

591 Views | 37 CrossRef citations to date | 0 Altmetric

Original Articles

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

Rajeev K. Goel & Iftekhar Hasan

Pages 455-461 | Published online: 24 Jan 2011

Cite this article <https://doi.org/10.1080/09603107.2010.532112>

Sample our  
Economics, Finance,  
Business & Industry Journals  
>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Full Article Figures & data References Citations Metrics

Reprints & Permissions

[Read this article](#)

## Abstract

This study investigates the effects of economy-wide corruption on bad loans across a large sample of countries. The evidence reveals that greater corruption is associated with more bad loans.

### We Care About Your Privacy

We and our 842 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. [Privacy Policy](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

[List of Partners \(vendors\)](#)

I Accept

Essential Only

Show Purpose



Acknow

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

<sup>1</sup> A widely accepted definition of corruption takes it to be the abuse of public office for private gain.

<sup>2</sup> The behaviour of the central bank has also been taken elsewhere to capture banking-sector institutional quality (Huang and Wei, [2006](#); Arnone et al., [2007](#); Hasan and Mester, [2008](#)).

<sup>3</sup> Year-to-year comparisons of the index, however, are problematic (see [www.transparency.org](http://www.transparency.org) for details). Consequently, we conduct a single-year cross-country study.

<sup>4</sup> 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).

<sup>5</sup> A positive association between bad loans and corruption has been noted elsewhere, albeit with mixed results.

<sup>6</sup> Details

<sup>7</sup> As noted in the literature, the presence of corruption in an economy is often associated with the presence of corruption. The presence of corruption in an economy is often associated with the presence of corruption.



Relat

INSTI

ALTERNATIVE INSTITUTIONAL MEASURES

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

Source

## The impact of legal systems on corruption: a comparison of common law and civil law systems

state

Source

## Bank

Source

Co

Source

## Legal

Source

## Legal

Source

## The New Institutional Economics of Corruption



Source: Routledge

Linking provided by  Scholar Explorer

## Related research

People also read

Recommended articles

Cited by  
37

### Information for

Authors

R&D professionals

Editors

Librarians

Societies

### Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

### Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

### Help and information

Help and contact

Newsroom

All journals

Books

Keep up

Register to receive updates by email

 Sign up

 

 

Copyright

Accessib

Registered  
5 Howick Pl



or & Francis Group  
orma business