

# **PERCEPTION OF GENERAL PUBLIC TOWARDS CORRUPTION AND TRANSACTION COST IN FINANCIAL SECTOR**

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## **ABSTRACT**

Corruption can be listed as one of key obstacle for the development process particularly in developing economies. One major sector where the corruptive activities happened massively but recorded rarely, is the Financial Sector. The cost of the corruption should be considered as a part of transaction cost of financial activities. But, at present it is doubtful that to which extent the corruption cost has been reflected within the transaction cost mainly due to the perception towards the corruption by general public. This study attempts to explore the corruption and transaction cost in financial sector in Sri Lanka which is based on primary data gathered through a structured questionnaire and interviews with 50 respondents within the Colombo district. The findings of this study remark that; influencing financial transactions using personal networks or social networks is not being perceived as a way of corruption by majority of respondents. Almost all the respondents of the study justify their involvement in corruptive activities claiming the ineffective financial sector made them doing so. Further, they strongly believe that influence by personal or social contacts or paying money, gifts or etc. to officers made their service faster and better. All these findings conclude that corruption in financial sector is a severe issue where the policy actions are needed to be taken. Specially, in the terms of effectiveness of the financial system, policy makers should take necessary actions to improve the efficiency and effectiveness of the system and the perception by general public towards corruption should be changed.

**Keywords:** Corruption, Transaction Cost, Financial Sector, Perception of General Public