



UNIVERSITI PUTRA MALAYSIA

***IMPACT OF CORRUPTION ON FINANCIAL DEVELOPMENT
IN MIDDLE INCOME COUNTRIES***

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**IMPACT OF CORRUPTION ON FINANCIAL DEVELOPMENT
IN MIDDLE INCOME COUNTRIES**



By

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**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
in Fulfilment of the Requirements for the Degree of Master of Science**

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment
of the requirement for the Degree of Master of Science

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July 2012

Chair: Professor Mansor bin Ibrahim, PhD

Faculty: Faculty of Economics and Management

Research always suggests that a country able to experience a remarkable economic growth through developing the financial institution. Although scholars had suggested few major factors that determine financial development, yet there are still countries with different financial development level. This study focuses on the impact of corruption on financial development in middle income countries. A further investigation about the existence of corruption threshold has also been carried out using threshold regression by Hansen (2000). By using cross sectional Ordinary Least Squares method, corruption is found to be highly correlated with financial development, especially in the banking sector. Besides, evidence shows that there is a threshold level of corruption; a highly corrupt country are more likely to further develop its financial sector by fighting corruption. The finding supports the view that state that corruption harms financial development.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk Master Sains

**KESAN RASUAH KE ATAS PEMBANGUNAN KEWANGAN DI
NEGARA-NEGARA BERPENDAPATAN PERTENGAHAN**

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Penyelidikan mencadangkan bahawa sesebuah negara mampu menikmati perkembangan dalam ekonomi dengan membangunkan institusi kewangan. Walaupun para penyelidik telah menyatakan beberapa faktor yang akan menentukan tahap perkembangan sektor kewangan, namun masih terdapat negara-negara yang mempunyai tahap institusi kewangan yang berbeza. Kajian ini memberi tumpuan kepada hubungan antara unsur rasuah dan pembangunan institusi kewangan di negara-negara berpendapatan pertengahan. Selain itu, kajian ini juga ingin membuktikan kewujudan ambang rasuah dengan menggunakan regresi threshold yang dicadangkan oleh Hansen (2000). Dengan menggunakan kaedah OLS, unsur rasuah dibuktikan berkaitan dengan pembangunan institusi kewangan, terutama sekali dalam sektor perbankan. Kecuali itu, kewujudan ambang rasuah juga terbukti. Keputusan kajian ini menyokong bahawa rasuah akan memudaratkan perkembangan sektor kewangan.

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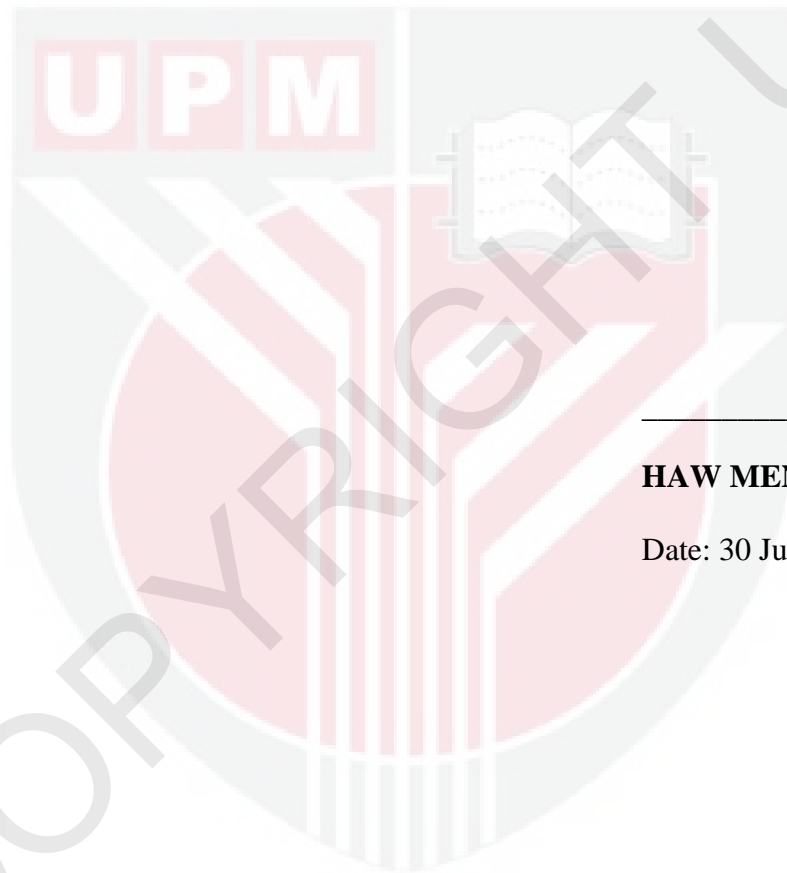
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DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously, and is not concurrently, submitted for any other degree at Universiti Putra Malaysia or at any other institution.



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