



**UNIVERSITI TEKNOLOGI MARA**

**THE RELATION BETWEEN CORRUPTIONS &  
MALAYSIA'S ECONOMIC GROWTH**

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## **ABSTRACT**

This study examines the long-term relationship between corruption and economic growth in Malaysia between 1984 and 2013. This study aims to determine how corruption affects economic growth in Malaysia through various transmission channels including trade openness, government spending, investment and human capital.

The Autoregressive Distributed Lag (ADRL) method was used to examine whether there is a long-term relationship between corruption and growth in Malaysia, taking into account other macroeconomic variables such as trade openness, investment, human capital, and government spending.

Using this approach would establish a negative correlation between corruption and growth in the long run, but it would have a positive effect on economic growth through trade opening and government spending channels. However, the impact of FDI and human capital on Malaysia's economic growth is not statistically significant.

This result suggests that corruption is not good for Malaysia's economic growth in the long run, and from a policy perspective, the main focus of policymakers should be on reducing corruption and increasing Malaysians' anti-corruption awareness to achieve a high-speed economy in Malaysia increase.

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## **Chapter 1: Research Overview**

### **1.0 Introduction**

The chapter begins with an overview of the relationship between corruption and economic growth. With the help of graphical analysis, it is possible to better understand the magnitude of global corruption. Furthermore, this study explains the definition of corruption, followed by the types of corruption, the causes of corruption, the benefits of corruption, and the harms of corruption. This study also further discusses corruption in Malaysia to formulate a problem. Once the question is formulated, the research question and research objectives are determined for the conduct of the entire study. Last but not least, this section also discusses the importance of learning.

### **1.1 Corruption**

#### 1.1.1 Definition of corruption

Corruption is the abuse of fiduciary power for additional positive gains (Petrou & Thanos, 2014). Abuse of clauses usually means the occurrence of illegal behavior. Not all corruption is considered illegal, some may simply act dishonestly or improperly.

#### 1.1.2 Categories of Corruption

Corruption is divided into three categories: grand corruption, bureaucratic corruption and political corruption. The grand corruption is centralized because only one party takes bribes. Bureaucratic and political corruption is decentralized, allowing multiple parties to accept bribes.

##### 1.1.2.1 Grand Corruption

Jain (2001) found that grand corruption is the most harmful form of corruption, occurring within political elites. Since corrupt decisions come from the very top of the public hierarchy, which was invented to balance the interests of the entire society, this type of corruption can affect anyone in the country. Furthermore, this corruption refers to how political elites manipulate economic policies for their own best interests. Concentrated corruption falls into this category, of which there is only one, taking bribes for every state asset. Bribes for free items are coordinated. Political elites are able to influence or enforce national policies by serving their own preferences, thereby reallocating resources from the public to themselves. Therefore, the person receives the benefit of the government after taking bribes, and there will be no additional demand for bribes for specific goods in the future. Public spending is allocated to sectors where corrupt elites are most likely to gain private benefits. So this will have serious consequences for a country