ABSTRACT

The problem of corruption is one of the crucial factors of economic, political and social stability in a country.

This study focuses on the problem of corruption, its causes and consequences and intends to find some solutions to decrease corruption by analyzing contributing factors, particularly governance indicators. It tries to analyze the relationship between corruption and factors of corruption using statistical data to identify the most important ones. The main dependent variable in this analysis is "Corruption" and the independent variables are Rule of Law, Government Effectiveness, Political Stability and absence of violence, Voice of Accountability, Gross Domestic Product, External Debt, Population and External Debt per citizen. Countries of analyses are divided into four groups (low-income, upper-middle-income, low-middle-income, and high-income).

This study presents that, governance indicators as factors of corruption are important specifically in low-income and low-middle-income countries. Thus, government indicators can be used as a tool to fight against corruption. It also observes that there is an indirect relationship between corruption and external debt in low-income countries, where both corruption and external debt have significant correlations with governance indicators. Additionally it presents a deep theoretical analysis of the factors of corruption and uses a discriminant analysis to identify homogeneous groups of countries. It gives a comparative analysis of effects of factors in each group of countries and presents correlations analyses to each factors of corruption. Finally, the study gives a comparative analysis for government effectiveness and corruption in Georgia and Kyrgyzstan