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Studying the effect of indicators of good governance on income distribution

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Abstract. Growing income inequality, high unemployment and lack of economic justice, particularly in developing countries and highlighted the role of governments to achieve better distribution of income, greatly increases the need for good governance. The main purpose of study is to examine the impact of good governance measures on income distribution during the period 2010- 1999 for selected countries in Southwest Asia, the OIC member countries and OECD countries using panel data is. The results showed that the quality of governance and indicators of good governance, the negative impact on the reduction of inequality are significant.

Keywords: Good governance, income distribution, panel data, the Gini coefficient

1. INTRODUCTION

Given the importance of improving the living conditions of human development, one of the concerns of the custodians of development, the improvement of measures taken in this area is the development of damages., One of the most important factors that is taken into consideration in the evaluation of the development process is the role of government in this area And of course, the key to the puzzle of development, in the maximum, minimum and good governance outlined But what are the results of the implementation of government policies have increased poverty and inequality are the maximum and minimum will be provided on the development of good governance(Gazy Tabatabai et al., 2012). Now, given that good governance and sustainable development and pave the way to long-term and can be a good role in the distribution of income and reduce inequality, the impact indicators of good governance needs to be addressed on income distribution in selected countries The purpose of this study was to analyze the impact of good governance measures on income distribution, using panel data is available in selected countries.

2. LITERATURE

On the impact of good governance on income distribution in the country, a study has been done directly, but indirectly of the dimensions is examined.

2.1. Foreign Studies

One of the first empirical studies on the impact of institutions on economic performance by Konak and Kiefer (1995) has been made.. Samarto et al. (2004) empirically examines the impact of good governance on poverty reduction in Indonesia began, their study shows that due to poverty, bad governance is. Gani and Duncan (2004) methodology to build good governance indicators show. n this study, good governance and the simple arithmetic average of the main

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indices are calculated. Shafiq and the Haq (2006) in an article entitled governance and inequality to examine the impact of good governance on economic growth and income distribution for SAARC member countries have paid during the period 1996-2005. The results show that indicators of good governance, improve income distribution, but have a negative impact on economic growth. Virmani et al.(2006) The study tries to compute aquality of governance index on the basis of availability of public goods for 15 Indian States as well as in the other two South Asian countries such as Sri Lanka and Pakistan The findings suggest statistically significant impact of governance indices on the outcome variables of road and law and order and per capita income suggesting that better quality of governance helps in achieving better evelopment outcomes. cadhry et al. (2006) examined the relationship between urban poverty and became a model of good governance, the results show that the economic performance of Pakistan on good governance indicators declined.

2.2. Internal Studies

Although morphological studies on institutional and governance indicators and income distribution in the country is not good, but many studies have been done on good governance and macroeconomic variables, which will be briefly addressed.

Meydry (2006) in an article entitled Introduction to the theory of good governance to the fields of creation, communication theory competing with the theory and policy recommendations to introduce it. Komyjany and Salatine (2008) in an article to the effect of good governance and economic growth in selected countries OPEC and OECD, and the results obtained show that a significant positive correlation between the quality of governance and economic growth in both groups there. Samety et al.(2011) analyzed the impact of good governance measures on the Human Development Index in the Southeast Asian countries during the period 2009- 2000, and the results of the estimated models show that indicators of good governance, a significant and positive effect on the development index human. Shahabadi et al. (2013) examined the impact of governance on growth in selected developed and developing countries tackle unemployment. he results showed statistically significant negative effect on the growth of government measures unemployment in both countries is studied..

2.3. Theory

Considering that in the discussion of the social welfare functions, including functional efficiency and distributional effects of the social welfare function of Sen.

However, due to the changing role of the state (in addition to the quality of the state's role as the government is concerned) model of good governance and respect basic goods and services to provide efficient and effective in achieving sustainable social welfare Can be found in general, social welfare function of private consumption, the consumption of public goods and As well as good governance index (GGI) is used as a measure of institutional structure and governance..

my the following functions for Social Welfare wrote:

$$w = f(c), f \acute{>} 0 ، \quad w = f(y), f \acute{>} 0, \text{C=C1+C2} \tag{1}$$

Top ties to put together:

$$W=f(y)=f(c) \tag{2}$$

The social welfare function of Sen as follows:

$$W=\mu(1-G) \tag{3}$$

We finally put two equal relationship, we have:

$W=f(C_1, C_2, \mu, G)$,$W=f(y)=f(c)=\mu(1-G)$ (4)

And given that the consumption of public goods and services, including the role of government investment in these commodities (G2) and good governance index (GGI) is. Social welfare function and variable Gini coefficient can be adjusted as follows:

$W=(C_1 \text{ و } C_2) \rightarrow W=f(C_1, \text{و} G2, GGI \text{و} \mu)$, $G=1-\frac{f(C_1,C_2)}{\mu}$ (5)

$$G=1-\frac{f(C_1,G2,GGI)}{\mu}$$

3.THE SAID MODEL

Due to the various factors affecting the distribution of income, to assess the impact of good governance measures on income distribution in 3 groups of selected countries mentioned above he two models of governance based on quality indicators and other indicators of good governance on the Gini coefficient wrote 6 persons.(Baltagi,1995).

Three variables urbanization rate, index of economic freedom and of democracy as control variables into the models.

In total, the model, based 6-fold based on the criteria of good governance are clear:

$$Gini_{it}=\alpha_i+\beta_1 vai_{it}+\beta_2 psi_{it}+\beta_3 gei_{it}+\beta_4 rqi_{it}+\beta_5 rli_{it}+\beta_6 cci_{it}+\beta_7 G2_{it}+\beta_8 C_{1it}+\beta_9 \mu_{it}+\beta_{10} Up_{it}+\beta_{11} Eii_{it}+\beta_{12} Demo_{it}+\varepsilon_{it} \quad (6)$$

4.THE RESULTS OF THE TEST MODELS

4.1. Unit root test results in combination patterns

Unit root test results for the variables included in the model, respectively, for the three groups are presented in the following tables. The unit root tests in panel models are similar but not identical. In this paper, a type commonly used in the field test, the test Levin, Lin and Chu were used.

Table 1. The test results for the three groups said root for variables selected models

OECD member countries		OIC member countries		South West Asia		
Test LLC		Test LLC		Test LLC		
Probality	value	Probality	value	Probality	value	
0.00	5	0.0041	2.65	0.00	9.74	*cci*
0.0085	2.39	0.0002	3.6	0.00	165.9	gdp
0.000	20.16	0.001	3.09	0.00	132.15	$c1$
0.00	15.9	0.00	13.59	0.00	28.45	*Demo*
0.00	6.83	0.00	7.75	0.00	19.4	*Eii*
0.002	3.5	0.0001	3.88	0.00	46.4	G_2
0.0011	3.069	0.00	5.13	0.00	7.17	*Gei*
0.00	6.08	0.00	8.65	0.00	22.86	*Gini*
0.00	5.45	0.00	6.58	0.00	5.96	*Gqi*
0.0006	3.23	0.00	5.43	0.00	49.99	*I*
0.00	9.33	0.00	6.4	0.00	8.34	*psi*
0.00	5.8	0.00	6.33	0.00	9.09	*rli*

0.00	7.55	0.00	7.26	0.00	9.71	*rqi*
0.00	15.16	0.00	4.03	0.00	139.08	*Up*
0.00	5.81	0.00	5.2	0.00	8.21	*vai*
0.00	5.45	0.00	5.01	0.00	85.8	Y

Source: research findings

Unit root test results for the three groups indicates that all of the variables in the regression stationary and likely to remain trapped in the false minimal.

4.2. The test of homogeneity and Hausman

As mentioned above, the random effects model, Hausman test in order to select the fixed effects model is used. It said random effects model explores the fixed effects model. Accordingly, random and fixed effect model both estimated coefficients were obtained and compared. Hausman test based on the presence or absence of a relationship between independent variables and estimated error regression model was formed. If the connection was and if there was a random effect model will use a fixed effect model.

Table 2. Shows the results of tests for the three Group F and Hausman.

Probality			Value			
OECD member countries	OIC member countries	South West Asia	OECD member countries	OIC member countries	South West Asia	Group
model	model	model	modell	model	model	Model
0.00	0.00	0.026	2.78	10.77	2.017	F test
0.0002	0.276	0.28	37.6	14.4	14.02	Hasman test

Source: research findings

The F statistic is calculated and compared with the corresponding critical value homogeneity assumption is not verified factors. Also, the model estimated a panel Hausman test between southwest Asia and OIC member countries fixed effects model, the random effects model and a random effects is estimated to be rejected. In the OECD countries as well as fixed effects model the random effects model is accepted and fixed effects estimates.

4.3. The results for the three groups of countries specified models

The estimation results for the three models in the table below is to evaluate the effect of six different indicators of good governance is the Gini coefficient. All the results of the assessment criteria of good governance and its impact on income distribution (Gini coefficient) is given in the table below. All of the econometric tests also included in that.

Table 4. The results of the assessment criteria of good governance

Model			
	Southwest Asia	OIC	OECD
C1	0.001	0.005	0.002
G2	0.009	0.009	0.0085
Y	0.0003	0.001	0.005
UP	0.5	0.04	0.0002
EII	0.088	0.04	0.08
DEMO	0.035	0.002	0.12
VAI	0.065	0.045	0.04
PSI	0.002	0.011	0.07
GEI	0.04	0.037	0.02
RLI	0.03	0.002	0.01
RQI	0.036	0.05	0.02
CCI	0.004	0.015	0.03
R^2	0.972	0.96	0.98
F	136	74.5	254
D.W	1.9	1.75	2.01

Source: research findings

Indicators of good governance 6-fold, respectively, in the three groups have a significant negative impact on the model. Voice and accountability indicator, all three groups have a negative impact on the Gini coefficient is significant. Political stability in the third group of countries has a significant negative impact on the Gini coefficient, respectively. Rules and regulations quality index in all three groups have a significant negative impact on the Gini coefficient. Of the rule of law in all of the countries surveyed had a negative effect on the Gini coefficient. So that if these indicators improved in all three groups in all three groups, respectively, in these countries the Gini coefficient is reduced. their indicators of corruption control index is considered that the level of this indicator in developed countries than developing countries.

The calculated values for the coefficient of determination, the three groups are in general have a high value. So that for the Southwest Asia region based on the calculated values for the coefficient of determination, the variables included in the model to explain more than 97% of the changes in the Gini coefficient. The statistic F (to 174) on the model implies a significant and statistics (equal to 1.97) also reflects the absence of serial correlation between regression error terms.So that other models to be interpreted accordingly.

5. CONCLUSION AND POLICY RECOMMENDATIONS

Given that the main aim of study was to evaluate the impact of good governance measures on income distribution in the region of Southwest Asia, the OIC member countries and OECD countries is estimated the results of the models are as follows:

1. Transparency and Accountability index has a significant negative impact that this hypothesis is also a significant negative relationship based on transparency and accountability, income inequality is approved.

2. Political stability has a significant negative impact on the model that the hypothesis is that the negative relationship between income inequality and political stability is confirmed.

3. The negative and significant impact on the performance of the model is also based on the assumption. negative relationship between income inequality confirm that the Government Performance Index.

4. The quality of laws and regulations for all 3 groups with a significant negative impact on the models. s the hypothesis of a negative relationship between the quality of laws and regulations on income inequality is approved.

5. The index is negative and significant impact on the rule of law model is based on the premise of the rule of law is upheld its relationship with income inequality.

6. Control of Corruption has a negative and significant relationship is the model, so that the hypothesis of a negative relationship between corruption control index on income inequality is approved.

5.1. Policy recommendation

Considering that good governance factor driving economic growth, wealth creation and ultimately improving income distribution, according to the criteria of good governance in developing countries was inappropriate, some suggestions to improve the situation in these countries offer components to:

1. Due to significant negative relationship between transparency and accountability index and the Gini coefficient, using competitive mechanisms, and increasing accountability can increase economic growth and improve income distribution help.

2. Given the significant negative relationship between income inequality and political stability, it is recommended given that the instability and political tensions in the Middle East is the region's economic performance has been overshadowed. Attempts to eliminate potential instability in the region favorable conditions for investment, growth and increase income and improve the economic situation and reduce inequality.

3. Given the significant negative correlation coefficient measures the effectiveness of the government's Gini coefficient, and most of these indicators in South Asia and OIC countries without manufacturing capacities and the use of appropriate, effective and efficient provision of public goods and services and provision of economic infrastructure and improve the quality of administrative systems to increase employment and reduce inequalities and improve income distribution can be named.

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