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A Paradox of Corporate Perception and Perpetuation of Corruption

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ABSTRACT Conventionally the corruption perception index (*CPI*) of a country is assumed to be the true reflection of the concerned country's public (government) sector corruption on the ground that government is of the people, for the people and by the people. Country's public sector corruption (*PSC*) is still being evaluated by the perception and interpretation of the corporate sector firms (*CSFs*), which determine the frequency, volume and speed of inflow or outflow of corporate investment, domestic or foreign. So the corporate perception about *PSC* acts as a signal, green or red, for encouraging or discouraging the flow of investment of the *CSFs*. But unfortunately and surprisingly the paradox is that most of the *CSFs* are gravely involved in various names and nuances of corruption, for which they are convicted and fined by the courts of law in such a way that they are compelled either to close down or to subsist on break-even point. So the corruption of *CSFs* can indirectly reduce the country's level of investment. Hence as high *PSC* hinders or curbs country's level of investment via the red signal of *CPI*, similarly the same effect is realized via the red signal of the courts of law. Then what is the significance of the construction of *CPI* on the basis of the perception or judgment of the *CSFs* that are devoid of corporate ethics. This paper also questions the credibility of the government's credibility index (*GCI*) based on the perception of the *CSFs*. Is *CPI* itself free from corruption?