

Corruption Undermining National Well-Being: The Case of Serbia

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Abstract

The study aims to investigate whether corruption affects national well-being indirectly through institutional trust and to assess how this relationship is conditioned by digital usage, income inequality, and education level. The research is grounded in the Social Contract Theory which explains how government authority is based on implicit agreement between government and citizens where citizens grant legitimacy, and trust to institutions in exchange for fair and effective governance. Corruption leads to usage of public power for private gain, which further leads to violation of agreement between citizens and government, causing decline in institutional trust. It will lead to increased perceptions of unfairness that will diminish national well-being. Further, we argue that digital usage increases the visibility of corruption activities, while income inequality will support impact of institution trust on well-being, and education will also make stronger connection between trust in institutions and well-being. Using macro-level time-series data for Serbia over the period 2015–2025, the analysis employs mediation-moderation regression techniques to estimate direct, indirect, and moderation effects. Corruption is measured via Corruption perceptions index. Institutional trust is measured as confidence in national institutions. National well-being is measured using Happiness Index. Income inequality is measured by Gini coefficient, and digital usage via internet access. National education level is measured by years of schooling. The findings indicate that corruption has a significant negative effect on national well-being through the mechanism of institutional trust. Digital usage amplifies the relationship between corruption and institutional trust, while income inequality and education strengthen relationship between institutional trust and national well-being. This study contributes by providing a theory-driven model of how corruption affects national well-being and by highlighting role of digitalization, inequality, and education, offering important policy recommendations for transition and developing economies.

Keywords: corruption, institutional trust, digital usage, education, income inequality, national well-being

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