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Economy-wide corruption and bad loans in banking: international evidence

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Pages 455-461 | Published online: 24 Jan 2011

▲ https://doi.org/10.1080/09603107.2010.532112 **66** Cite this article

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Abstract

This study investigates the effects of economy-wide corruption on bad loans across a

large sample of countries. The evidence reveals that greater corruntion is associated

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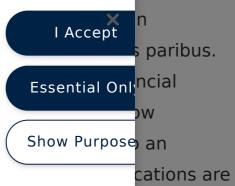
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This research was conducted when Dr. Goel was visiting the Bank of Finland. We are grateful to the bank for its hospitality and to the participants of XVIII 'Tor Vergata' conference on money, banking and finance, and Finlawmetrics 2010 for comments. Michael Naretta provided useful research assistance. The views expressed, however, are our own.

Notes

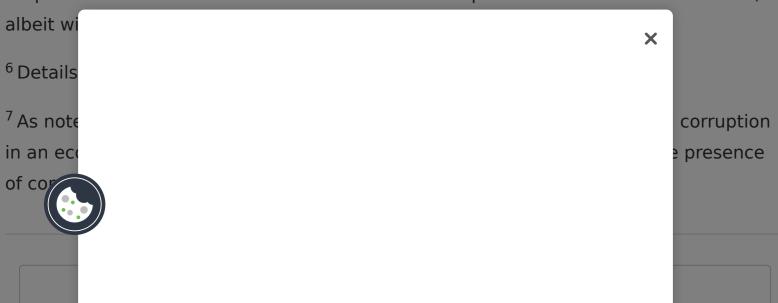
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- ¹ A widely accepted definition of corruption takes it to be the abuse of public office for private gain.
- ² The behaviour of the central bank has also been taken elsewhere to capture banking-sector institutional quality (Huang and Wei, <u>2006</u>; Arnone et al., <u>2007</u>; Hasan and Mester, <u>2008</u>).
- ³ Year-to-year comparisons of the index, however, are problematic (see www.transparency.org for details). Consequently, we conduct a single-year cross-country study.
- ⁴ The raw corruption indices have been transformed to unbind them (for consistency with the underlying assumptions of estimation methodology) and for ease of interpretation (higher post-transformation indices values imply greater corruption).

⁵ A positive association between bad loans and corruption has been noted elsewhere,



Source: Wiley Corruption Source: Oxford University Press (OUP) Economic analysis of corruption: a survey* Source: Oxford University Press (OUP) Do rapid political and trade liberalizations increase corruption Source: Elsevier BV Economic information and finance: more information means more credit, fewer bad loans, and less corruption Source: The World Bank Factors Explaining the Interest Margin in the Banking Sectors of the European Union Source: Elsevier BV Determinants of the loan loss allowance : some cross-country comparisons Source: Wiley The expansion of services in European banking: implications for loan pricing and interest margins Source: HAL CCSD Monetary policies for developing countries: The role of institutional quality Source: Elsevier BV The relationship between charter value and bank market concentration: the influence of regulations and institutions Source: Informa UK Limited :{unav) Source: Springer Science and Business Media LLC Corruption: A Review Source: Wiley Legal X Source The i ersus state Sourc Bank Sourc Lega Sourc Legal

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