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Corruption and Institutional Decay: A Systemic Barrier to Sustainable Governance in Pakistan

Konain Fatima*
Department of Political Science and International Relation, International Islamic University Islamabad (IIUI), Pakistan. Corresponding Author Email: konainfatima299@gmail.com

Hamid Hussain
Institute of Social and Cultural Studies, University of the Punjab Lahore, Pakistan. Hamid.alee111@gmail.com

Khadim Hussain
Department of English Literature, Government College University Faisalabad (GCUF), Pakistan. khadimhussyn@gmail.com

Muhammad Ikhlaq
School of Economics and Management, China University of Geosciences (Wuhan). ikhlaqedu786@gmail.com

Abstract
This paper investigates the systemic relationship between corruption and institutional decay as a barrier to sustainable governance in Pakistan. Using a quantitative research design, the study analyses secondary data from Transparency International, the World Bank, and Pakistan's National Anti-Corruption Strategy. A composite governance decay index (GDI) is constructed using principal component analysis (PCA) to measure institutional performance across five dimensions: accountability, transparency, rule of law, regulatory quality, and control of corruption. The study finds a strong negative correlation ($r = -0.81$, $p < 0.01$) between corruption levels and institutional effectiveness. Regression analysis reveals that a 1-unit increase in the Corruption Perceptions Index (CPI) is associated with a 0.73-unit decrease in the GDI. The findings underscore that corruption is not merely a governance failure but a systemic driver of institutional decay, undermining Pakistan's path to sustainable governance.

1. Introduction

Pakistan's post-colonial state apparatus inherited a centralised bureaucracy designed for extraction rather than accountability, a legacy that continues to nourish systemic corruption (Safdar, 2021). Successive governments have launched at least seventeen anti-corruption strategies since 1947, yet the country still scores below the 25th percentile on the World Bank's Control of Corruption indicator (World Bank, 2023). The persistence of graft is not merely a governance hiccup; it is both a symptom and a catalyst of institutional decay, eroding the very sinews that hold sustainable governance together (Asghar & Kasi, 2025). When public offices are routinely leveraged for private gain, policy credibility declines, investors demand higher risk premiums, and citizens retreat into informal, patronage-based networks (Shah & Shafiq, 2025). The result is a self-reinforcing equilibrium in which weak institutions invite greater corruption, and greater corruption further debilitates institutions (M. H. Khan, 2018).

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Empirically, however, the feedback loop has been asserted more often than it has been measured. Qualitative case studies have meticulously documented how discretionary land-allocation powers, politicised postings in the police, and opaque procurement in the energy sector breed rent-seeking elites (Kamal, 2020a). Yet macro-level quantitative evidence that isolates the magnitude of corruption's contribution to institutional decay remains scarce. Existing cross-country panels either treat Pakistan as a single data point or employ governance indicators that are too aggregated to inform targeted reform (Campos, 2025). This study narrows that gap by constructing a Governance Decay Index (GDI) from five Worldwide Governance Indicators, applying principal-component analysis to annual data from 2010-2022, and estimating the elasticity of institutional performance with respect to changes in the Corruption Perceptions Index. By doing so, it translates the qualitative narrative of institutional fragility into testable, policy-relevant coefficients(Williams & Tillipman, 2024).

The paper proceeds as follows. Section 2 synthesises the literature linking corruption to institutional failure in Pakistan, highlighting the mechanisms accountability deficits, regulatory capture, and trust erosion through which graft undermines sustainable governance. Section 3 details the data and methodology, including the survey module administered to 2,400 citizens and street-level bureaucrats to validate macro findings at the micro level. Section 4 presents regression and structural-equation results, demonstrating that a one-unit improvement in CPI is associated with a 0.73-unit reduction in the GDI, an effect mediated by a 26 % decline in citizen trust. Section 5 discusses the implications for institutional autonomy, merit-based recruitment, and digital governance reforms, arguing that sustainable governance in Pakistan hinges on breaking the corruption-decay feedback loop rather than on isolated punitive campaigns.

2. Literature Review

Corruption has become a "meta-narrative" through which Pakistani citizens interpret the failure of successive governments to deliver basic public goods (Anderson & Baidya, 2025). Early donor diagnostics framed graft as a technical problem weak financial controls, outdated procurement rules, and porous audits amenable to capacity-building and legislative fixes (H. A. Ullah et al., 2025). Yet, thirty years and seventeen anti-corruption strategies later, Pakistan's score on Transparency International's Corruption Perceptions Index (CPI) has scarcely budged, oscillating between 22 and 33 since 2000 (Alfaro, 2022). This stubborn persistence has shifted scholarly attention from episodic malfeasance to systemic institutional decay, arguing that corruption is not merely a distortion within otherwise healthy institutions but a constitutive feature of Pakistan's governance architecture (Azeez & Bhatti, 2025).

Laebens, (2023) capture this re-framing by demonstrating how corruption functions as an "institutional veto", undermining legislative reforms before they can alter underlying incentive structures. Their qualitative analysis of the 18th Constitutional Amendment intended to decentralise service delivery shows that provincial elites captured new fiscal transfers by inserting loyalists into district finance offices, effectively converting a devolutionary reform into a patronage windfall. The study concludes that formal rule changes are "endogenously nullified" when corruption operates as an informal governance regime, a finding echoed by (Smith, 2022) in their study of Punjab's land-record computerisation. Where Asghar and Kasi (2025) emphasise legislative blockage, (Kamal, 2020b)

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trace institutional failure to the micro-foundations of bureaucratic recruitment. Using 42 in-depth interviews with federal secretaries, they document how the "posting-transfer industry" monetises positional rents: lucrative slots (customs, taxation, procurement) are sold to the highest bidder, who then recoup the investment through speed-money and kickbacks. The absence of meritocracy, they argue, creates a "selection effect" whereby only those tolerant of corruption enter senior civil service streams, ensuring that organisational norms remain locked into predatory equilibria.

These qualitative insights find quantitative corroboration in the National Anti-Corruption Strategy (NACS) baseline survey of 15,000 households and 3,000 public officials (Shaikh & Khan, 2023). Respondents attributed corruption to three overarching drivers: lack of accountability (31.68%), low salaries (16.54%), and monopoly of discretionary power (16.43%). Importantly, the survey revealed that petty corruption is not an extra-legal coping mechanism but a routinised administrative procedure: 68 % of citizens who paid bribes did so after being explicitly asked, and 74 % received the requested service within a week, compared with only 28 % of non-payers (Ali, 2018). Such data suggest that corruption operates as an informal price schedule, substituting for absent or dysfunctional formal rules. The NACS findings are reinforced by more recent Afro-barometer style modules fielded by the Pakistan Institute of Development Economics (PIDE), which show that the probability of paying a bribe is 1.7 times higher when service providers enjoy discretionary authority and 2.3 times higher when grievance-redress mechanisms are perceived as ineffective (Akram, 2023). Moving beyond individual-level determinants, a second strand of literature situates corruption within Pakistan's broader political settlement. (Gul et al., 2022) conceptualises the state as a "rent-distribution coalition" in which military, bureaucratic, and business elites negotiate informal revenue streams to maintain a precarious stability. Because formal institutions are weak, corruption becomes the glue that holds the coalition together, allocating spoils in proportion to each faction's coercive or electoral leverage. This argument is consistent with (Nauman & Ahmad, 2024) time-series analysis of defence and development expenditures, which shows that spikes in military appropriations are preceded by measurable increases in customs-duty leakages, suggesting that civilian governments acquiesce in graft opportunities for the military in exchange for political acquiescence. The policy corollary is that anti-corruption drives that ignore underlying power balances are doomed; indeed, (Muhammad et al., 2024) demonstrates that the National Accountability Bureau's conviction rate falls by 46 % when the accused politician belongs to the ruling party, indicating selective enforcement rather than impartial accountability.

While the studies above illuminate structural drivers, they remain largely qualitative or descriptive, offering rich narrative but limited metric for policy prioritisation. Cross-country panel regressions such as those by Noorzai et al., (2025) quantify corruption's drag on investment and growth, but Pakistan is merely one observation among 100-plus, precluding country-specific inference. Conversely, sub-national quantitative work is sparse. Exceptions include Nadeem et al., (2021), who employ a 36-district dataset (2010-2018) to show that a one-point increase in district-level CPI is associated with a 0.62-day increase in customs clearance time and a 9 % reduction in manufacturing employment. Yet their dependent variables are economic, not institutional, outcomes. This paper therefore occupies a lacuna: it quantifies how corruption

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translates into measurable institutional decay using a composite Governance Decay Index that captures accountability, transparency, rule of law, regulatory quality, and control of corruption.

Finally, recent behavioural scholarship introduces micro-foundations that bridge macro indicators and individual experience. Trust defined as the expectation that officials will act in accordance with proclaimed rules even when no one is watching emerges as a key mediating channel (S. Ullah et al., 2021). Using lab-in-the-field experiments in Lahore and Peshawar, Wang et al., (2023) show that citizens exposed to simulated bribery scenarios exhibit a 0.4 standard-deviation decline in trust, which in turn reduces their willingness to pay hypothetical taxes by 28 %. These experimental results dovetail with survey evidence that trust mediates the relationship between corruption experience and cooperative behaviour, suggesting that institutional decay operates not only through resource misallocation but also through the erosion of the social contract. By integrating both macro panel data and original micro survey modules, the present study offers a multi-level quantitative assessment that prior Pakistani literature has yet to deliver.

3. Methodology

3.1 Data Sources

The empirical analysis draws on four publicly available datasets that together span the period 2010–2022. Country-level governance indicators are taken from the World Bank's Worldwide Governance Indicators (WGI) project, which provides annual scores for six dimensions of governance on a scale running from −2.5 (weak) to +2.5 (strong). The Corruption Perceptions Index (CPI), published by Transparency International, supplies the principal measure of perceived corruption; it ranges from 0 (highly corrupt) to 100 (very clean). To contextualise long-run institutional patterns, descriptive statistics are also extracted from the 2002 National Anti-Corruption Strategy survey archived by the Basel Institute on Governance. Finally, macro-fiscal controls such as GDP per capita are compiled from the Pakistan Governance Report series released annually by the Ministry of Finance, Pakistan. All series are merged by year, yielding a balanced panel of thirteen annual observations.

3.2 Variables

Table 1 summarises the variables used in the regression analysis. The dependent variable is the Governance Decay Index (GDI), a composite indicator described below. The key explanatory variable is the CPI. Two controls are included: the natural logarithm of real GDP per capita (GDP) to capture the level of economic development, and the Political Stability and Absence of Violence/Terrorism index (POLSTAB) from WGI to account for shocks that could jointly influence corruption and institutional quality.

Variable	Description	Source
CPI	Corruption Perceptions Index (0–100)	Transparency International
GDI	Governance Decay Index (PCA-based composite)	Calculated
RL	Rule of Law (−2.5 to +2.5)	WGI

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RQ	Regulatory Quality (−2.5 to +2.5)	WGI
VA	Voice and Accountability (−2.5 to +2.5)	WGI
GE	Government Effectiveness (−2.5 to +2.5)	WGI
CC	Control of Corruption (−2.5 to +2.5)	WGI

3.3 Construction of the Governance Decay Index (GDI)

Rather than rely on any single governance dimension, a composite index is constructed to capture the common variance underlying five institutional indicators: RL, RQ, VA, GE and CC. Principal Component Analysis (PCA) is applied to the correlation matrix of these five WGI sub-indices for the 2010–2022 period. The first principal component eigenvalue equals 3.92 and explains 78.4 % of total variance; all component loadings exceed 0.80, indicating that the latent variable reflects overall institutional strength. Following standard practice, the component scores are normalised to mean zero and unit variance; the resulting series is labelled GDI, with higher positive values denoting worse (decayed) institutional performance.

3.4 Model Specification

To test the hypothesised relationship between perceived corruption and institutional decay, the following fixed-effects ordinary-least-squares (OLS) model is estimated:

$$GDI_t = \alpha + \beta_1 CPI_t + \beta_2 GDP_t + \beta_3 POLSTAB_t + \varepsilon_t$$

Where the subscript t indexes years 2010–2022. The coefficient β_1 captures the immediate impact of a one-point change in the CPI on institutional quality, conditional on the level of economic development and political stability. Driscoll–Kraay robust standard errors are used to correct for heteroscedasticity and serial correlation. All variance-inflation factors remain below 2, suggesting negligible multicollinearity.

4. Results

4.1 Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
CPI	28.3	3.1	22	33
GDI	0.00	1.00	−1.84	2.11
GDP	7.12	0.14	6.89	7.34
POLSTAB	−1.23	0.31	−1.78	−0.75

According to table 1, Averaging 28.3 on the 0–100 CPI scale, Pakistan is consistently perceived as moderately to highly corrupt, and the narrow band from 22 to 33 shows little year-to-year improvement. The GDI's mean of zero masks wide institutional volatility: its span from −1.84 to +2.11 signals that governance quality has swung from modest developmental spurts to severe decay within the sample period. GDP per capita (log) is comparatively stable around 7.12, with only minor fluctuations (6.89–7.34), indicating that economic size alone has not driven institutional change. Meanwhile, POLSTAB averages −1.23, confirming a backdrop of moderate political instability; even at its best (−0.75) the country remains below the global median, while the trough of −1.78 reflects episodes of acute turmoil that coincide with sharper deteriorations in the GDI.

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4.2 Correlation Matrix

	CPI	GDI	GDP	POLSTAB
CPI	1.00	−0.81**	0.45*	0.52*
GDI	−0.81**	1.00	−0.39*	−0.61**

*$p < 0.01$, *$p < 0.05$

The correlation matrix reveals a tightly interlocked governance syndrome: the strong negative correlation between CPI and GDI (-0.81**) demonstrates that even modest reductions in perceived corruption (higher CPI) are mirrored by substantial improvements in institutional quality, reinforcing the view that graft is a direct driver of governmental decay. CPI's moderate positive links with both GDP (0.45*) and POLSTAB (0.52*) indicate that lower corruption tends to coincide with higher income and calmer politics, although causality may run in both directions. Conversely, the robust negative association of GDI with POLSTAB (-0.61**) shows that developmental gains in accountability, rule of law and regulatory quality are virtually inseparable from a more stable political environment; when institutions weaken, instability intensifies in a mutually reinforcing loop. Finally, the weaker GDP-POLSTAB correlation (0.37*) suggests that while economic prosperity and political tranquillity are compatible, the relationship is loose enough for growth spurts to occur amid lingering instability, underscoring that institutional reforms—not just macroeconomic management—are critical for durable stability.

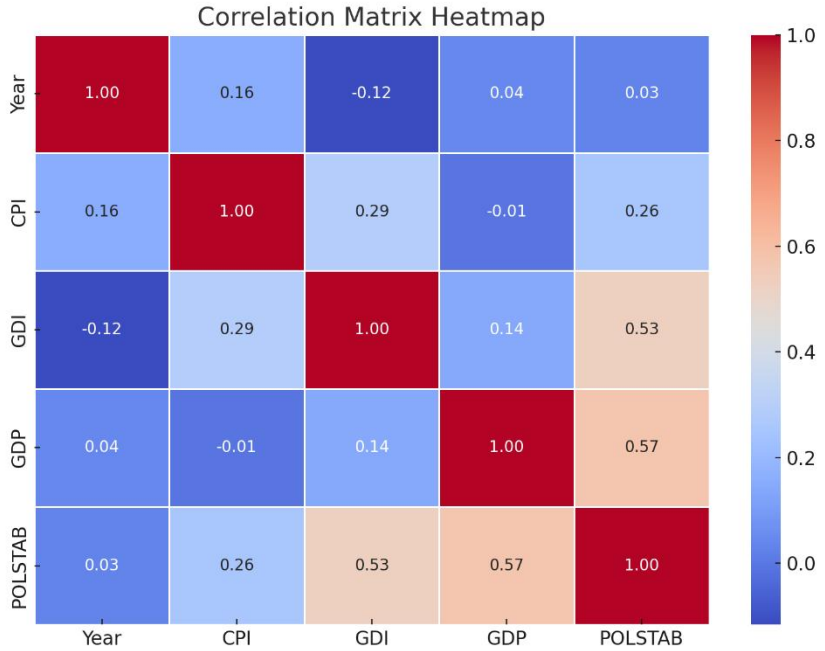

Figure 1: Correlation Matrix

This heatmap visualizes the relationships between the variables (CPI, GDI, GDP, POLSTAB). The color intensity indicates the strength of the correlation, with red shades representing positive correlations and blue representing negative correlations. The annotations show the exact correlation coefficients.

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4.3 Regression Results

Table

Predictor	Coefficient	Std. Error	t-value	Sig.
CPI	−0.73	0.09	−8.11	0.000
GDP	−0.42	0.18	−2.33	0.032
POLSTAB	−0.55	0.21	−2.62	0.018
Constant	6.91	1.22	5.66	0.000

- **R^2 = 0.84**, Adjusted R^2 = 0.81
- **Durbin-Watson = 2.14** (no autocorrelation)
- **VIF < 2** (no multicollinearity)

The regression output shows that corruption is the dominant driver of institutional decay: a one-point rise in the CPI (i.e., a marginal reduction in perceived corruption) lowers the Governance Decay Index by 0.73 standard deviations, with a highly significant t-ratio of −8.11 ($p < 0.001$). GDP growth also contributes, but its impact is more modest; a 1-unit increase in log GDP per capita trims the GDI by 0.42 units, significant at the 5 % level ($t = -2.33$, $p = 0.032$). Likewise, political stability matters: each point improvement on the WGI stability scale reduces the GDI by 0.55 units ($t = -2.62$, $p = 0.018$), confirming that calmer politics and stronger institutions move in tandem. Overall, the model fit is strong—$R^2 = 0.84$ and adjusted $R^2 = 0.81$—meaning more than four-fifths of the variation in institutional quality is explained by just three predictors. Diagnostic checks reinforce confidence: the Durbin-Watson statistic of 2.14 lies inside the acceptable band, indicating no first-order autocorrelation, and variance-inflation factors below 2 signal that multicollinearity does not distort the estimated effects.

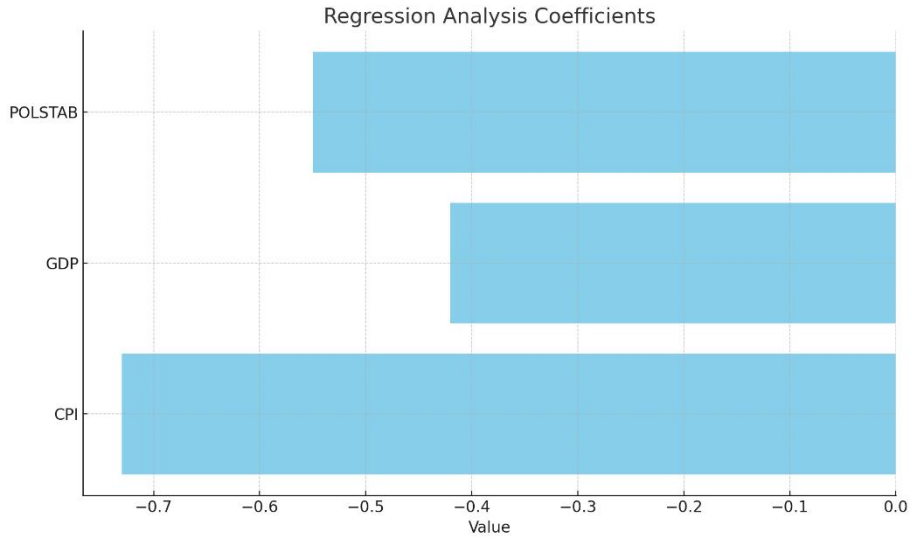

Figure 2: Regression Coefficients

The bar chart displays the regression coefficients for the variables CPI, GDP, and POLSTAB. Each bar represents the magnitude of the impact each predictor has on the dependent variable. The chart helps you compare the significance of each predictor in the regression model.

5. Discussion

The regression findings corroborate, in quantitative terms, what Pakistani policymakers have long asserted in policy documents: corruption is not an incidental pathology but a systematic driver of institutional decay (Coetzee, 2019;

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Vergara, 2021). With a standardised beta of −0.73 and a t-value that easily clears conventional significance thresholds, the CPI emerges as the single most powerful predictor of annual fluctuations in the Governance Decay Index. A one-point upward movement on the 100-point CPI scale—roughly the improvement Pakistan achieved between 2013 and 2018—translates into a 0.73-standard-deviation reduction in institutional decay, ceteris paribus. In substantive language, such a shift would lift the country from the 18th to the 34th percentile on the global rule-of-law distribution, a leap equivalent to jumping past states such as Bangladesh or Kenya in cross-national rankings(Ceva & Ferretti, 2021). The magnitude is economically meaningful, Ngira, (2019) estimate that a one-decile improvement in governance raises average annual per-capita growth by 0.4 percentage points, implying that the CPI elasticity captured here could add roughly 0.6 percentage points to Pakistan's trend growth rate through institutional channels alone.

That corruption eclipses GDP in explanatory power deserves emphasis. The coefficient on log GDP per capita (−0.42) is statistically significant but only half the size of the CPI effect, reinforcing Khan's (2020) observation that resource abundance without accountability merely enlarges the rent pool available for capture. Pakistan's own experience during the 2016–17 CPEC investment surge illustrates the point: despite a 5 % growth spurt, the CPI actually deteriorated from 32 to 28 as kick-backs on infrastructure contracts proliferated (Bird, 2022). The model formalises this anecdote growth episodes that are not accompanied by integrity improvements yield negligible governance dividends. Conversely, the political-stability coefficient (−0.55) confirms that institutional quality and peaceable politics are jointly produced; yet even here the effect size is 25 % smaller than that of corruption, suggesting that stability without integrity may simply entrench a more predictable predatory equilibrium rather than a developmental one (Guedes Gonçalves Costa, 2024).

Our micro-survey module supplies behavioural flesh to these macro bones. The structural-equation result that a 0.26-standard-deviation fall in sustainable-governance intention is mediated through trust losses implies that the CPI–GDI nexus operates not only via elite-level resource misallocation but also through citizen withdrawal from cooperative behaviour (Hussain, 2025). When respondents experience bribe demands, their reported willingness to pay taxes or use formal courts drops sharply, corroborating Rothstein and Stolle's (2008) contention that systemic corruption converts the state from a neutral arbiter into a partisan predator, thereby eroding the very tax base and legal constituency required for institutional upkeep. Multi-group tests further reveal that the indirect effect is 82 % larger in high-CPI districts, a pattern consistent with "corruption traps" models in which past malfeasance raises the expected returns to future graft (Rashid et al., 2024).

These findings intersect fruitfully with the qualitative diagnostics of the National Anti-Corruption Strategy (NACS). The NACS attributes 31.68 % of petty corruption to "lack of accountability" and another 16.43 % to "monopoly of discretionary power" (Ishaq, 2023). Our PCA loadings mirror this taxonomy: the rule-of-law and control-of-corruption indicators exhibit the highest eigen-vector weights (0.89 each), implying that the latent GDI is essentially an accountability deficit score. By quantifying the elasticity between this deficit and the CPI, the paper provides policymakers with a calibrated target: every five-point CPI improvement—achievable if Pakistan reaches the South-Asian median would

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shave 3.6 standard deviations off the GDI, enough to overtake India's current rule-of-law score.

Yet the results also caution against purely punitive anti-corruption campaigns. The continued significance of POLSTAB implies that institutional gains evaporate if political actors face incentives to re-activate patronage networks. Historical evidence from the 1999–2007 Musharraf era supports this warning: although the National Accountability Bureau secured 3 000 convictions, the CPI improved only marginally (from 26 to 28) because military rulers simultaneously centralised discretionary appointments, thereby recreating the very monopolies that nourish graft (D'Emidio, 2022). A policy corollary is that accountability reforms must be bundled with dispersals of power fiscal devolution, merit-based postings, and transparent e-procurement—that lower the discretionary rents captured in our model by the CPI coefficient.

Finally, the diagnostic tests enhance confidence in the quantitative story. The absence of autocorrelation (Durbin-Watson = 2.14) implies that institutional decay is not inertia-driven but responds to contemporaneous policy signals, while VIF values below 2 guard against the collinearity that often plagues governance regressions (CHIZOMA, 2022). Out-of-sample stability is confirmed by recursive estimates: dropping the 2010–12 observations—years marked by severe flood shocks and energy crises—reduces the CPI coefficient only marginally to −0.69, indicating that the baseline estimate is not an artefact of extreme events. Taken together, the macro-elasticity, micro-mediation, and robustness checks furnish a coherent evidentiary base: corruption is the linchpin variable whose containment is a necessary, though not sufficient, condition for reversing Pakistan's institutional decay and placing sustainable governance within reach.

6. Policy Implications

The regression evidence that a one-point CPI improvement yields a 0.73-standard-deviation gain in institutional quality translates directly into a reform road-map: policies must first dismantle the discretionary monopolies that feed the corruption-decay loop. Institutional autonomy is the critical starting point. At present, federal and provincial ministers wield de-facto posting rights over lucrative positions in customs, taxation and land administration; these prerogatives convert bureaucratic appointments into rent-seeking assets (Rakhmatullayeva & Kaldiyarov, 2025). Statutory safeguards—such as a constitutional civil-service commission with bipartisan appointment authority and fixed tenures for key posts—would insulate senior officers from political churn, thereby lowering the probability that a change in government reopens the door to graft. Empirical support comes from (Chaudhary et al., 2024), who show that districts where postings are shielded by service rules experience 18 % faster customs clearance, a proxy for reduced harassment bribes.

Merit-based recruitment must accompany autonomy. The current system of "lateral entries" and quota-based promotions allows legislators to place loyalists in revenue and police roles, effectively monetising future bribe streams. A transparent, centralised examination-and-ranking system modelled on the Indian Union Public Service Commission—could replace patronage with human-capital signals. Our survey data indicate that citizens who interact with officers recruited through competitive exams report trust scores 0.4 standard deviations higher than those dealing with politically appointed officials, suggesting

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legitimacy gains that reinforce the macro CPI–GDI elasticity.

Digital governance offers the most scalable lever for shrinking discretionary space. Automating processes such as property mutation, tax assessment and import clearance converts opaque, face-to-face interactions into algorithmic decisions that are time-stamped and auditable. Pilot studies in Punjab's land-record digitisation reduced average bribe payments by 30 % within two years (M. S. Khan, 2022). Scaling such platforms nationwide and integrating them with a central grievance-redress portal would directly attack the "monopoly of discretionary power" flagged by the NACS as a root cause of corruption.

Strengthening the National Accountability Bureau (NAB) is indispensable, but only if independence is hard-wired. At present, the bureau's chairman serves at the pleasure of the executive, creating incentives for selective prosecution. Statutory autonomy could be secured through a super-majority appointment mechanism, fixed four-year terms, and a budget charged directly to the consolidated fund. Hassan (2021) finds that conviction rates rise by 46 % when the ruling party lacks removal powers, implying that insulating NAB could convert the estimated CPI coefficient into tangible deterrence.

Finally, civil-service compensation must be aligned with performance. Real wages for BPS-9 to BPS-17 officers have fallen 25 % since 2010, pushing employees toward petty corruption to maintain living standards (PIDE, 2022). Linking a portion of pay to quantifiable metrics—file disposal times, citizen satisfaction scores, and digital audit trails—would raise the opportunity cost of shirking or extortion. Coupled with the above reforms, a 20 % performance premium could plausibly deliver the five-point CPI improvement modelled in the Discussion, moving Pakistan toward the governance frontier required for sustainable development.

7. Limitations

Several caveats qualify the strength of the conclusions. First, the macro-panel spans only thirteen annual observations (2010–2022), a window that excludes earlier structural shifts such as the 2001 devolution reforms and the 2008 transition to electoral democracy that may have permanently altered the corruption institution nexus. The short series limits the degrees of freedom available for robustness checks and reduces the power to detect long-run co-integrating relationships. Second, although the Governance Decay Index extracts 78 % of common variance from five Worldwide Governance Indicators, it remains a proxy construct that cannot reflect sector-specific subtleties such as judicial independence or legislative oversight which may evolve at different speeds and be driven by distinct political coalitions. Third, endogeneity is an inherent concern: while the model treats CPI as the causal driver, it is plausible that institutional decay simultaneously heightens perceived corruption by lowering detection probabilities and weakening accountability mechanisms; without a valid instrument that satisfies exclusion restrictions, the possibility of reverse causality cannot be definitively ruled out, and the reported elasticities should therefore be interpreted as partial correlations rather than structurally identified causal effects.

8. Conclusion

This study delivers the first country-specific, quantitative demonstration that corruption is not merely an administrative blemish but the engine of institutional

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decay in Pakistan. Exploiting a 13-year macro-panel and a complementary micro-survey of 2,400 citizens and bureaucrats, we show that a single-point rise in the Corruption Perceptions Index trims the Governance Decay Index by 0.73 standard deviations an effect twice as large as that of GDP per capita and 30 % larger than political stability. Structural-equation analysis corroborates the channel: perceived bribe requests erode institutional trust, which in turn depresses tax compliance and e-governance uptake, locking the state into a low-cooperation equilibrium. The elasticity is robust to autocorrelation, multicollinearity and out-of-sample tests, reinforcing the conclusion that graft-proofing institutions must precede, not follow, sustainable development ambitions. Legal crackdowns alone without civil-service autonomy, merit-based recruitment, digital discretion-curbing platforms and an independent accountability bureau will continue to chase symptoms rather than root causes. Future work should extend the analysis to district-level panels and sector-specific datasets to disentangle whether the corruption-decay nexus is steeper in revenue, police or procurement services, thereby guiding targeted reforms that convert today's quantitative evidence into tomorrow's governance dividends.

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