

EXTENDED ABSTRACT

THE IMPACT OF CRIME RATES ON ECONOMIC GROWTH IN ASIAN REGION

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Abstract

The economic growth of a country directly affects the improvement of the living standards of the people in that country. It is determined by a number of factors, among which crime is considered in this study. The main purpose of this study is to find out whether crime affects the economic growth from Asian countries. This research studied the relationship between crime rates and economic growth rates using 23 Asian countries during the period 2014–2018. A simple regression model was used to study the crime rate as an independent variable and the economic growth rate as a dependent variable. It uses the annual data published by the United Nations stated on crime in selected 23 countries for the year 2014–2018. The Asian countries considered there indicated that there was a negative relationship between the crime rate and the economic growth rate and it was significant value. When the crime rate changes from one log unit, the number of economic growth rate varies by -0.221 log unit in the findings. The study concluded that crime in Asian countries could also play a vital role in boosting economic growth. Accordingly, it can be concluded that it is necessary to take relevant decisions and formulate policies regarding the reduction of crimes in countries when economic growth is expected.

Keywords: Crime rate, economic growth rate, Asian region

1. Introduction

As a denial tendency in the countries of the world, more and more people are paying attention to crimes. It has moved beyond traditional economic problems to a greater focus on crimes. As well as it has long been believed that crime is detrimental to the economic growth of countries. Although economic growth is the main goal of every economy, the economic growth of each country is determined by the influence exerted by other variables in the economy. In order to protect the public, it is an offense to commit a crime that is prohibited by public law or to fail (Clark & Marshall, 1985) and also Economic growth rate can be defined as percentage vary in the cost of the entire goods and services produced in a country throughout a specific period of time, as compare to a previous time period. This study examines whether the economic growth of Asian countries is affected by crime in each country. India, Pakistan, Japan, Singapore, Sri Lanka, Oman, Myanmar, Thailand, South Korea, Philippines, Bangladesh, Bhutan, Mongolia are some of the 23 Asian countries considered. Compared to other regions of the world, countries in the Asian region have experienced lower crime rates in recent years, as well as higher economic growth rates in countries such as China, Japan and India. The study is based on the research problem of what is the relationship between crime and economic growth among economic growth factors. The main purpose of this study was to find

out from Asian countries whether crime affects the economic growth of countries. Although there have been several studies between crime and economic growth across countries, yet no study has been conducted on the relationship between the economic growth rate and the crime rates in Asian region. The importance of the study is that once the link between economic growth and crime is found, policy decisions on crime can be made to boost economic growth in Asian region. Therefore, this study aims to analyze the impact of crime on economic growth in Asian countries.

Different investigators have also studied the relationship between economic growth rate and crime in various countries based on different time periods. According to a study by Husted. T. A (2004), they have analyzed the relationship between inner- city crime and sub-urban income growth. They used data on 318 US countries from 1982-1997. The findings that violent crime does seem to have a negative impact on economic growth. Hidayat .W. (2019) study has been conducted to examine the relationship between crime and economic growth in Indonesia. They have used panel data and found that crime in general and corruption effect negatively on economic growth. According to a study by Asid. R (2016), they re- examined the relationship between crime and economic growth in Malaysia for periods of 1980 to 2013. The ARDL method was used to analysis. In this study they found that positive and significant relationship between crime and economic growth in long run. Ahamad. N (2014) have studied the impact of crime on economic growth of Pakistan by using time series data from 1980 to 2011. They also used ARDL method and have found that crime has negative and significant impact on economic growth in long run but in the short run effect of crime on economic growth is negative and insignificant

2. Methodology

The crime is considered as the independent variable and the economic growth rate is considered as the dependent variable. The crime rate in each country is based on the number of crimes per 100,000 people per year. It uses the annual data published by the United Nations stated on crime for the year 2014-2018. Out of the 48 listed countries in the Asian region, 23 countries were selected using convenient sampling method.

Here, a hypothetical test of how the crime rate affects economic growth is conducted.

H0: There is no relationship between crime rate and economic growth rate

H1: There is a relationship between crime rate and economic growth rate

According to these hypotheses, the relationship is to be analysed through correlation analysis.

$$EG = f(CR)$$

$$Economic\ growth = f(crime)$$

A simple regression analysis was used to obtain the regression coefficients of the relationship between crime rates and economic growth rates. Economic growth rates and crime rates which were used for this converted to log values.

The model of simple linear equation is,

$$y = \beta_0 + \beta_1 X + \epsilon$$

$$EG = \beta_0 + \beta_1 CR + \epsilon$$

3. Results and Discussion

Considering the relationship between crime and economic growth, a detailed analysis of the relationship between crime and economic growth in countries was carried out through a correlation analysis and regression analysis of 23 selected countries in Asian region. It was found that there was a negative relationship between crime rate and economic growth rate. Therefore, it can be concluded from the association of selected countries in the Asian region of the world that there is a negative

relationship between crime and economic growth. It means that as the crime rate increases, so the rate of economic growth does not.

Table 1. Correlation between crime rate and economic growth rate in selected countries of the Asian region of the world

	Economic growth rate
Crime rate	-0.264
Sig value	0.016

Source: SPSS Output

There is a negative correlation between the crime rate and economic growth rate of 0.264 and significant of the relationship is represented by sig value which less than 0.025.

Table 2. Regression coefficients for the relationship between crime rate and economic growth rate

Variable	Coefficient	t-Statistic	Prob
Constant	0.485	8.824	0.000
Crime rate	-0.221	2.205	0.031

Source: SPSS Output

The constant here shows the difference in economic growth rate without the effect of the crime rate. According to the results of the table, b0 is 0.485 which means that the value of the economic growth rate, regardless of the crime rate. The b1 coefficient indicates that when the crime rate changes from one log unit, the number of economic growth rate varies by -0.221 log unit. The Regression line is as follows.

$$EG = 0.485 - 0.221CR$$

Economic growth rate = 0.485 - 0.221Crime rate

Accordingly, we can conclude that there is a negative relationship between crime rate and economic growth rates in the Asian region.

4. Conclusion

The main objective of this study was to find out whether there is a correlation between the crime rate and the economic growth rate in Asian countries and the analyze concluded that there is a negative relationship between crime rate and economic growth rates in the Asian region. Accordingly, it can be highlighted that it is necessary to take relevant decisions and formulate policies regarding the reduction of crime in countries when they expect a positive economic growth. The economic growth of a country directly affects the improvement of the living standards of the people in that country. This is because per capita income depends on GDP. According to our research, crime has a negative effect on a country's economic growth rate. When the crime rate rises, the country's economic growth rate declines and people's living standards are adversely affected. Therefore, if a country expects high economic growth, it should focus on making appropriate policy decisions to reduce the crime rate.

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