Corruption and Poverty: the Vicious Circle of Underdevelopment

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Abstract

The paper entitled "Corruption and poverty: The vicious circle of underdevelopment", addresses the issue of the relationship between corruption and poverty, considering that the two phenomena are in a causal relationship that influences economic and social development. The analysis highlights that by undermining the principles of transparency, efficiency and fairness, corruption contributes to the perpetuation of poverty and social inequalities. At the same time, high levels of poverty, amplified by lack of jobs and socio-economic vulnerability, create favorable conditions for the acceptance and normalization of corrupt practices. These phenomena are gaining special attention, as inefficient public management, evidenced public funds are managed, the elaboration of public policies and the organization and administration of public institutions, decisively influences the pace of development. Seen in this way, efficient public management becomes the instrument through which the vicious circle of underdevelopment is broken, fueled by corruption and perpetuated by poverty. The central conclusion of the paper emphasizes sustainable economic and social development, which cannot be achieved without strengthening public management, by promoting transparency, accountability and results-orientation, principles without which regaining public trust and stimulating development remain almost impossible objectives.

Keywords: *development; corruption; poverty; public management*

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Introduction

The economic and social development of a state depends largely on the quality of governance and is defined by the way public authority is exercised and how the mechanisms of resource distribution work.

When these processes move away from the principle of the common good, structural imbalances arise with significant effects on economic development, social cohesion and institutional functioning.

Corruption and poverty are two persistent problems of contemporary society, with effects on the economic, social and institutional development of states. Although they are often analyzed separately, the two phenomena are in a relationship of interdependence, generating what literature calls a vicious circle of underdevelopment.

The topicality of the theme is determined by the fact that many states continue to face high levels of corruption and difficulties in combating poverty, despite global economic and technological progress.

The persistence of development gaps between states and the coexistence of corruption and poverty phenomena, which continue to affect the functioning of institutions and the well-being of the population, is the **issue of the topic,** and it becomes necessary to investigate how these phenomena influence each other and contribute to the perpetuation of underdevelopment.

The main objective of the research is to analyze the relationship between corruption, poverty and good governance, in relation to relevant international indicators, namely the Corruption Perception Index (CPI), the Human Development Index (HDI) and the E-Government Development Index (EGDI).

The research also aims to investigate the role of public management in preventing or amplifying these dysfunctions, formulating public policy directions aimed at increasing transparency, administrative efficiency and institutional integrity, identifying development models and highlighting the existing differences between the states at the extremes of these rankings and is oriented towards formulating an answer to the following research question:

To what extent does corruption contribute to the maintenance of poverty and underdevelopment and what is the role of public management and good governance in breaking this vicious circle?

To answer this question, the research starts with the following hypotheses:

The first hypothesis claims that the phenomenon of corruption contributes to the generation and perpetuation of poverty.

The second hypothesis states that underdevelopment is driven by a set of interdependent factors, including corruption, deficiencies in public management, and the quality of governance.

The complexity of the relationship between corruption and poverty requires the use of a mixed methodological framework, which would allow both the analysis of the conceptual and institutional dimensions of the phenomenon, the evaluation and comparison of relevant empirical indicators, combining qualitative and quantitative methods, in order to obtain an integrated perspective on the mechanisms through which corruption influences economic and social development.

Through the comparative analysis of international data, the paper aims to highlight how the quality of governance influences the development of societies and to provide arguments on the need to strengthen public institutions, transparency and administrative accountability in combating corruption and poverty.

1. Theoretical Framework: Corruption, Poverty and Underdevelopment

According to the definition provided by Transparency International, corruption represents "the abuse of power for the purpose of obtaining private benefits" (Transparency International, 2026), and at the operational level, the phenomenon manifests itself through practices such as bribery, favoritism, clientelism or misappropriation of public resources. From this perspective, corruption cannot be reduced to deviant individual behavior but must be analyzed as an expression of systemic dysfunctions of public management, reflected in deficient control mechanisms, low institutional accountability and inefficient decision-making processes.

Factors that encourage corruption include conflicts of interest, discretionary powers, monopoly powers, lack of transparency, low wages and a culture of impunity (Di Tella & Savedoff, 2001, pp. 135–136).

Acts specific to corruption include bribery, blackmail, and embezzlement, in an administrative system where "corruption becomes the rule, rather than the exception" (Znoj, 2009, pp. 53–54)

In the same vein, "corruption distorts the role of the state and undermines the ability of governments to carry out their essential functions." (Tanzi, 1998, p. 582)

Therefore, corruption does not only affect public revenues, but also the quality of services provided to citizens.

The concept of poverty has seen numerous interpretations in the literature, gradually overcoming the traditional approach that defined it exclusively through the prism of insufficient income. Currently, poverty is understood as a complex phenomenon, which affects individuals' access to resources, opportunities and conditions necessary for a decent life.

With regard to poverty, the literature draws attention to its human and social dimension, arguing that extreme poverty means "the lack of possibility of satisfying the basic needs of existence" (Sachs, 2005, p. 20). This approach highlights the fact that poverty is not just an economic indicator, but a reality that affects the health, education and development chances of individuals.

According to the literature, "poverty should be seen as a deprivation of basic capacities and not just as a low level of income." (Sen, 1999, p. 87)* From this perspective, a state is not only underdeveloped when it has insufficient financial resources, but also when education is at a low level, medical services are poor or it is impossible to actively participate in social and economic life.

On the other hand, development is defined as "a process of expanding the real freedoms that people enjoy" (Sen, 1999, p. 3). In this view, the fight against poverty involves not only increasing incomes, but also creating the necessary conditions for the full participation of individuals in economic and social life.

Referring to the process of development, the American economist Douglass North†, highlights the importance of institutions, stating that they represent "the rules of the game in a society". (North, 1990, p. 3) From this perspective, the level of development of a state is directly influenced by the quality of its institutions and their ability to limit opportunistic behavior and corrupt practices.

The United Nations Development Program (UNDP) promotes a similar approach (United Nations Development Programme, 2026), which defines poverty as a

* „Poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes."

† Douglass C. North (November 5, 1920 – November 23, 2015) was an American economist. In 1993 he won together with Robert W. Fogel the Nobel Prize for research in the history of economics by applying economic theories and quantitative methods to explain economic and institutional changes.

multidimensional deprivation that affects different aspects of human life, including health, education and standard of living.

Poverty can therefore be defined as a state of material and social deprivation that limits the ability of individuals to meet their basic needs and to participate fully in the economic, social and cultural life of the community to which they belong.

The literature contributes to the understanding of the relationship between corruption and poverty and demonstrates that high levels of corruption are associated with increased poverty and social inequalities.

Established authors in the field support statements such as: "a higher level of corruption is associated with greater poverty and greater income inequality" (Gupta et al., 2002, p. 4). From this perspective, corruption directly affects vulnerable categories of the population, limiting their access to resources and opportunities.

2. Public Management and Good Governance in the Prevention of Corruption

In a managerial approach, corruption and poverty can be interpreted as indirect indicators of institutional performance. Their high levels signal weaknesses in strategic planning, resource allocation and internal control mechanisms.

The higher the level of corruption and poverty in a country, the lower the performance of management. Corruption and poverty are inversely proportional to the quality of management.

The limitations highlighted by the critical literature of the New Public Management (Abdulahi, 2023) justify the need to integrate the principles of good governance, regarding the efficiency of integrated management and corruption prevention strategies, highlighting the fact that effective institutional management must be accompanied by mechanisms of transparency, accountability and democratic control in order to have a real impact on the reduction of corruption and its social effects.

The interference between the Weberian bureaucratic model, built on the principles of legality, administrative order and hierarchical organization, and the modern paradigms of the New Public Management oriented towards operational efficiency, institutional performance and managerial flexibility, reflects the dynamics of the process of modernization of the public administration.

In the analysis of the relationship between corruption and poverty, public management and good governance constitute "the fundamental dimensions for explaining the mechanisms by which states can overcome the vicious circle of underdevelopment" (Kaufmann et al., 2010).

Public management can be defined as "the set of processes by which state institutions plan, organize and control the use of public resources in order to achieve the general interest." (Pollitt & Bouckaert, 2017, p. 169) Some authors in the specialized literature define public management as "the set of well-determined management processes and relationships, through which, under the regime of public power, laws are carried out and/or planned, organized, coordinated, managed and controlled the activities involved in the performance of services that satisfy the public interest" (Androniceanu, 1999, p. 34). The functions of public management are observed, including the control function that prevents acts of corruption.

Good governance, however, is the framework in which public management is exercised legally and efficiently. According to the World Bank, this includes principles such as transparency, accountability, the rule of law, participation, and institutional efficiency.

The relationship between corruption and public management is a direct and systemic one. In administrations characterized by a lack of transparency, poor internal control and politicized recruitment, corruption becomes an institutionalized phenomenon (Rose-Ackerman & Palifka, 2016).

In this context, good governance goes beyond managerial logic, integrating the democratic and ethical dimension of public administration. An efficient governance implies not only administrative performance, but also legality, transparency, responsibility towards citizens, but also respect for moral values.

According to the OECD (OECD Report, 2026), measures to combat corruption through public management include the professionalization of the public service on meritocratic criteria, the digitalization of the administration, the strengthening of audit and control mechanisms, as well as the protection of whistleblowers. These tools help to increase institutional integrity and reduce opportunities for abuse.

At the international level, the United Nations Convention against Corruption (The United Nations Convention against Corruption) is one of the most important international instruments in the fight against corruption. This document was adopted in New York, on October 31, 2003, after an extensive process of debate, and

Romania ratified the Convention through Law no. 365/2004, published in the Official Gazette of Romania, Part I, no. 903 of October 5, 2004. (Direcţia Naţională Anticorupţie, 2026)

3. Methodologies

3.1. Type of research

This research has a descriptive and comparative character, based on the analysis of international indicators frequently used in the assessment of the level of corruption, human development and e-government.

The study aims to identify the existing relationships between corruption, poverty and underdevelopment by comparing some states at the extremes of international rankings. The approach used is mixed, both qualitative, based on specialized studies, and quantitative, based on the interpretation of statistical data provided by recognized international organizations.

3.2. Indicators used

For the analysis, three international indicators considered relevant for assessing the relationship between corruption, poverty and development were selected:

a) The Corruption Perceptions Index (Corruption Perceptions Index –CPI 2025, 2026)developed annually by Transparency International* the CPI measures the perceived level of corruption in the public sector. The scores are expressed on a scale from 0 to 100, where values close to 0 indicate high levels of corruption, and values close to 100 indicate a high degree of institutional integrity and transparency.

b) The Human Development Index (HDI 2026) (Human Development Index, 2026) published annually by the United Nations Development Program (UNDP), HDI assesses the level of human development in relation to three dimensions, life expectancy at birth, level of education and gross national income per capita.

c) The E-Government Development Index (EGDI 2024) (E-Government Development Index (EGDI), 2026) developed by the United Nations, EGDI measures the degree of development of digital public administration and the state's ability to

* An international non-governmental organization that aims to prevent and combat corruption.

provide electronic services to citizens. The indicator reflects the level of administrative modernization, transparency and accessibility of public services.

Thus, for the Corruption Perception Index (CPI), the data are related to 2025, for the Human Development Index (HDI), the data are related to 2026, and for the E-Government Development Index (EGDI), the data are related to 2024.

Globally, statistics on corruption and poverty are represented by indicators, such as the UN statistics (UNCTAD - UN trade & development, 2026) on underdeveloped states.

Global Finance (2026) ranks the poorest countries in the world, from rank 1 to rank 190. According to statistics, Burundi and South Sudan are the most underdeveloped states.

3.3. Country selection criteria

The selection of the analyzed states was made based on their positioning in the international rankings related to the CPI, HDI and EGDI indicators. Both countries at the top of the rankings and countries at the bottom of the rankings were included.

In the category of high-performing states, countries such as Denmark, Finland, Singapore and Estonia were selected, recognized for their low levels of corruption, high human development and high-performance public administration.

Low-performing states included states such as Burundi, Mali, South Sudan and Chad, characterized by high levels of corruption, institutional instability and major development difficulties.

This selection allows for a relevant comparison between different models of governance and development.

Chart analysis is divided into two distinct categories: the first category includes countries at the top of the developed world rankings and includes Denmark, Finland, Singapore, and Estonia, and the second category includes poverty-stricken countries at the other end of the ranking, such as Burundi, Mali, South Sudan, and Chad.

3.4 Methodological limits

The present research also presents a number of limitations that must be considered in the interpretation of the results.

First of all, the indicators used mainly measure statistical perceptions and estimates, without fully capturing the complexity of the analyzed phenomena. For example,

the ICC reflects the perception of corruption and not the actual level of all acts of corruption existing in a state.

Secondly, the relationship between corruption, poverty and development is also influenced by other factors, such as the historical context, political culture, institutional stability, armed conflicts or the level of economic development, aspects that cannot be fully captured through the selected indicators.

Finally, the research highlights the existence of correlations between the analyzed variables, but these should not be automatically interpreted as direct causal relationships.

The qualitative component of the research is based on the analysis of the specialized literature, institutional documents, analyzed works on the theory of bureaucracy, public management and good governance, as well as contemporary studies on the impact of corruption on institutional performance and economic development.

The quantitative analysis uses the comparative correlation of the CPI, HDI and EGDI indicators, in order to highlight the relationship between corruption, human development and the degree of administrative digitalization, on a sample of 8 states at the extremes of the rankings to observe the correlation of the following indicators: Corruption Perceptions Index (CPI) 2025, Human Development Index (HDI), 2026, E-Government Development Index (EGDI), 2024.

4. Comparative Analysis of Statistics based on CPI, HDI and EGDI

Table 1. Comparative Analysis of CPI, HDI, and EGDI Indicators for the selected Countries

Country	CPI%	HDI%	EGDI%
1. Denmark	89	96	98
2. Finland	88	94	95
3. Singapore	84	94	96
4. Estonia	74	90	97
1. Burundi	17	43	25
2. Mali	28	41	30
3. South Sudan	14	38	12
4. Chad	22	41	18

Source: Table prepared by the author, based on Corruption Perception Index(CPI 2025) & Human Development Index (HDI 2026), E-Government Development Index (EGDI 2024)

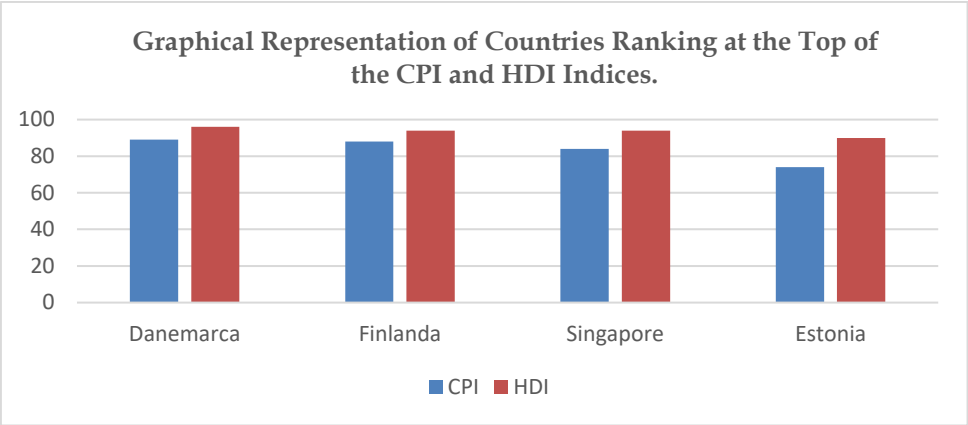

Figure 1. Diagram made by the authors, according to the Corruption Perception Index (CPI 2025)

Source: https://www.transparency.org/en/cpi/2025 and the Human Development Index (HDI 2026) https://worldpopulationreview.com/country-rankings/hdi-by-country accessed on 23.04.2026

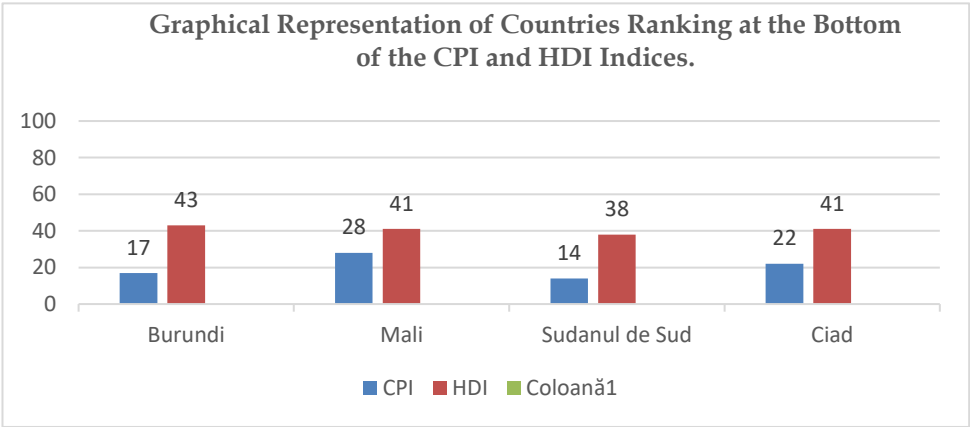

Figure 2. Diagram made by the authors according to the Corruption Perception Index (CPI 2025)

Source: https://www.transparency.org/en/cpi/2025 and the Human Development Index (HDI 2026) https://worldpopulationreview.com/country-rankings/hdi-by-country. accessed on 23.04.2026.

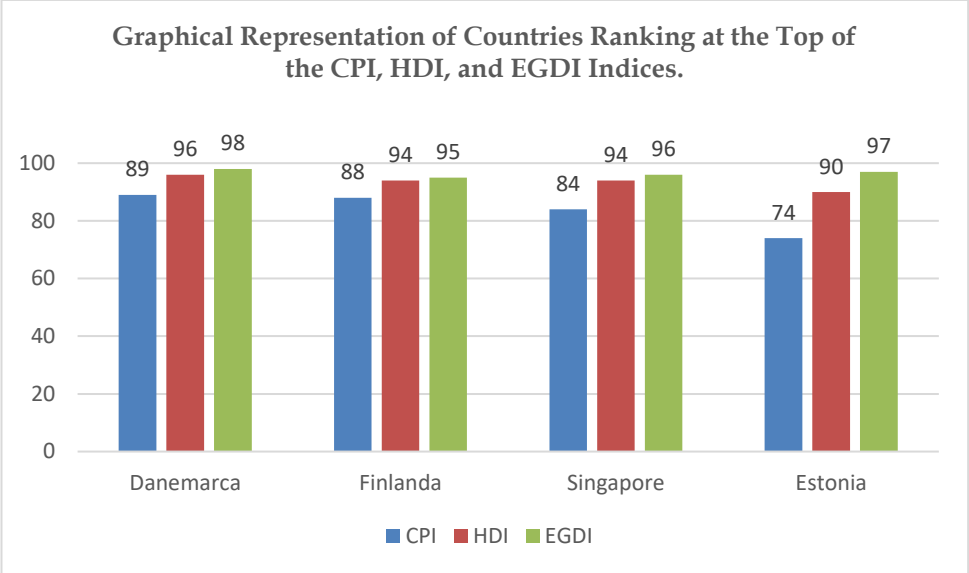

Figure 3. Diagram made by the authors according to the Corruption Perception Index (CPI 2025)

Source: https://www.transparency.org/en/cpi/2025 and Human Development Index (HDI 2026) https://worldpopulationreview.com/country-rankings/hdi-by-country , E-Government Development Index (EGDI 2024), https://composite-indicators.jrc.ec.europa.eu/explorer/indices/egdi/e-government-development-index, accessed on 23.04.2026.

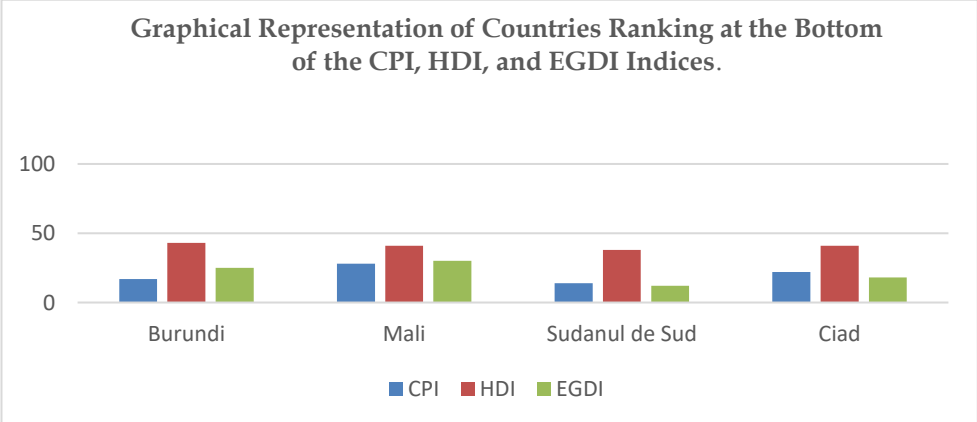

Figure 4. Diagram made by the authors according to the Corruption Perception Index (CPI 2025)

Source: https://www.transparency.org/en/cpi/2025 & Human Development Index (HDI 2026) https://worldpopulationreview.com/country-rankings/hdi-by-country, E-Government Development Index (EGDI 2024), https://composite-indicators.jrc.ec.europa.eu/explorer/indices/egdi/e-government-development-index

5. Discussions

The analysis conducted in the table highlights the existence of significant differences between the sampled states at opposite poles in the rankings, in terms of the level of corruption, human development and the degree of digitization of the public administration.

The data analyzed suggest that states characterized by high levels of institutional integrity tend to perform better also in terms of human development and e-government. In contrast, states affected by high levels of corruption generally face lower levels of human development and limited administrative capacity.

The comparison of the two categories of states indicates the existence of an association between the quality of government and the level of socio-economic development. Thus, states that benefit from stable, transparent and efficient institutions manage to ensure favorable conditions for human development and modernization of public administration. At the same time, the results suggest that high levels of corruption are associated with difficulties in the development process and lower administrative performance.

These data provide arguments in favor of the hypothesis that good governance, human development and digitization of public administration are interdependent elements. The high values of the CPI, HDI and EGDI indices for developed countries indicate that institutional transparency, administrative efficiency and investments in human capital contribute to strengthening a sustainable development model.

However, the results of the research should be interpreted with caution. The analysis does not allow the establishment of direct causal relationships.

The data do not demonstrate with certainty that the reduction of corruption automatically leads to an increase in human development or that the digitization of public administration directly determines the decrease of the phenomenon of corruption, the relationships between these variables being influenced by other factors, such as the historical context, political stability, institutional culture, level of economic development and the social characteristics specific to each state.

From the perspective of public management, the results of the research highlight the importance of strengthening public institutions and promoting the principles of good governance. Increasing administrative transparency, developing digital public services, professionalizing the civil service and strengthening control and accountability mechanisms can help limit opportunities for corruption.

6. Conclusions and Public Policy Recommendations

The results of the research, based on the comparative analysis of eight countries at the extremes of the international rankings on the perception of corruption (CPI), human development (HDI) and e-government (EGDI), highlight the existence of a

significant relationship between the quality of governance, the level of corruption and the degree of socio-economic development. States characterized by efficient, transparent and accountable institutions tend to record high levels of human development and superior performance in terms of digitization of public administration.

States affected by persistent corruption generally face development difficulties, institutional vulnerabilities and reduced administrative capacity.

The analysis supports the perspective that the relationship between corruption and poverty should not be seen as a simple statistical association, but as a complex mechanism that contributes to the perpetuation of underdevelopment. Corruption affects the efficiency of the use of public resources, reduces citizens' trust in state institutions, and limits the administration's ability to provide quality public services.

On the other hand, poverty generates social vulnerabilities that can favor the emergence and maintenance of corrupt practices, thus reinforcing the vicious circle of underdevelopment.

The results of the research must be interpreted in relation to the methodological limits presented above, but they provide sufficient arguments to support the existence of a significant relationship between the level of corruption, human development and the quality of governance

Future research could expand the number of states analyzed and use advanced statistical methods to assess the relationships between variables.

It would also be useful to investigate the impact of additional factors, such as the quality of the education system, the efficiency of the judiciary, the level of social trust or the degree of civic participation on the relationship between corruption, poverty and development.

From the perspective of public policies, the results of the research highlight the need to strengthen the mechanisms for preventing and combating corruption, through measures aimed both at increasing institutional transparency and at developing a culture of integrity at the level of society.

Civic and ethical education must train future generations, contributing to the development of attitudes based on responsibility, respect for norms and civic involvement.

Another important direction of action is the continuation of the process of digitization of the public administration. The expansion of electronic public services, the digitalization of administrative procedures and the use of transparent recruitment and selection systems in the public sector can reduce direct contact between the official and the citizen, thus diminishing the opportunities for corrupt behavior.

At the same time, promoting the criteria of competence, merit and integrity in public office contributes to increasing the professionalism of the administration and strengthening citizens' trust in state institutions.

Also, the effectiveness of the fight against corruption depends on the ability of judicial and administrative institutions to swiftly investigate cases of violations of the law and to apply sanctions proportionate to the seriousness of the facts. The consistent application of the principle of legal accountability is the priority condition for strengthening the rule of law and discouraging corrupt practices. Human resources remain the main factor of institutional performance, which is why recruitment, evaluation and promotion policies must be based on competence, professionalism and integrity.

Finally, investments in education, health, employment and social protection can produce positive effects, only to the extent that they are supported by efficient and accountable public institutions.

Regaining citizens' trust in public administration and building a development process are difficult goals to achieve, in the absence of the principles of good governance and an institutional culture based on integrity and accountability.

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