

# Institutionalizing Nudge to Fight Corruption and Promote Economic Growth in Developing Countries: The Case of Ghana

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**Abstract:** *Corruption as one of the oldest phenomenon in human society exists in every society to an extent. Giving the extant literature on corruption and its implication on economic growth in developing countries, this paper makes a case for institutionalizing nudge approach in fighting the social canker. Corruption has been given diverse definitions by different scholars. Some say, it is the general disease of body politics, others say, it is the public exploitation and abuse of public office for private gain. Contextually, research shows that the causes of corruption in most developing countries are, low wage level of public officials; ineffective law enforcement, greed and personal aggrandizement, social pressure, lack of commitment to work, cultural practice of giving gift among others. In effect, corruption may draw off funds needed for economic growth and as well reduce private sector investment and participation thereafter, having preposterous effect on development.*

## 1. Introduction

Over the past few decades the issue of corruption promulgating the abuse of public power for private gains has attracted the attention of both academicians and policy makers. It is widely accepted by economist, development practitioners and policy makers that corruption is a developmental problem for both developing and developed countries. According to the Global Corruption Barometer, corruption has increased over the last three years and six out of ten people around the world are engaged in corruption (Razafindrakoto & Roubaud, 2010). A widely quoted estimate by the World Bank (2013) puts the total amount of bribes paid in both developing and developed countries in 2001/2002 at 1 trillion dollars, about 3 % of World GDP at the time. This estimate does not include embezzlement of public funds or theft of public assets, which are extremely difficult to estimate, although it is widely known that deposed Kleptocrats in Indonesia, Nigeria, and Zaire (now Democratic Republic of Congo) for example embezzled billions of dollars while in office.

In the case of Ghana corruption seems to have existed for a long time. Corruption has its roots since independence. Agbele (2011) confirms that “the political history of the country shows that corruption got rooted since early days after the independence or even independence and since then it has become systematically entrenched in the politics of Ghana”. The nakedness of corruption was displayed in Ghana when the military took over power from 1966 to the late 1980s. The first military junta, (the National Liberation Council) accused Nkrumah of corruption, the main reason for which it intervened in politics. Corruption has continued unabatedly since independence of the country till date. The transition of military rule to democratic rule in Ghana never ended corruption. The Fourth Republic of Ghana has witnessed a number of corruption scandals and continues to witness this absurd canker. Agbele (2011) remarks that, in 2009, a British court found a UK civil engineering company Maybey and Johnson guilty of bribing a number of Ghanaian government officials in the 1990’s for contracts. In the fourth republic, successive governments have promised zero tolerance for corruption, however, this social

misfit is exorbitantly on the rise. According to the Auditor General’s Report of Ghana, a number of corruption cases including the Savanna Accelerated Development Authority (SADA) saga and issues concerning the Ministry of Energy have been identified (Shiraz Rahaman, 2009) and recent revelation by Deputy CHRAJ commissioner Mr. Richard Quarson (Reported by Ghanaweb:2018) of estimated amount of GHS13.5bn lost in every year through corruption in Ghana with its correspondent effect of economic development tells us that a lot need to be done. A number of efforts have been put in place to end the issue of corruption but the issue still thrives in the public sector of Ghana. However, this paper accentuates the nudging approach to be inculcated into public sector of developing countries to bring corruption to its barest minimum. This paper is organized as follows: the next section presents the nudging approach in reducing corruption in developing countries, followed by literature review on the corruption and economic growth in developing countries. Subsequent sections cover methodology, presentation and discussion of findings, conclusions and recommendations.

## Nudging Approach

“A nudge is any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be cheap and easy to avoid. Nudges are not mandates. Putting fruit at eye level [hoping that people then choose fruit over unhealthy alternatives] counts as a nudge. Banning junk food does not.” (Thaler and Sunstein, 2008: p6). Changing the people’s behavior on corruption without changing their economic incentives has a significant effect on economic growth. It is simply about providing an enabling environment for people to make certain decisions. The idea is a moderately unobtrusive arrangement move that urges individuals to settle on choices that are in their expansive self-intriguing. Thaler and Sunstein (2009) further informs that “By knowing how people think, we can make it easier for them to choose what is best for them, their families and society.” It is postulated that people sometimes make inconsistent decisions and this prognosis has been

validated by academicians for over 40 years of academic research; a subjected matter which was merely seen as an intuition.

A brief history to the emergence of the theory suggests that, people are not rational beings but rather influenced by cognitive buyers and mental shortcuts such as emotions, social interactions and external environment. Therefore, proving and building upon this observable behavior resulted in this cataclysmic theory called the nudging theory. Understanding this behavior through rational and irrational dimensions becomes possible to modify human behavior as one wishes. This theory was propounded by Richard Thaler and Professor Cass Sustein in 2008 in their book titled: *Nudge*. Nudge Theory seems to have begun from exact perceptions of a progression of analyses with public administration and governance system, however has immediately accomplished the standardizing status of governance ready to tackle issues emerging from prior immediate and coercive administrative mediations like corruption. Nudging could be used to encourage public officials to reduce corruption.

It is a simple, effective, low cost technique to encourage the adoption and adaption of new behaviors. According to Farina et al (2012), local authorities have been equipped to grasp the concept of nudging; first was President Barack Obama's Administration in 2009 just before the David Cameron's Administration adopted it in 2010, followed by Australia, Singapore, New Zealand and very recently Germany's Merkel in the European Commission and ever since, the nudge approach has developed very rampantly. Moss (2013) indicates that since then nudging has been adopted by private organizations to improve marketing strategy. A report by Danny Vinik assessed how nudging in the Obama Administration affected his governance and he found that on specific exchanges, government sellers are required to pay a charge on quarterly deals, which they self-report through an online frame. Lying inherently has no lawful repercussions, yet regardless it prompted a \$1.59 million increment in charges in a single quarter, recommending that the respondents were all the more completely detailing their deals (Congdon, 2015). Furthermore, in the United Kingdom, the theory was used by the government's pension scheme to increase the amount of money UK citizens paid off their salary. It was realized that low pension savings rates among private sector workers was becoming increasingly worrisome and therefore, in 2012 the government mandated employers to establish an "automatic enrollment". This forced private sector employers to comply with the directive of government to increase private sector worker's pension scheme unless a formal complaint was made by the worker to be exempted from it. Fluidly, the directive begun to show positive signs on pension policies in the UK; a positive inference of the nudge theory in the UK (Orenstein, 2011).

Contextually, in the case of Ghana, government can nudge to combat corruption Sustein (2014) posits that, The USA Supreme Court Justice Louis Brandeis said that "sunlight is the best of disinfectant and disclosure can make both markets and governments much cleaner". A detailed and systematic disclosure of government information can help

reduce corruption. Nudging tries to change conduct through an extensive variety of mediations. They can look to change conduct through openness in government sector by disclosing both performance and data in government activities through giving significant data in this manner to enhance vitality and productivity. At long last, nudges may look to accomplish generously changed results. Although nudge has been criticized worldwide because of its tenacity of manipulating the minds of people, it seems to have positive effects on the lives of people and it has gained worldwide recognition. Government's endeavors to manage the rising issues on corruption in a country and also meet the Sustainable Development Goal could institutionalize nudge to guarantee that the Goals of the SDG's are met by the government.

#### **Definition of Terms**

The term *corruption* is derived from the Latin root "rumpere", meaning to break something badly. If it is related to public service, it means using one's office to break a moral or an ethical code that governs the office and the person who breaks this rule derives from it something of value, either for himself or herself, his or her family or other associations the officer has close connections with (Brako & Asah-Asante, 2014:133). Otite Onigu (2000) defined corruption as perversion of integrity or state of affairs through bribery, favor or moral depravity". However, there is no universal or comprehensive definition as to what constitutes corrupt behavior, most definitions share a common emphasis upon the abuse of public power or position for personal advantage. Additionally, corrupt practices are distinguished by the codes of conduct which specify types of rewards that are "acceptable" or "unacceptable" by personnel within the institutions. The corruption phenomenon ranges from bribery, extortion, fraud, embezzlement, graft, kickback, favoritisms in all its forms to conflict of interest.

According to (Leszek Balcerowicz cited in Alina-Petronela, 2012) *economic growth* is a process of quantitative, qualitative and structural changes, with a positive impact on economy and on the population's standard of life, whose tendency follows a continuously ascendant trajectory.

#### **Institutionalizing Nudge to Fight Corruption and Promote Economic Growth in Developing Countries**

Corruption and economic growth have been inversely relating with each other, causing undue arousal or doom among the people. Corruption gives room for diversion of the limited public funds, undermines economic progress and impedes policy changes required for development. On the whole, corruption impedes growth and also erodes the already established economic value systems in a country (Mathew & Barnabas, 2013). This devastated effect of continuous corrupt practices in developing countries has gone so bad and it is worrisome as several but unsuccessful measures have been put in place to halt the menace. It is therefore not an understatement that (Achebe, 1988 cited in Mikail and Iskandar, 2017) concluded that corruption has permeated the African society and anyone who can say that corruption in Africa has not yet become alarming is either a fool, a crook or else does not live in this continent.

Evidence from Gbenga Lawal (2007) validated the fact that the drive to a perfect solution to corruption is still ongoing bearing in minds that previous effort to curb it, is unsuccessful. Statistical figures as outlined by (Transparency International, 2015) shows that, corruption is estimated to cost the UN Millennium Development Goal on water and sanitation of about USD 48 million. Furthermore, in Palestinian, USD 800 million of government fund is lost through tax evasion. Similarly, the same government loses USD 18 million through fueling cars of civil servants. In Zimbabwe, housing officials buy government properties and sell it more than 10 times the price to private individuals. Furthermore, in Bangladesh, 84 percent of individuals who interacted with public sector services of the country reported to have been victims of corruption. Similarly, 44 percent of parents in countries such as Ghana, Morocco, Madagascar, Senegal, Niger, Uganda and Sierra Leone were reported to have paid illegal school fees in public schools. In Jakarta Lima and Manila, the poor living in urban areas are estimated to pay water retailers about 5 to 10 times what is paid by the rich living in the same urban cities for piped water.

In India, 60 million households are estimated to be poor and social interventions for these poor households end up with 27 million richer households who do not qualify for this interventions (Transparency International India Corruption Survey, 2010). Research again showed that out of some sampled Pakistanis, 43 percent paid bribes to local government officials, 69 percent to the judiciary, 84 percent to the Police and 48 percent to medical services. Furthermore, 15 countries from developing countries were ranked at the bottom of World Bank's Doing Business Indicators and it was estimated that countries that are highly embedded in corruption attracted low resource businesses and investors. These statistical figures and endless list of corruption in developing countries have high negative repercussion on economic growth and development. It is a re-occurring issue which impedes growth without clear solution. As efforts are put in place to eradicate it, it keeps multiplying and spreading like infectious diseases. To buttress the doubt and widespread of the phenomenon, Olken (2007) asserted that the issue of corruption keeps reoccurring in every academic and formal discussion in developing countries simply because of its danger towards meaningful development and it seems there is no way to this ugly phenomenon. Therefore, it is prudent for developing countries to institutionalize nudging in various public services by way of openness of governments in detailing, disclosing and making public information available to the public.

## 2. Methodology

The paper adopts a descriptive and quantitative research design for a number of reasons; descriptive survey is versatile and practical, because of its ability to identify present phenomena. Furthermore, it is easy to administer. Reliable (Using fixed-response (multiple-choice) questions reduces variability in the results that may be caused by differences in respondents and enhances reliability of the responses) and Simple (simplifies coding, analysis, and interpretation of data. Descriptive research design is highly

regarded by researchers where large populations are dealt with using questionnaires (Creswell, 2014). For the validity and reliability of this paper, the paper gathered from both primary and secondary data for the research. In gathering data for the study, questionnaires were administered using purposive sampling. In all, fifty respondents from 6 Public Services were used in the study. Also, the paper examine some existing literatures involving articles of scholars, books and peer review journals on the topic. The computer software Statistical Package for the Social sciences (SPSS) was then used to analyze the data. Tables, frequencies, correlation and regression was further used to analyze and interpret the data collected.

## 3. Findings and Discussions

This section of the paper recapitulates various data gathered from the field during the administration of the questionnaire with some public sector institutions. The themes for the presentation are: the various causes of corruption in Ghana, effects of corruption on economic growth and also the various means to fight corruption. The researcher took a sample size of fifty (50) respondents in different public institutions.

### Socio-Demographics Profile of Respondents

The following socio-demographics were analyzed; sex, age, educational background, and occupation.

#### Sex of Respondents

The researcher discovered that out of the 50 questionnaire administered, 25 of them were males representing 50% of the total population sampled while 25 of the respondents were females representing 50% of the total population sampled.

**Table 1.1:** Sex of Respondents

Sex of Respondents	Frequency	Percentage (%)
Male	25	50
Female	25	50
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Field Survey, 2018

#### The Age distribution OF respondents

The age distribution indicates that 20% (10 respondents) of the total population sampled fell within the age of 18-25, and 30% (15 respondents) also fell within the age 26-32. Again, 10% (5 respondents) fell within the ages of 33 -39 with the remaining 40% (20 respondents) falling within the ages of 40-47.

**Table 1.2:** The Age Distribution of Respondents

Age of Respondents	Frequency	Percentage (%)
18-25	10	20%
26-32	15	30%
33-39	5	10%
40-47	20	40%
<b>Total</b>	<b>50</b>	<b>100%</b>

Source: Field Survey, 2018

#### Educational Background of Respondents

Evidence gathered from the sampled respondents showed that 25 respondents representing 50% had secondary

education, 5 respondents representing 10% had Teacher Training College education, 5 respondents representing 10% also completed polytechnic and 15 respondents out of the total population sampled (50) representing 30% were degree holders.

**Table 1.3: Educational Background of Respondents**

Educational Background	Frequency	Percentage (%)
Secondary	25	50
Teacher Training	5	10
Polytechnic	5	10
University	15	30
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Field Survey, 2018

**Causes of Corruption**

The survey showed that 75% and 20% strongly agreed and agreed respectively that corruption is caused by Low wage level of public workers while 5% disagreed. Also, 60% of the total population sampled strongly agreed that corruption is caused by Ineffective law enforcement and 20% agreed while 15% disagreed and 5% strongly disagreed that Ineffective law enforcement causes corruption. The survey also showed that 40% of the respondents strongly agreed corruption is caused by Greed and personal motivations of workers and 55% agreed, whereas 5% strongly disagreed. It

can be observed from the table below that 90% of the respondents strongly agreed to the assertion Social Pressure is a cause of corruption and then 10% also agreed.

Again, a thirty-percent (30%) of the respondents strongly agreed that corruption is caused by lack of commitment to work and 40% agreed. However a twenty-percent (20%) of the respondent dissented with 10% strongly dissenting. Lastly, 23% of the respondents strongly agreed, 37% agreed whereas 27% of the respondents disagreed and 17% strongly disagreed that cultural practice such as giving gifts causes corruption. This is represented on Fig 1. Below

**Table 1.4: Causes of Corruption**

Causes of Corruption	Strongly Agree	Agree	Disagree	Strongly Disagree
Low wage level	75%	20%	5%	
Ineffective law enforcement	60%	20%	15%	5%
Greed and personal aggrandizement	40%	55%		5%
Social Pressure	90%	10%		
Lack of commitment to work	30%	40%	20%	10%
Cultural practices such as giving gifts	23%	37%	27	17

Source: Field Survey, 2018

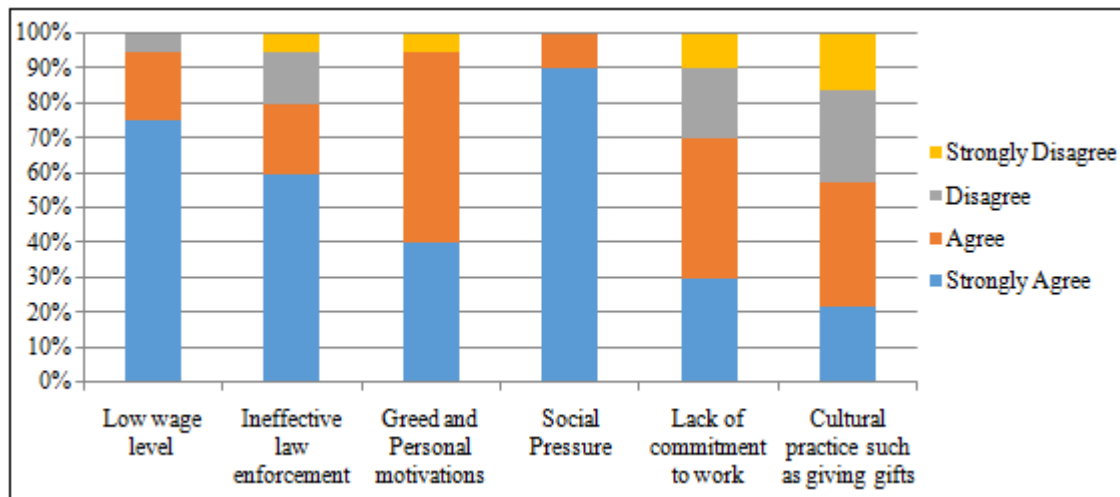


Figure 1.1: Shows the Various Causes of Corruption

**Effects of Corruption on Economic Growth**

**Table 1.5: Effects of Corruption on Economic Growth**

Effects of Corruption on Growth	Yes	No
Effects of corruption on economic growth	87%	13%
Corruption draws off funds needed for economic growth	90%	10%
Corruption reduces private sector investment	70%	30%

Source: Field Survey, 2018

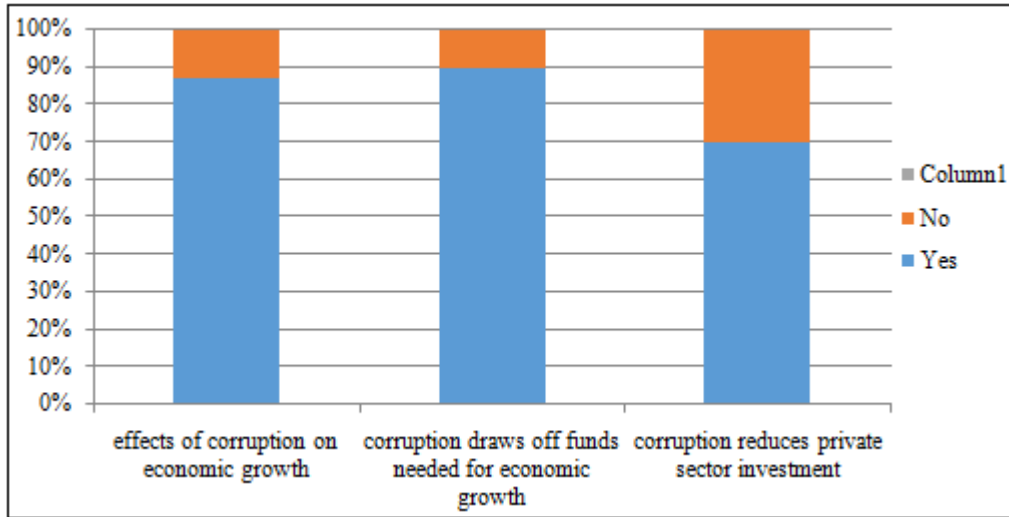


Figure 1.1: Effects of Corruption on Economic Growth

The figure above shows that 87% agreed that corruption has an effect on economic growth whilst 13% of the total population disagreed that it has an effect on economic growth. Again, it also revealed that 90% of the population agreed that corruption draws off funds needed for economic growth while 10% disagreed. It can also be identified from the figure that 70% of the respondents agreed that corruption reduces private sector investment whilst 30% disagreed.

### Measures to Combat Corruption

Table 1.6: Measures to Fight Corruption

Measures to Fight Corruption	Strongly Agree	Agree	Disagree	Strongly Disagree
Public naming and shame of culprits of corruption	43%	40%	7%	10%
Institutionalizing Nudge	60%	33%	3%	4%
Strict legislation	57%	30%	6%	7%
Life imprisonment for culprits of corruption	30%	40%	20%	10%

Source: Field Survey, 2018

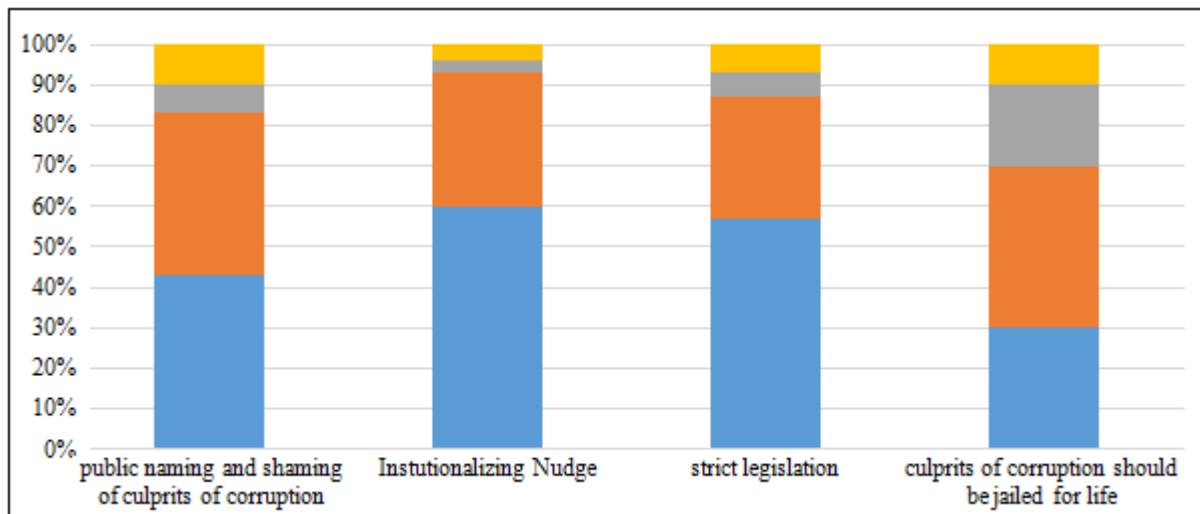


Figure 1.2: Shows the Various ways to Fight Corruption

It can be observed from the figure above that 43% of the respondents strongly agreed that public naming and shame of corrupt officials will help fight corruption. 40% of the respondent also agreed to this assertion. However 10% of the respondents refuted this assertion. Also 60% out of the total population sampled strongly agreed, 43% of the respondents also agreed while 3% disagreed and 4% of the respondents strongly disagreed that institutionalizing nudging is needed to fight corruption. Moreover, the figure further shows that 57% of the respondents strongly agreed, 30% agreed while 6% of the total respondents disagreed and 7% strongly disagreed that strict legislation can also fight corruption. Lastly, the figure revealed that 30%

strongly agreed, 30% of the total respondent agreed, while 20% of the respondents disagreed and 10% of the total respondents strongly disagreed that life imprisonment for culprits of corruption is also the best means fighting corruption.

### 4. Implication for Policy and Practice

A lesson to developing countries to learn is that since corruption keeps increasing in developing countries, governments can institutionalize nudging or nudge approach to alleviate the level of corruption in our societies and to

increase economic growth and development. Openness of Government in detailing and disclosing information can have a positive impact on the economy, public servants and government officials and as well promote economic development. Also, the study suggest that existing reforms and policies on corruption be sincerely reviewed and strengthened to ruthlessly address the causes of corruption rather than its effects. In doing that, the role of the agencies and commissions saddled with monitoring corrupt practices must be motivated and encouraged. This will amount to strictly enforcing due process and the rule of law in the public administration where corruption is at the highest level.

## 5. Conclusions

This paper contributes to extant literature on corruption and its effects on economic development in developing countries in institutionalizing the nudging approach in the Public Sector of developing countries. Many scholars have opinionated various forms of solutions to alleviate corruption in developing countries. However, this paper accentuates a different dimension of institutionalizing nudging approach to bring the canker to its barest minimum. This paper ascertained some findings of the subject matter. This paper found that corruption impacts negatively on economic growth as evidenced from the analysis. This may cost the economy so much that development will be slowed down if not restricted. The causal relationship of the variables also shows that corruption impairs economic growth and that its consequences and effects are also on the increase. Therefore, it is obvious that in a bid to minimize corruption in order to restore the fame and dignity of the economy making it an environment for rapid economic growth, the identified issues and problems of corruption setting back the economy over time must be seriously tackled through openness of government by detailed disclosure of information which is an aspect of nudging.

## 6. Disclosure Statement

No potential conflict of interest was reported by authors of this paper.

## 7. Notes of Authors

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