confine to weekends only within the three month internship training that researcher had was only at the weekend to carry out this study.

1.8.2 Data Collection

In term of data collection, since this paper makes full use of secondary data as data research, this study had the most accurate data. Although the data available from the World Bank, some data is not available and the researchers had to find other resources to complete the necessary data.

1.8.3 Sources of Information

This research information was mainly from internet sources. Some articles, journal and web pages were directly download from internet. Hence, researchers could not verify the level of accuracy and credibility of information not knowing the information level of accuracy.

1.9 Definition of Terms

This section is to describe the term used in this study to provide better understanding on examined variables.

1.9.1 Corruption

Corruption can include a variety of activities, including bribery and embezzlement. Government, or 'political', corruption occurs when the bearer or other government employee acting in an official capacity for personal gain. Transparency International, Corruption is one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor (Eigen 1999).

Corruption is understood as everything from the paying of bribes to civil servants in return for some favors and the theft of public purses, to a wide range of dubious economic and political practices in which politicians and bureaucrats enrich themselves and any abusive use of public power to a personal end (Amundsen 1999).

1.9.2 Poverty

Poverty is the inability to get the choice and opportunity, abuse of human dignity. This means lack of basic capacity to participate effectively in society. This means not having enough to feed and clothe a family, not a school or clinic to go to, no land on which to grow food or a job to earn a living person, no access to credit (Agu 2014).

Poverty can be understood as reflecting the inability of individuals, households, families or entire communities to achieve the minimum level and standard of living, measured in terms of basic consumption needs or income required to meet the needs of the socially acceptable (Mokomane 2012)

1.9.3 Economic Growth

Economic growth is the increase (or decrease) in value of the goods and services produced and sold geographical area compared to an earlier time. The positive growth: If the value of the goods and services are higher in one year than the year before, it experienced positive growth, usually just called "economic growth". Negative economic growth: In a year when the value is less than the previous year produced and sold, he experienced "negative economic growth", also known as a recession or depression (M. A. Kamal, Ph.D Director General National Academy for Planning and Development)

The economy of a country can usually be measured by looking at the country's economic growth and development. The economic growth of a country is usually indicated by an increase in gross domestic product of the country, or GDP.

Generally, gross domestic product is a model that reflects the value of economic output of a country. In other words, a country's GDP is the total value of goods and services produced by a country in a given period of time (Ashley Dugger)

According to (Adedayo 2014) Economic development is a process in which a real increase in national income over the period of the economy for a long time.

Summary

Chapter one presents the foundation of the research and a brief overview on the topic under investigation. In addition, this chapter provides instructions for the next chapter in this study. The next chapter will discuss the research literature to describe a better picture of the area studied.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews some of the theories upon which the concept of corruption is based and how they explain the causality from poverty and economic growth toward corruption. The chapter also can tell that poverty and corruption also can affect the income inequality, also reduce human capacity.

2.0 Corruption

According to (Robinson 2007)Corruption is no longer a local matter but a transnational phenomenon that affects all societies and economies, making international cooperation to prevent and important control (Corruption and Austria 2004)

According to (Pillay 2004) the impact of corruption in South Africa has been seriously constrained the development of the national economy and has significantly hinder good governance in the country. The design of the complex politics in South Africa are a contributing factor to the rise of corruption, which has seriously affected the stability and trust and that have corrupted ethos of values and principles of democracy.

2.2.2 Corruption Issues in Asean

Corruption occurs in Singapore, but Singapore is a society that is not corrupt. This does not mean that Singapore is completely free from corruption, as contended by Lord Shawcross Britain last decade. Now and then, there are incidents of corruption

in Singapore, but such cases are the exception rather than the rule and examples of individual corruption rather than the systemic corruption. Furthermore, those found guilty of corrupt behavior punished accordingly regardless of their position or status society (Quah 1999).

Corruption in Asia continues to be a drag on the economy is growing, draining billions of dollars of economic development and trigger a public backlash in some places. Calls for reform coming from the private sector and the United Nations despite the region's economic prospects improve (Choudhry and Lew 2013).

As corruption is an illegal activity in all countries, individuals found guilty of corruption should be punished accordingly. However, in reality, the probability of detection and punishment of offenses of corruption in different Asean countries is different. Corruption thrives in Asian countries where the public perceives it to be "low risk, high reward" activities as corruption offenders are unlikely to be detected and punish (Quah 2003).

2.2.3 Corruption and Poverty

Conflict of rising poverty in a rapidly growing economy has made the Nigerian commentators to support the general hypothesis that corruption leads to poverty, or at least contribute to it significantly. According to this hypothesis, corruption manifests in various forms of waste and misallocation of resources by government officials who deny the down trodden essential social services and infrastructure, poverty indirectly fueling (Aina and ICPC)

According to (Chetwynd, Chetwynd et al. 2003) they state that the relationship between corruption and poverty. Corruption, by itself, does not produce poverty. Rather, corruption has direct consequences on economic and governance factors,

intermediaries that in turn produce poverty. Thus, the relationship examined by researchers is an indirect one. Two models emerge from the research literature. The 'economic model' postulates that corruption affects poverty by first impacting economic growth factors, which, in turn, impact poverty levels. In other words, increased corruption reduces economic investment, distorts markets, hinders competition, creates inefficiencies by increasing the costs of doing business, and increase income inequality.

"The economic model" postulates that corruption affects poverty by first impact factor of economic growth, which, in turn, impact on poverty levels. In other words, corruption increases reduce economic investment, distorts the market, preventing competition, creating inefficiencies by increasing the cost of doing business and increase income inequality. By weakening and major economic factors, poverty exacerbated (Chetwynd, Chetwynd et al. 2003)

2.2.4 Corruption and Economic growth

As for the relationship between poverty and the gross domestic product there is a positive relationship. Its shows that the available evidence suggest that the poor in developing countries typically do share in the gains from rising aggregate affluence (Ravallion 2001). But there are differences between countries in how much poor people share in growth and there are diverse impacts among the poor in a given country.

Corruption decreases economic growth directly and indirectly through decreased investment in physical capital. The increase in corruption unit reduces the growth rate of GDP and income per capita of between 0.75 and 0.9 percentage points and in between 00:39 and 12:41 each percentage point each year. Results also show that

corruption increases positively with income inequality. The combined effect of declining growth and rising income inequality show that corruption hurts the poor more than the rich in African countries (Gyimah-Brempong 2002)

(Tanzi and Davoodi 1997) they found that higher corruption led to higher public investment, lower government revenues, lower spending on operations and maintenance, and lower quality public infrastructure. Their testimony also revealed that corruption increases public investment but reduces productivity.

(Mo 2001) which describes the role of corruption in economic growth by providing quantitative estimates of the effect of corruption on growth and importance of the channel changes. Reviews corruption he is focused on 54 countries appearing in the Corruption Perception Index (CPI). By using the least squares (OLS), he found that with an increase of one per cent level of corruption would reduce the economic growth rate in the range of 0.72 per cent. In other word is, with an increase of one unit on corruption perception index will lead to economic growth rate decreased by 0.545 percentage points. What is the most important channel affecting economic growth is political instability, which counted for 53 per cent of which affect the economic growth. He also found that corruption can reduce the level of human capital and private investment partnership.

In reviewing studies, the corruption increases poverty also gross domestic product. Policies that reduce corruption will most likely reduce income inequality and poverty then rising in growth.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Research theoretical framework

Theoretical framework is needed to determine the relationship between variables. The dependent variable is the variable of primary interest to researchers. The independent variable is the one that affects the dependent variables either positive or negative. The model used is as follows:

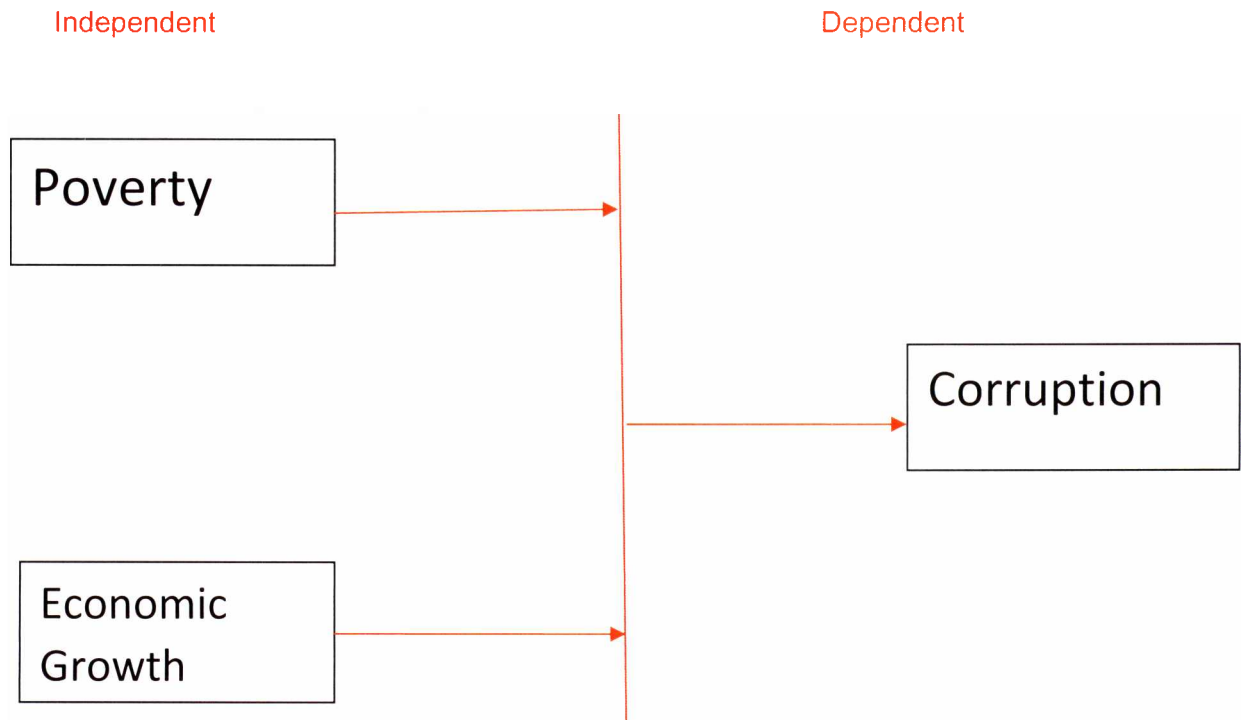


Figure 3: The Theoretical Framework Diagram of Corruption, Poverty and Economic Growth.

Above diagram show the relationship between independent variables (poverty and economic growth) and dependent variable (corruption). The relationships among the variable were discussed and the directions of the relationship of the independent variables with dependent variable were clearly stated.

3.2 Hypothesis

Several hypotheses are tested based on information in previous research. This is useful in order to determine the relationship between variables.

This paper is to investigate the cause and effect of economic growth on poverty and corruption. The following four hypotheses are to test whether there is a relationship of poverty and economic growth to corruption. The hypothesis is planned as follows:

Hypothesis 1 – Economic Growth

H01= There is no relationship between corruption and economic growth.

HA1=There is significant relationship between poverty and economic growth.

Hypothesis 2 - Poverty

H02= There is no relationship between corruption and poverty.

HA2= There is significant relationship between corruption and poverty.

3.3 Data Collection Methods

This study used panel data analysis and focus on 6 countries which are Malaysia, Philippines, Vietnam, Singapore, Indonesia and Thailand. Financial data for each company are collected from year 2009 to 2013.

This study is based on secondary data derived from various sources such as The World Bank, The Transparency index and Human development Index. This study is only concentrated on three indicators which are corruption, economic growth and poverty.

3.4 Variables and Measurement

The variables used in this study can be categorized into the main types of explanatory variables and the dependent variable. Dependent variable is corruption as main interest to know its relationship, influenced by the independent variables which are poverty and economic growth.

3.4.1 Economic Model

In this study, regression analysis is used. The regression model was used to predict one variable from one or more other variables. Because there are only two independent variables correlated with corruption, the following regression model is developed:

$$C = \beta_0 - \beta_1 \text{ POR} + \beta_2 \text{ ECOG}$$

Where,

C = Corruption

b_0 = Intercept

POR = Poverty

ECOG = Economic Growth

3.5 Method of Analysis

Econometric tools were used in estimating equation using the method of Ordinary Least Squared and the data will be processed through E-View software. Initial tests conducted data analysis before conducting regression as empirical model, followed by t-test, F-test, the coefficient of determination, and multicollinearity. This paper used panel data analysis.

3.5.1 Descriptive Analysis

Descriptive statistics were used to describe the basic characteristics of the data in the study. They provide simple summaries about the sample and measures. Along with graphical analysis tools, there is a basis for almost any quantitative data analysis.

I. MEASURES OF CENTRAL TENDANCY

Measures of central tendency provide information about the most common or average variable. It sets out minimum and maximum values, mean, mode and median average.

The minimum value is the lowest value in the data that have been collected. On the other hand, the maximum value is the highest value in the data that have been collected.

The mean is defined as the sum of a series of observations divided by the number of observation in the series. It is commonly used to describe the central tendency of variables.

The median is the mean limit as an indicator of central tendency is affected value when some observations have values that are very large or very low. The median is the middle value in a series of points.

Mode is defined as the most common variables. This indicator may convey more information about the central tendency of a series of variables when certain values are more frequent than others.

II. MEASURES OF DISPERSION

Measures of dispersion provide information about the distribution of values of variables. They tell us how the value scattered throughout their measures of central tendency. It presents the variance, standard deviation, skewness and kurtosis and histogram.

Variance measures the amount of variation in the distribution, in a sense, 'width' of it. It measures the average square of the distance from the mean for each value.

The standard deviation is a measure of dispersion that calculated based on the values of the data. It allows us to see how widely the data are dispersed around the mean.

Skewness is a measure of whether the peak is centered in the middle of the distribution. Symmetrical distribution has zero skewness. Symmetrical distribution with a long tail to the right (higher values) that have a positive skews. Symmetrical distribution with a long tail to the left (values are lower) has a negative skew. Any threshold or rule of thumb is indiscriminate, but here is one, if skewness is greater than one or less than negative one, the skewness of this distribution is large and far from symmetrical.

Kurtosis is a measure of the extent to which data are concentrated in the top of the head. Positive values indicate that the data concentrated at the top, while a negative value indicates that the data are concentrated in the tail.

3.5.2 Multiple Linear Regression Analysis

To test this hypothesis, the researchers used multiple regression model. Regression techniques commonly used in business and economics to study the relationship between the dependent and independent variables. Correlation analysis should be used to get the measure of the degree of association or correlation between the two variables.

The Multiple Regression is a statistical tool to measure the type of relationship that exists between two or more variables. The relationship is expressed a mathematical equation, which provide the basis for estimating the value of a dependent variable based on the value of the independent variable.

Model derived from regression analysis Model are as follows:

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \varepsilon$$

Where,

Y = Dependent Variable

β_0 = Constant

β_1 = Coefficient describes how changes in poverty affect the corruption.

β_2 = Coefficient describes how changes in economic growth affect the corruption.

ε = random error term.

3.5.3 Multiple Regression Model

I. TEST OF MULTICOLLINEARITY

Multicollinearity can be defined in case of regression between the explanatory variables are closely related. The most obvious sign of multicollinearity may exist is when Rsquared is very high, F-tests are great but there is no or very little of the estimated coefficients are statistically significant. If the r value is higher than 0.8 and 0.9, it shows a significant multicollinearity among the independent variables.

II. COEFFICIENT OF DETERMINATION (R squared)

Rquared measures the degree of goodness of fit of the model and the value specified between zero and one. A value of one indicates a perfect fit where it is a highly reliable model to forecast the future. Meanwhile, for a value of zero, it indicates that the model is not accurate model data set. If Rsquared is equal to or greater than 0.8, it indicates that the model has high explanatory power.

A coefficient of determination was used to test the overall explanatory power of regression equation. Squares represent the overall correlation coefficient regression model to explain how changes in the value of the dependent variable. A multivariate

counterpart is the coefficient of determination coefficient of multiple determinations, Rsquared. The square root of the coefficient of multiple determinations is the coefficient of multiple correlations, R.

3.5.4 Correlation Matrix

The correlation is use to study the relationship between dependent and independent variables. It is to study either independent variables have significant positive relationship or insignificant negative relationship to dependent variable.

3.5.5 Sample Size and Selection Criteria

This study used quantitative data. The data determined in this study are of secondary data gathered from articles containing information on corruption, poverty and economic growth as well.

3.6 Summary Of Research and Methodology

Variables	Dependent/independent	Measurement	Formula	Time horizon
Corruption	Dependent	Tranperancy Index Data	Transperancy International	2009- 2013
Poverty	Independent	Human Development Index	Human Development Report	2009- 2013
Economic Growth	Independent	Percentage to Gdp	World Development Indicator	2009- 2013

CHAPTER 4

FINDINGS AND DISCUSSIONS

This chapter discusses the analysis of the data and findings in which all the hypotheses that have been set out in chapter three. Then it will be analyzed interpreted. This hypothesis will be analyzed through descriptive analysis and statistical analysis tools such as correlation and linear regression analysis. Once the decision has been obtained, the interpretation of the results of statistical analysis will determine whether the resulting hypotheses are supported and it will define the relationship between the dependent variable and independent variables.

4.1 Descriptive Analysis

Figure 4: Descriptive Statistics

	CORRUPTION	POVERTY	ECO_GRO...
Mean	4.316667	0.724333	11900.17
Median	3.400000	0.699500	3848.500
Maximum	9.300000	0.901000	55979.80
Minimum	2.400000	0.623000	1232.400
Std. Dev.	2.236081	0.090445	17634.85
Skewness	1.474046	0.939893	1.785012
Kurtosis	3.621365	2.650545	4.452467
Jarque-Bera	11.34667	4.569639	18.56841
Probability	0.003436	0.101792	0.000093
Sum	129.5000	21.73000	357005.2
Sum Sq. Dev.	145.0017	0.237231	9.02E+09
Observations	30	30	30

The descriptive statistics show in figure 4 is present the result of the causality from poverty and economic growth toward corruption of six Asean countries from 2009 to 2013. The directions of the relationship of the poverty and economic growth

(independent variables) with corruption (dependent variable) were clearly stated. The analyzed statistics figures show the mean, standard deviation, maximum and minimum values of corruption, poverty, and economic growth.

For the corruption, the result stated the mean of that is 4.32 percent with standard deviation of 2.24 percent. Maximum corruption recorded is 9.3 percent, however the minimum is 2.40 percent which shows good percentages.

Next, the results of which states that the mean of the poverty is 0.72 percent which also gave good percentages. It shows a large difference percentage of maximum and minimum which is from 0.62 to 0.90. It stated the standard deviation is 0.09 percent.

Lastly for the economic growth shows that the standard deviation is 17634.85 per capita. While the mean is 11900.17 per capita, also from 12232.400 (per capita) as minimum to 55979.80 (per capita) as maximum. This result shows that the economic growth is absolutely in good percentages.

The corruption is measured by transparency index data, poverty is measured by human development index, and economic growth measured by world bank as GDP.

Figure 5: descriptive analysis result

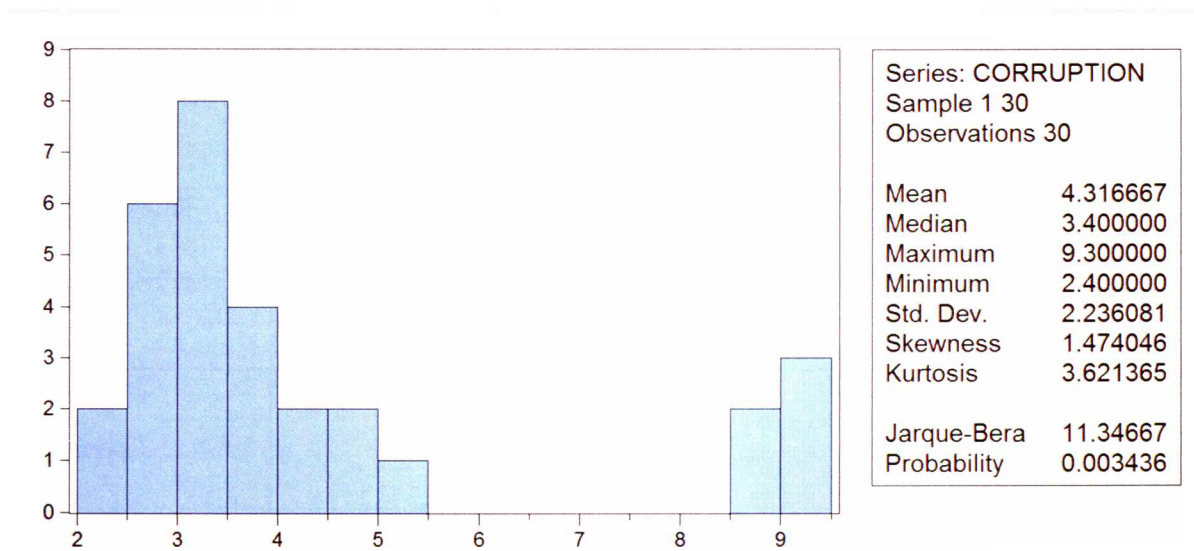


Figure 5 is another result from descriptive analysis. The more data be use the more normal result it can be.

4. 2 Multicollinearity(Correlation Analysis)

The correlation coefficient is a measure of degree between two or more variables. It may vary between -1 and 1. The -1 indicates a perfect negative correlation, if there is an increase in variables then another decline. And 1 indicates perfect positive relationship, if there is an increase in variables then another increase. In this statistical calculator, calculates the correlation coefficient between independent variables and the dependent variable.

Table 1: Correlation Coefficient

	CORRUPTION	POVERTY	ECONOMIC GROWTH
CORRUPTION	1.000000	0.957201	0.966802
POVERTY	0.957201	1.000000	0.921271
ECONOMIC GROWTH	0.966802	0.921271	1.000000

The correlation show in table 1 is present the result of the relationship poverty and economic growth toward corruption of six Asean countries from 2009 to 2013. There is dependent variable which is corruption while poverty and economic growth are independent variable.

According to the table 1, it shows there are positive linear relationship between corruption and poverty. Where there are 0.96 positive relationships.

Besides that, it also shows the relationship between corruption and economic growth has positive linear relationship. There is 0.97.

Despite all independent variables have a relationship with the dependent variable, but somehow weak correlation value correlated because it is almost close to zero instead of one value. But the result in the table 1 shows, we can conclude that these variables were strongly correlated. All the variables are almost close to 1. Regression analysis was used to investigate the causal relationship between the dependent and independent variables.

4.3 Regression Analysis

There are several terms to describe R-squared. If R-squared is almost zero, no more linear relationship between the dependent and independent variables. If R-squared is close to one, there is a strong relationship between the dependent and independent variables. If R-squared is equal to zero, there is no relationship between the dependent and independent variables. If R-squared is equal to one, it indicates that the dependent variable explained by the independent variables.

Figure 6: Regression Analysis Result

Dependent Variable: CORRUPTION				
Method: Least Squares				
Date: 10/16/15 Time: 23:13				
Sample: 1 30				
Included observations: 30				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.405556	1.554829	-2.833466	0.0086
POVERTY	10.87162	2.322650	4.680699	0.0001
ECO_GROWTH	7.12E-05	1.19E-05	5.978741	0.0000
R-squared	0.963954	Mean dependent var		4.316667
Adjusted R-squared	0.961284	S.D. dependent var		2.236081
S.E. of regression	0.439978	Akaike info criterion		1.290456
Sum squared resid	5.226678	Schwarz criterion		1.430575
Log likelihood	-16.35683	Hannan-Quinn criter.		1.335281
F-statistic	361.0251	Durbin-Watson stat		0.972430
Prob(F-statistic)	0.000000			

Due to the figure 6, it shows the result of regression analysis of corruption, constant, poverty and economic growth. A value of one for R-squared indicates a perfect fit where it is a very reliable model for future forecasts. The results of R-squared is 0.96. The value shows that the model has a high explanatory power because the R-squared value is more than 0.8. There is a strong relationship between dependent and independent variables. For F-statistic, analysis judges the value of the F-

statistics is large than 0.05. The F-statistic, is to determine whether each variable has a significant effect on the variable or not. The dependent variable explained by the independent variables. The results shows that value of F-statistic is 361.05 which is large than 0.05, so the model is failed to accept statistically.

From the figure above, the probability is significant at the 5 percent level. As the result, there is significant correlation between variables. The values of P 0.00 per cent, meaning, it is a 0.00 percent chance that the relationship appear randomly. Thats means rejecting the null hypothesis. It can be concluded that poverty and economic growth are the effects of corruption. It shows in the decision that poverty and economic growth is close to 0.00 and below 0.05 per cent.

4.4 Summary of Findings

HYPOTHESES	FINDINGS	RESULT
<p>Hypotheses 1</p> <p>HO1: There is no causality from poverty toward the corruption.</p> <p>H1: There is positive significant causality from poverty toward the corruption.</p>	<p>DESCRIPTIVE ANALYSIS: shows a good percentages</p> <p>CORRELATION ANALYSIS: positive linear relationship</p> <p>REGRESSION ANALYSIS: rejecting the null hypothesis</p>	<p>Reject null hypotheses</p>
<p>Hypotheses 2</p> <p>HO2: There is no causality from economic growth toward corruption.</p> <p>H2: There is positive significant causality from economic growth toward corruption.</p>	<p>DESCRIPTIVE ANALYSIS: shows a good percentages</p> <p>CORRELATION ANALYSIS: positive linear relationship</p> <p>REGRESSION ANALYSIS: rejecting the null hypothesis</p>	<p>Reject null hypotheses</p>

CONCLUSION

This study investigates the causality from poverty and economic growth toward corruption. The objective of this study is to investigate whether poverty and economic growth can cause the corruption and whether they have relationship between each variables. Data analyzed in this study consist of six countries in Asean which is Malaysia, Philippines, Vietnam, Singapore, Indonesia and Thailand. Financial data for each company are collected from year 2009 to 2013. In view of this study, I could find the evidence to support my hypothesis that there are positive relationships between corruption, poverty and economic growth.

The finding from this study show is same from the previous studies. Hence, I am success to reject the null hypothesis with view of the finding. Therefore, it is concluded in this study that there are the causality of poverty and economic growth toward corruption. The results of this study indicate that the poverty and economic growth possibly can cause the corruption on the country because due to the statement that previous researchers had stated, the variables may have a strong relationship.

This study also contributed to the literature on the effect of corruption in the methodology area. The secondary methodology contribution of this study is from various sources such as The World Bank, The Transparency index and Human development Index. In this study, the method used to get the result of relationship between variables, which is Descriptive statistics, Correlation Analysis, and Regression Analysis

RECOMMENDATION

There are several possible directions for future research that would help better understand and explain the causality of relationship between poverty and economic growth toward corruption.

First, in order to improve overview of findings, future research on the same topic should extension period of data collection. As this study is only using 5years from 2009 until 2013. Therefore it is limited and not for recent years.

Second, as the method for this study were choose only three method data, which is descriptive statistic, Correlation Analysis, and Regression Analysis. It is recomended that future researchers use more method for get good result.

Third, future researcher should also consider to read another previous acticle instead of just one article, could also read more article about the corruption, poverty and economic growth to compare a better result. Because some result may not same with the previous research.

Lastly, researchers are advised to include more variables for obtain a clearer picturers of the findings.

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APPENDIX

COUNTRY	VARIABLE	CORRUPTION	POVERTY	ECO GROWTH
MALAYSIA	2009	4.5	0.763	7278
	2010	4.4	0.766	8754.2
	2011	4.3	0.768	10060.4
	2012	4.9	0.77	10429.5
	2013	5	0.773	10538
VIETNAM	2009	2.7	0.623	1232.4
	2010	2.7	0.629	1333.6
	2011	2.9	0.632	1543
	2012	3.1	0.635	1755.3
	2013	3.1	0.638	1908.6
INDONESIA	2009	2.8	0.671	2272
	2010	2.8	0.671	3137.4
	2011	3	0.678	3662.7
	2012	3.2	0.681	3718.1
	2013	3.2	0.684	3643.9
THAILAND	2009	3.4	0.715	3978.9
	2010	3.5	0.715	4802.7
	2011	3.4	0.716	5192.1
	2012	3.7	0.72	5479.8
	2013	3.5	0.722	5779
SINGAPORE	2009	9.2	0.894	38577
	2010	9.3	0.894	46569.7
	2011	9.2	0.896	53122.2
	2012	8.7	0.899	54578.2
	2013	8.6	0.901	55979.8
Philippines	2009	2.4	0.657	1832
	2010	2.4	0.651	2135.9
	2011	2.6	0.652	2358.1
	2012	3.4	0.656	2587.6
	2013	3.6	0.66	2765.1