INNOVATIONS

An Empirical Analysis of Corruption, Income Inequality and Governance in Africa

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Abstract

Over the years, the persistent tendency of corruption and income inequality has been a concern due to its adverse effects on the macroeconomic stability of a nation. In response, countries have established corruption units and bodies to tackle it. Despite these anti-corruption measures embarked by the sovereigns, corruption is still rampant in public institutions. Most studies have pointed out that increasing corruption tendencies is due to weak governance. This paperused annual data covering the period 2005 to 2019 for 34 African countries and Generalized Method of Moments (GMM) a dynamic panel. Corruption was captured by Transparency International Corruption Perception Index (CPI) composite index and Income inequality was proxied by the Gini index drawn from the Standardized World Income Inequality Database (SWIID). Governance was captured by range of indicators from the World Bank Governance Index (WGI) and World Bank Country Policy Institutional Assessment (CPIA). Findings show high levels of income inequality and corruption coupled with comparatively low levels of transparency, accountability and quality of public administration. These results further suggest that a decline in corruption practices, reduces income inequality level across the countries. From the policymaker's view, countries should create an enabling environment to fight against corruption and income inequality.

Keywords: ***1.****Corruption 2.Income inequality 3. Governance 4.Africa 5. Generalized Method of Moments (GMM)*

JEL code: D73; E24; H11; N17

1. Introduction

Corruption refers to the illegal practices carried out by a public office for private gains that have a detrimental effect on economies and societal well-being (Dobson and Ramlogan-Dobson 2012). Unlike the narrowly defined concept of corruption by normative institutionalists, corruption is the abuse of institutional office for other interests outside the institution.Corruption is a cause and effect of poor governance and weak institutions, as well as a barrier to structural transformation in Africa, necessitating a holistic approach that will allow policymakers to make informed decisions about curbing corrupt practices by both private and public agents for private gain. To combat corruption in its entirety, policymakers must address both the demand and supply sides. The United Nations Conference on Trade and Development (UNCTAD) estimates a $210 billion annual finance requirement in 2014. (ECA 2019). According to the World Bank report (2013), over the last three decades, around US $854billion has been wasted in corruption relatively to US$93 billion needed to finance development while, the wasted amount could be reallocated to bridge the rising infrastructural gap and finance fiscal deficits. Studies such as McFerson (2009) have shown that resource-rich countries have high levels of corruption and illicit financial flows leading to high income inequality. Specifically, the natural resources sector is perceived to be highly vulnerable to corruption especially in minerals as well as oil and gas (OECD, 2016; UNDP, 2015; Chikwanha, 2016).

It has been widely viewed that corruption impedes sustainable development most especially in developing countries with the goal of attaining a middle-income status through structural transformation. Some of the causes of these corrupt practices are attributed to weak governing institutions, poor leadership and policies, lack of transparency, accountability and political will which undermines the quality delivery of social services and the effective implementation of good governance, thereby weakens democratic institutions and the rule of law. The African Development Bank (AfDB) affirms that the continent loses around US$300 billion per year to corruption. According to UNECA (2015), Hoffmann and Hendricks (2018), resource rich countries like South Africa, Kenya and Nigeria have portrayed high levels of corruption and illicit financial flows from US$20 billion in 2001 to US$60 billion in 2010. Given the financing challenges facing Africa, these resources were supposed to finance infrastructural development and service outstanding debt.

In addition to impeding economic growth, empirical evidence suggests that corruption also exacerbates income inequality (Berg and Ostry 2013). In essence, there is a positive correlation between corruption and income inequality (Gyimah-Brempong and Camacho 2006; Dincer and Gunlap 2008). Corrupt practices misallocate resources by distributing resources unevenly where some individuals benefit more than others. In practice, deliberate efforts against corruption tendencies require an effective participation of key governance institutions by enforcing anti-corruption laws, rules and regulations, and the promotion of good practices. Anti-corruption measures range from international and regional Conventions and Protocols backed by national anti-corruption legislations and anti-corruption enforcement agencies. All African countries, except two (Somalia and Eritrea) have signed on to the United Nations Convention against Corruption (UNCAC). The African Union Convention on Preventing and Combating Corruption has been signed by a small number of countries (AU Convention). Even fewer have signed the regional protocols, the ECOWAS Anti-Corruption Protocol and the SADC Anti-Corruption Protocol. Although regulatory bodies such as; the United Nations Convention Against Corruption (UNCAC); the African Union Convention on Preventing and Combatting Corruption (The AU Convention); the ECOWAS Protocol on the Fight Against Corruption (The ECOWAS Protocol); and, the SADC Protocol Against Corruption (SADC Protocol) are put in place to combat corruption, there is however lack of expertise, data paucity, capacity constraints, insufficient

funding for anti-corruption institutions and a weak enabling environment in terms of policy, legal, institutional and regulatory framework to curb corruption (African Union and ECA, 2015)[5].

2. Literature review

Corruption and inequality on socioeconomic, political and cultural dimensions have increased, despite improving economic growth rates in African countries. Most of the studies have highlighted the harmful effects of corruption on societies and economies (Aidt, 2009; Apergis et al., 2010). Corruption distorts income redistribution through tax channels by facilitating tax evasion and avoidance that diverts resources meant for social programs in education and health (Gupta et al. 2002). As beneficiaries of tax evasion and exemptions are more likely to be richer, the tax burden generally falls on the poor. Moreover, corruption changes the composition of social spending in a way that increases the income of wealthy individuals at the expense of the poor creating a conducive environment for income inequalities between different classes of people (Gyimah-Brempong 2002, Eicher et al., 2009). This shows that as corruption rises, income inequality rises as well. It slows down state operations, distorts the effective functioning of socioeconomic and political institutions, and hinders transparency, governance, integrity, and democracy. Thus to combat corruption, a multi-sectoral approach that cuts across many sectors is required.

Several empirical studies have postulated a positive correlation between corruption and income inequality but in practice, corruption redistributes income towards the wealthy individuals in a society leading to income inequality. It is well documented that inequality constraints economic growth and decelerates efforts on poverty reduction (Berg and Ostry 2013). A related body of literature investigated on the causal relationship between corruption and income inequality (Apergis et al. (2010) and Uslaner (2011). As suggested by these studies, there is a bidirectional causal relationship between corruption and income inequality both in the short-run and long run.Corruption raises income inequality through misallocation of resources and inequality may promote corrupt practices through low levels of trust towards the public sector. Other studies found an inverted U-shaped link between corruption and income inequality (Li et al. 2000). Despite the increasing trend of "income inequality and culture of corruption" across the continent, there have been little or no studies linking corruption to income inequality and governance in Africa. Few studies, such as those of Gyimah-Brempong (2002), D'Agostino et al. (2016), among others only focus on corruption and economic growth.

Despite experiencing improved economic growth, African countries have exhibited persistent high inequalities and continuing prevalence of corruption. The presence of anti-corruption institutions in Africa has undoubtedly aroused the rethinking of the role of African leaders in their deliberate efforts to fight corruption since it poses a serious challenge to good governance. In the theoretical aspect, corruption increases with income inequality whereas poor governance has an adverse effect on the social welfare of the people. As opined by Momoh (2013), corruption directly affects the socio-economic and political aspects in a given country, thereby leading to underdevelopment. Thus, sound governance will curb corruption tendencies, and in turn, prevent further income inequalities among different classes of people. In fact, there are strong contrasting

views among distinct governance scholars that a holistic approach to attaining sound governance is more preferable than "a one-size fits all" approach.

Another strand of literature argues that the public sector, civil society organizations (CSOs), and the business sector are all important components of successful governance (Beshi and Kaur 2020). Additionally, the key prerequisites for a country to attain effective governance depends on the rule of law, accountability, transparency, participation and responsiveness. Simply put, if the government through its various Ministries, Departments and Agencies (MDAs) is transparent and accountable in its functions, then, the public will be able to gauge the authorities' performance and discourage any possibilities in the misuse of power. Moreover, transparency being an indicator for sound governance serves as an initial step in fighting against corruption. In this scenario, authorities can be responsible for their own actions. Generally, good governance has been considered as a catalyst for making informed policy decisions which plays a central role in fostering sustainable and equitable economic development in developing countries. Without good governance, most of the African countries' aspirations in attaining middle-income status and moving towards inclusive and sustainable development will be out of reach.

Other strands of literature have embarked on inclusive governance implying the effectiveness of engaging all groups of people irrespective of gender, ethnicity, race and age among other personal identities. In addition to accessibility, responsiveness and accountability of institutions, policies, strategies and social service delivery to all members of the society (Weiss 2000). In other words, there is full participation and engagement of the general-public. Further highlighted by Doeveren (2014), good governance relies on the main five principles namely openness, accountability, participation, rule of law along with efficiency and effectiveness. In a broader view, Nanda (2006) and ECA (2020), posit that good governance further incorporates aspects of political stability in terms of democracy, rule of law, control of corruption in form of illicit financial flows and trade mis-invoicing. In another instance, Omri and Mabrouk (2020) using a simultaneous equation model and considering political governance, economic governance and institutional governance, found that political and institutional governance stimulates sustainable development. Similarly, it is imperative to posit the importance of sound governance in promoting resource mobilization and inclusive growth (Oyinlola et al. 2020). However, Aidt (2011) clearly observed that corruption negatively affects sustainable development.

There are studies that have focused on the relationship between good governance and economic growth. Studies such as Petrakis et al. (2017) and Mamun et al. (2017), insisted that countries should prioritize on good governance to promote economic growth and sustainable development in the long-run, as poor governance exacerbates corruption which in turn, creates income inequality and absolute poverty leading to a decline in economic growth (Berisha et al. 2018 and Sulemana and Kpienbaareh 2018). From the policy perspective, the government should create an enabling environment by strengthening the legal, institutional, regulatory and policy frameworks governing corruption. This requires all stakeholders both in public and private institutions to adhere to the existing laws, rules and norms of a country to ensure transparency and accountability and foster public interests. Importantly, there should be a monitoring mechanism on anti-corruption institutions to ensure that the 'watchers are also watched'. In addition, good governance structures should conform to the principles of constitutionalism, separation of powers and the rule of law in Africa.

3. Method of Estimation

The data spanned the periods 2005 to 2019 for 34 African countries. To achieve the stated objectives of the study, the perspective of corruption is captured by Transparency International

Corruption Perception Index (CPI) composite index which measures the extent of the perceived levels of corruption carried out by the public sector, in accordance to assessments and surveys done by 12 different institutions on a scale of 0 – 10 (0 being highly corrupt and 100 being corruption-free). Income inequality is proxied by the commonly used Gini index drawn from the Standardized World Income Inequality Database (SWIID 7.1, Solt, 2016) on a scale of 0 – 100 (0 being perfect equality and 100 being perfect inequality). The SWIID captures the cross-national research on income inequality better than previously available dataset as it uses a custom missing-data multiple-imputation algorithm to standardize data gathered from 5 of the most reputed databases combined with many other data from national statistical offices around the world. In this way, the SWIID ensures that available income equality data are comparable over time for the widest set of countries (Solt, 2016). Governance is captured by range of indicators, from the World Bank Governance Index (WGI) and World Bank Country Policy Institutional Assessment (CPIA) rated on a scale of 1 – 6 (1 being low and 6 being high).

The WGI governance measure covers 6 dimensions of governance, which include Voice and accountability, Political stability, Government effectiveness, Regulatory quality, Rule of law and Control of corruption. They are based on over 30 individual data collected from a variety of surveys of public and private institutes or organizations such as the World Bank Country Policy Institutional Assessment (CPIA). The CPIA ranks countries using a set of 16 criteria placed into four clusters, the key related indicators which include government practices in the area of public sector management and institutions, equity of public resource use, and quality of public administration, and transparency, accountability, and corruption in the public sector. These indicators are rated on the scale of 1 to 6 with 1 indicating low performance, while 6 reflects high governance performance.

The main method of estimation employed is the generalized method of moments (GMM) for dynamic models of panel data introduced by Holtz-Eakin et al. (1990), Arellano and Bond (1991) Arellano and Bover (1995). Explicitly, the focus is on difference and system GMM that follow the approaches developed by (Arellano and Bond, 1991) and (Blundell and Bond, 1995) with a special focus on system (System-GMM, Blundell and Bond, 1995). However, for a robustness check, this paper employed differenced Generalized Method of Moments estimator. The choice of the approaches is premised on the fact that the approaches consider the endogeneity of variables. Endogeneity problem arises when the dependent variable (y) is correlated with the error term (ε) leading to biased estimators. Endogeneity may be attributed to omitted variable bias or unobserved heterogeneity. Besides, System GMM estimator combines both equations in levels and first differences using the first-order difference of the lagged variable as the instrumental variable for the corresponding level variable in the level equation.
Hence: the models for country *i*at time *t* is given by:

$$y_{it} = \gamma y_{i,t-1} + \sum_{j=1}^{n} \alpha_1 gv + \alpha_j x_{ijt} + \gamma_j + \lambda_t + \varepsilon_{it}, For\ i = 1 \ldots N \text{ and } t = 1 \ldots T \quad (1)$$

$$y_{it} = \gamma y_{i,t-1} + \sum_{j=1}^{n} \alpha_1 cr + \alpha_j x_{ijt} + \gamma_j + \lambda_t + \varepsilon_{it}, For\ i = 1 \ldots N \text{ and } t = 1 \ldots T \quad (2)$$

where$y_{it}$is the income inequality index measured by the GINI Coefficient index on a scale of 0 – 100 (0 being perfect equality and 100 being perfect inequality). Corruption and governance measured by*cr*and *gv.* $x_{ijt}$is a vector of independent variables which are the drivers of inequality including unfair tax systems (tax rate); illiteracy rate; government expenditure and percentage of labor force in agricultural sector.$\lambda_t$is the time fixed effects and γi is the country-fixed effects. For a valid statistical inference, the behavior of the residual terms as well as the instruments used in this study are checked using Arellano - Bond tests first order [AR (1)] and second order [AR (2)] serial

correlation and Hanseny J tests. For this test results to be valid, the null hypothesis of non-autocorrelation for the AR (1) test must be rejected while the null hypotheses of non-autocorrelation for the AR (2) test and Hansen's test must be accepted. Also, the number of instruments produced by the lag interval must not exceed the number of groups in the model.

4. Empirical Results

Descriptive Analysis

As simple as possible, the summary of the selected variables is presented in Table 1. These includes the mean, standard deviation, minimum and maximum.

Table 1: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
INQ	510	44.42	5.06	32.90	55.80
CRP	510	2.90	0.88	1.10	6.00
GV	510	2.76	0.63	1.00	4.50
GV2	510	2.88	0.51	1.00	4.00
INF	510	7.71	14.59	-72.73	225.29
TAX	510	62.74	63.95	13.60	339.10
EMA	510	55.79	18.82	8.54	92.30
POG	510	2.61	0.74	-0.49	4.13

***Source**: Author's Computation, 2020. **Note**: INQ = Income inequality index measured by the GINI Coefficient index, CRP = Corruption (captured by Transparency international Corruption Perception Index (CPI)), GV = Governance Indicator (captured by CPIA transparency, accountability, and corruption in the public sector rating) GV2 = Governance Indicator (captured by CPIA quality of public administration rating), INF = Inflation rate, TAX = Total tax rate (% of commercial profits), EMA = Employment in agriculture (% of total employment) and POG = Population growth (annual %).*

In *Table 1*, the overall average value Income inequality (INQ), Corruption indicator (CRP), Governance Indicator based on transparency, accountability, and corruption in the public sector (GV), Governance Indicator in terms of the quality of public administration (GV2), Inflation rate (INF), Total tax rate (TAX), Employment in agriculture (EMA) and Population growth (POG) (annual %) are 44.42, 2.90, 2.76, 2.88, 7.71%, 62.74%, 55.79% and 2.61 respectively. What this means is that the selected countries are countries with records of high-income inequality (44.42/100; 0 being perfect equality), unclean record of corruption (2.90/10; 0 being highly corrupt) and relatively low records of transparency, accountability, and quality of public administration (2.76/6 and 2.88/6; 1 being low).

Correlation Matrix

To inspect the selected explanatory macroeconomic variables for any possible multicollinearity issue correlation analysis approachwas employed and the results are presented in *Table 2*.

Table 2: Correlation Matrix

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	INQ	CRP	GV	GV2	INF	TAX	EMA	POG
INQ	1							
CRP	0.148	1						
GV	0.117	0.752	1					
GV2	-0.023	0.652	0.737	1				
INF	-0.051	-0.149	-0.128	-0.118	1			
TAX	0.107	-0.252	-0.267	-0.241	-0.024	1		
EMA	-0.132	-0.485	-0.359	-0.216	0.036	0.127	1	
POG	-0.364	-0.273	-0.143	-0.007	-0.016	0.135	0.425	1

***Source**: Author's Computation, 2020. **Note**: INQ = Income inequality index measured by the GINI Coefficient index, CRP = Corruption (captured by Transparency international Corruption Perception Index (CPI)), GV = Governance Indicator (captured by CPIA transparency, accountability, and corruption in the public sector rating) GV2 = Governance Indicator (captured by CPIA quality of public administration rating), INF = Inflation rate, TAX = Total tax rate (% of commercial profits), EMA = Employment in agriculture (% of total employment) and POG = Population growth (annual %).*

Interestingly, the results in *Table 2* show no evidence of multicollinearity as none of the explanatory variables is above 7.50 threshold as suggested by Baltagi (2015) hence, the results do not suggest problems of multicollinearity.

Panel Regression results

Model 1: Corruption and Income inequality

The regression result that shows the effect of corruption on income inequality is presented in *Table 3*. Following the approach of Arellano - Bond tests first order [AR(1)] and second order [AR(2)] serial correlation and Hansenў J tests.to inspect the behavior of the residual term as well as the instruments used in this study, the significant AR(1) test results (P - values = 0.057 and 0.020) and insignificant AR(2) (P - values = 0.308 and 0.629) and Hansen (P - values = 0.577 and 0.278) tests results in columns (1) and (2) of *Table 3* depicts that the difference and system GMM models have no AR(2) autocorrelation problems and the instruments are valid. Additionally, the numbers of instruments are less than the number of groups further confirming the validity of the instruments.

Table 3: Corruption and Income inequality

	(1)	(2)
Variables	2DIFGMM	2SYSGMM
L.INQ	0.72034***	1.03617***
	(0.15743)	(0.01550)
CRP	-0.03038**	-0.06082**
	(0.01487)	(0.03027)
INF	-0.00102	-0.00046
	(0.00123)	(0.00067)

TAX	0.00001	-0.00080
	(0.00019)	(0.00094)
EMA	0.00620	0.00281
	(0.00523)	(0.00229)
POG	-0.07976	-0.12082**
	(0.10704)	(0.05169)
Constant		-1.19605*
		(0.72080)
Observations	442	476
AR(1) test [P-value]	-1.903 [0.057]	-2.328 [0.020]
AR(2) test [P-value]	1.019 [0.308]	0.483 [0.629]
Hansen test [P-value]	11.40 [0.577]	22.13 [0.278]
No. of Group	34	34
No. of Instruments	19	26

***Source**: Author's Computation, 2020. **Note**: Dependent variable is INQ = Income inequality index measured by the GINI Coefficient index, Robust Standard errors in parentheses. * Indicates significant at the 10% level, ** Indicates significant at the 5% level, *** Indicates significant at the 1% level. 2DIFGMM & 2SYSGMM denote Two-Step Difference GMM & Two-Step System GMM respectively. CRP = Corruption (captured by Transparency International Corruption Perception Index (CPI)), INF = Inflation rate, TAX = Total tax rate (% of commercial profits), EMA = Employment in agriculture (% of total employment) and POG = Population growth (annual %).*

In Table 3, the results show that the lag value of income inequality (L.INQ) exhibits positive and significant relationship with current income inequality (INQ) at 1% levels of significance in columns (1) and (2) [*Coef.* = 0.720; *P – value*< 0.01 and *Coef.* = 1.036; *P – value*< 0.01]. This means that previous level of income inequality has significant effect on current income inequality. On the contrary, Corruption indicators (CRP) are seen with negative coefficients and these coefficients are statistically significant at 5% levels [*Coef.* = - 0.030; *P – value*< 0.05 and *Coef.* = - 0.061; *P – value*< 0.05] suggesting that corruption significantly influences income inequality of the selected countries during the period of this study. These results further suggest that increase in corruption index reduces income inequality score which *can be practically interpreted as decrease in corruption reduces income inequality level across the countries and vice versa.* Among the other explanatory variables, the only macroeconomic factors that show a significant effect on Income inequality is Population growth (POG). As in column (2) of the Table, the effect of POG on inequality is negative and statistically significant at 5% level [***Coef.*** = - 0.121; ***P – value***< 0.05].

Model 2: Governance and Income inequality

The regression result that shows the effect of *Governance* on income inequality is presented in *Table 4*. From the results, the significant AR (1) test results (P - values = 0.057 and 0.020) and insignificant AR(2) (P - values = 0.308 and 0.629) and Hansen (P - values = 0.577 and 0.278) tests results in columns (1) and (2) of Table 4 illustrates that the difference and system GMM models have no AR(2) autocorrelation problems and the instruments used are valid and this is supported by the fewer numbers of instruments than the groups in the Table.

Table 4: Governance and Income inequality

	(1)	(2)
Variables	2DIFGMM	2SYSGMM
L.INQ	0.91613***	1.03478***
	(0.16859)	(0.01618)
GV	-0.05201**	-0.13303*
	(0.02260)	(0.07763)
GV2	-0.01003	0.02449
	(0.01748)	(0.11527)
INF	-0.00088	-0.00709
	(0.00136)	(0.00565)
TAX	0.00004	-0.00070
	(0.00020)	(0.00057)
EMA	0.00338	0.00742**
	(0.00599)	(0.00296)
POG	-0.04467	-0.29028**
	(0.11207)	(0.12347)
Constant		-0.79376
		(0.80533)
Observations	442	476
AR(1) test [P-value]	-2.645 [0.008]	-1.900 [0.057]
AR(2) test [P-value]	-0.315 [0.753]	0.424 [0.672]
Hansen test [P-value]	17.63 [0.346]	2.770 [0.597]
No. of Group	34	34
No. of Instruments	23	12

***Source**: Author's Computation, 2020. **Note**: Dependent variable is INQ = Income inequality index measured by the GINI Coefficient index, Robust Standard errors in parentheses. * Indicates significant at the 10% level, ** Indicates significant at the 5% level, *** Indicates significant at the 1% level. 2DIFGMM & 2SYSGMM denote Two-Step Difference GMM & Two-Step System GMM respectively. GV = Governance Indicator (captured by CPIA transparency, accountability, and corruption in the public sector rating) GV2 = Governance Indicator (captured by CPIA quality of public administration rating), INF = Inflation rate, TAX = Total tax rate (% of commercial profits), EMA = Employment in agriculture (% of total employment) and POG = Population growth (annual %).*

According to the results in Table 4, the lag values of income inequality (L.INQ) are found to be positive and statistically significant at 1% level depicting that the effect of the past value of income inequality on current income inequality is significant [*Coef.* = 0.916; *P – value*< 0.01 and *Coef.* = 1.035; *P – value*< 0.01]. This result is similar to what we obtained in model 1. On the other hand, Governance Indicators in terms of CPIA transparency and accountability in the public sector rating (GV) seem to be having negative coefficients that are statistically significant within 5% and 10% levels of significance [*Coef.* = - 0.052; *P – value*< 0.05 and *Coef.* = - 0.133; *P – value*< 0.10]

signifying that Governance significantly stimulate income inequality of the selected countries during the period of this study. These results further suggest that increase in the Governance index reduces income inequality score. Thus, *an increase in transparency and accountability reduces income inequality and vice versa.* Furthermore, the results reveal that only Employment in agriculture (EMA) [*Coef.* = 0.007; *P – value*< 0.05] and Population growth (POG) [*Coef.* = - 0.290; *P – value*< 0.05] among the other explanatory variables used show significant effect on Income inequality at 5% level. As in column (2) of the Table, the effect of EMA on inequality is positive while that POG is negative.

5. Conclusion and Recommendations

Corruption refers to the illegal practices carried out by a public office for private gains. Most of the studies have shown that corruption is detrimental to sustainable economic growth by widening the financing gap. The wasted resources used in corruption would be instead reallocated to finance development (World Bank 2013). Furthermore, studies such as McFerson (2009) have shown that resource-abundant economies have high levels of Illicit Financial Flows (IFFs) contributing to increased income inequality (Berg and Ostry 2013).
This paper uses annual data covering the period 2005 to 2019 for 34 African countries. Corruption is captured by Transparency International Corruption Perception Index (CPI) composite index. Income inequality is proxied by the Gini index drawn from the Standardized World Income Inequality Database (SWIID). Governance is captured by range of indicators from the World Bank Governance Index (WGI) and World Bank Country Policy Institutional Assessment (CPIA). For robustness check, this paper employs the Generalized Method of Moments (GMM) for dynamic panel (Arellano and Bover 1995). GMM is preferred because it controls the endogeneity problem. The findings of this study show that the selected countries have high-income inequality and corruption with relatively low records of transparency, accountability, and quality of public administration. Further results reveal that lagged values of income inequality have significant effect on the current values of income inequality. In addition, corruption significantly influences income inequality in the selected countries. These results further suggest that a decline in corruption practices, reduces income inequality level across the countries.

From the policy making perspective, the government should create an enabling environment by strengthening the legal and regulatory frameworks, governance institutions and policy space. This requires a holistic approach that will engage all stakeholders both in the public and private sector to minimize corruption. Anti-corruption institutions should be empowered to effectively monitor and crackdown on loopholes in the system that encourage corruption and ensure "watchers are also watched". Also, policies should be put in place to reduce government participation in the allocation of resources, especially in the control of prices and excessive taxation as this affects the poorest people in the country. The governments should also create non-profit organizations to provide the poor with financial assistance, as this will help reduce the level of inequality in African countries. Lastly, the government should also ensure that every individual is accountable for their actions this implies that any form of corrupt activities should be punished, despite the social status of any individual. Leaders should also set good examples of honesty, transparency, integrity etc. for people to follow.

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