

The Role of Governance Mechanisms in Reducing Financial and Administrative Corruption

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Abstract: *The phenomenon of administrative and financial corruption is one of the serious phenomena facing countries, especially developing countries. The occurrence of stagnation in the process of construction and economic development, especially since it involves the destruction of the economy and the financial and administrative capacity of the State and enterprise alike. The financial collapses and scandals that affected the largest companies in the world, which are listed in the capital markets, have proven to be very clear. In particular, the failure of traditional methods to prevent the causes of these collapses and scandals, which prompted the concerned authorities at both levels. National and international efforts to conduct in-depth studies to determine the main reasons behind the occurrence of these crises and collapses. Which was largely related to the accounting and financial aspects*

1. INTRODUCTION

The problem of corruption has received the attention of many researchers and stakeholders, and opinions have agreed on the need to develop and establish a framework Institutional work, the purpose of which is to surround the problem and treat it through serious and specific steps and combat corruption in all its forms and manifestations and in all areas of life to accelerate the process of economic development. The phenomenon of financial and administrative corruption is not limited to its repercussions in terms of the negative effects it produces on a specific sector of society, but rather its effects extend to It affects all members of society and its sectors, as it has a direct impact on the state's economy as it impedes the wheel of economic development, in addition to if it leads to It leads to an imbalance in the structural structure of society, as if it works to accustom individuals to behaviors that are rejected by every society that seeks to preserve the values upon which it was built. And principles, not to mention its impact on political life, where the rules of the political game are disturbed and systems and bodies dependent on the control of capital emerge. and bribery It is noticeable that after a series of different financial crises that occurred in many companies in the countries of East Asia, Latin America and Russia in The nineties of the last century, triggered by financial corruption and mismanagement and its lack of oversight, experience and skill, in addition to the lack of transparency, As these crises and collapses led to many shareholders incurring huge financial

losses, which prompted many investors to search for companies that apply the concept of corporate governance. The importance of governance has increased as a result of the tendency of many countries in the world to shift to capitalist economic systems which is highly dependent on private companies. As a result of all this, interest in the concept of corporate governance has increased and it has become one of the basic pillars on which economic units must be built.

Research Aims:

The research aims to highlight the concept of financial and administrative corruption, by standing on its causes and effects economically, politically and socially, as well as Addressing the definition of the concept of corporate governance, and the principles issued by the Organization for Economic Cooperation and Development (OCDE) as well as addressing various issues The various advantages and mechanisms granted by governance in order to address the phenomenon of financial and administrative corruption

Research Problem

Data and studies indicate that the collapse of many economic institutions was caused by the manifestations and effects of financial and administrative corruption, which led to The loss of the rights of the existing investors and the loss of confidence of the new investors in these companies, so the interest in applying the concept of corporate governance is The best, safest and fastest solution to address these negatives that accompanied the collapse of many of these economic institutions. Accordingly, the research problem can be posed through the following main question:

How can corporate governance mechanisms address the phenomenon of financial and administrative corruption?

Search Plan

The research was divided into four main parts, as follows :

- 1) A general introduction to corporate governance.
- 2) Financial and administrative corruption.
- 3) The role of governance mechanisms in reducing financial and administrative corruption.
- 4) search results .

The theoretical framework of corporate governance

Despite the modern use of this term, its appearance dates back to a long time ago. The theoretical and historical basis for corporate governance is due to the theory of corporate governance. The Theory Agency, whose emergence dates back to the Americans Means & Berle in 1932, who noticed that there was a separation between the ownership of capital and The company and the process of oversight and supervision within the managed companies, and this chapter has its effects on the level of the company's performance, and then it was the turn of the Americans

The winners of the Nobel Prize in Economics, Meckling & Jensen, who paid attention to the concept of corporate governance and highlighted its importance in reducing or minimizing problems that may arise from the separation of ownership and management represented by agency theory, In 1976, they presented a definition of this famous theory: «We know Agency theory as a relationship according to which the main person “ the owner of capital” resorts to the services of another person “the worker” in order to perform some tasks for him. The task requires his deputy in power »^[1]

This was followed by a set of scientific and practical studies that emphasized the importance of adhering to the principles of corporate governance and its impact on increasing confidence Investors in the members of the boards of directors of companies, and thus the ability of countries to attract new investors, whether they are local or foreign, and the consequences of This is the development of the economies of countries^[4]

So, corporate governance came as a reaction and response to the call of the shareholders in order to limit the negative behavior of the managers, and to impose control that protects the interests. common to all and maintains the continuity of the company as well ^[1]

Definition of corporate governance

The word governance has many concepts and connotations, so we will try to understand its linguistic and terminological concept.

Language :

The word governance goes back to an ancient Greek word that expresses the ability of the ship's captain (Greek good) and his skills in leading the ship in the midst of 4 Waves, hurricanes and storms, and what he possesses of noble values and morals and honest and honorable behavior in preserving the lives and property of passengers The term corporate governance comes in English (governance) linguistically from the verb (govern) which means to rule or control, but it has not been Arriving at an agreed-upon synonym in the Arabic language for this term, and the association of this term with the word (corporate) gave it more than one meaning. In this context, more than fifteen meanings were found in the Arabic language to explain the term ^[5] It is difficult to find a unified definition agreed upon by all economists, jurists and analysts for the concept of corporate governance, and this is due to its overlap between from all member states of the organisations ^[10].

Traditionally :It is a set of ways through which investors can be sure of achieving reasonable profitability for their investment ^[3] .

Importance and objectives of corporate governance:

As a result of the administrative and financial failure of corporate sites in the world, interest in corporate governance has increased These institutions mainly suffer from the absence of good governance.

1. The importance of applying corporate governance ^[8] :
 - Fighting internal corruption in companies and not allowing its existence or continuity, but eliminating it and not allowing it to return again.
 - Achieving and ensuring the fairness, impartiality and integrity of all employees, starting with the Board of Directors and Executive Directors, down to the lowest employee in the Company;
 - Achieving safety and health, and the absence of any intentional or unintentional errors or deviation, and preventing the continuation of this error and deficiency.
 - Fighting deviations and not allowing them to continue, especially those whose presence poses a threat to interests or whose persistence makes it difficult to achieve good results. business and need urgent reform intervention;
 - Reducing errors to the lowest possible extent, but rather using the preventive protection system that prevents the occurrence of these errors and thus avoids companies costs and the burdens of this occurrence.

2. Corporate Governance Objectives

Corporate governance standards and determinants work to achieve many goals, including the following ^[2] :

- Improving the ability of projects to achieve their objectives by improving the mental image and positive impression of it;
 - Improving the decision-making process in companies by increasing managers' sense of responsibility and the possibility of holding them accountable through the General Assembly;
 - Improving the credibility of data and information and achieving cross-border comprehension;
 - Incorporating considerations of environmental and ethical issues into the decision-making system;
 - Improving the degree of transparency, clarity, disclosure and dissemination of data and information;
 - Increasing the ability of enterprises to improve their competitive position and attract other investments and capitals;
 - Increasing the management's ability to motivate workers and improve the rates of labor turnover and the stability of workers
- Corporate governance also allows for the creation of trust between dealers in times of financial scandals and collapses, and enables financial investors, in particular, to obtain On means that control the management of their assets distributed over several investment portfolios and lead to maximizing benefits

3. Dimensions of corporate governance and the parties concerned with its application :

Through the foregoing, it is evident to us that the governance of companies and various institutions interacts with them from the concerned parties and with them, each according to his powers and his responsibilities ^[10]

A- Supervisory Dimension:

This dimension relates to strengthening and activating the supervisory role of the Board of Directors over the performance of the executive management and stakeholders.

B- Regulatory dimension:

It is related to the strengthening and activation of control, whether on the internal or external level of the company. On the internal level, the strengthening and activation of control deals with Activate the internal control systems and risk management systems, while at the external level it deals with the laws, regulations and rules of registration in the stock exchange and the availability of Opportunity for shareholders and interested parties to control as well as to expand the scope of the external auditor's responsibilities and to strengthen its independence.

C- The moral dimension:

It is related to creating and improving the control environment, including ethical rules, integrity, honesty, and spreading the culture of governance at the level of corporate departments. and business environment in general.

D- Communication and maintaining balance:

It is related to the design and organization of relations between the company represented by the Board of Directors and the executive management on the one hand, and external parties, whether of interest. Or the supervisory, regulatory or regulatory authorities on the other hand.

E- The strategic dimension:

It is related to formulating business strategies and encouraging strategic thinking and looking to the future based on careful study and sufficient information on its past and present performance, as well as studying the factors of the external environment and estimating their various effects based on sufficient information about environmental factors. and the extent of mutual influence between them.

F- Accountability:

This element specifies publicizing the company's activities, performance, and purpose to shareholders and others who are legally entitled to hold the company accountable.

J- Disclosure and Transparency:

Disclosure and transparency relate not only to the information necessary to rationalize the decisions of all stakeholders at the company level, but also The concept to include disclosure in public reports on financial matters^[11]

2- Parties involved in the application of corporate governance:

There are four main parties that are affected and influence the proper application of the rules of governance and determine to a large degree the extent of success or failure in applying these rules. The rules are ^[9]:

1) Romans:

They are the ones who protect the capital through their ownership of the shares and in return for the profits, as well as the maximization of the institution over the long term They are the ones who have the right to choose the appropriate board members to protect their rights.

2) Board of Directors:

The number is a general drawing of approval to the United Nations rotating administration Audit and risk management committee.

3) the concerned :

They are a group of parties that have an interest within the organization, such as: creditors, suppliers, workers, employees, and their interests may be sometimes Conflicting, for example: the creditors are concerned with the ability of the institution to pay, while the employees are concerned with its ability to continue^[7]

2. Interest in the issue of corruption has increased since the second half of the eighties due to its negative effects on economic, social and political development.

Many studies that have taken the issue of corruption as their title, in which the researchers presented a presentation of images and manifestations of corruption and an analysis of this phenomenon in an attempt ^[6] serious and honest efforts on their part to reveal the causes of this phenomenon, and thus work to combat it and limit its spread The phenomenon of corruption has troubled all analysts and academics at all national and international levels, as the United Nations Convention against Corruption was launched Corruption are expressions mentioned in the preamble, indicating the seriousness of corruption as a phenomenon that has a great impact on all human societies, as it was mentioned here: "...States The parties to this agreement,

Concerned by the seriousness of the problems and dangers posed by corruption to the stability and security of societies, which undermines the institutions of Democracy and its values, moral values and justice and endanger sustainable development and the rule of law, Concerned also by the links between Corruption and other forms of crime, in particular organized crime and economic crime, including money laundering, and further concerned by cases of corruption, Which relate to huge amounts of assets, which could represent a large proportion of the resources of countries, which threaten political stability and sustainable development to those countries, and convinced that corruption is no longer a local matter, but rather a non-national phenomenon affecting all societies and economies, which makes cooperation It is necessary for the international community to prevent and combat it

Define the concept of corruption:

We will try to define the linguistic and terminological concept of corruption in the following:

1. Language:

Corruption in language dictionaries is in (corruption) against reconciliation and (corruption) is the language of invalidity, so it is said that the thing is corrupted, i.e. vanity and withered away, this and corruption have two meanings Several differ according to its placement and location in the phrases used in it, as it is (barrenness or drought) as in the Almighty's saying: "Corruption has appeared on land and sea with what The hands of the people have earned so that some of what they have done may taste to them that they may return." Surah Al-Rum verse 41, which is (tyranny and arrogance) as in the Almighty's saying: "For those who do not They want exaltation in the land and not corruption." Surat Al-Qasas verse 83, and it is clear from the above that the Holy Qur'an strictly prohibits corruption completely. Hence It can be said that corruption is a language that means damage, damage, and disorder, as it refers to corruption and the departure of something from moderation, and its opposite is righteousness ^[13]

2. Term

There have been many definitions concerned with the issue of corruption, the most important of which we mention ^[5]:

Definition of the Encyclopedia of Social Sciences: Corruption is the misuse of public power to achieve private profits, and therefore the definition was inclusive of bribes of local or national officials. Or politicians excluded private bribes

Reasons for the emergence of financial and administrative corruption^[1]:

A - Marginalization of the role of oversight institutions, which may suffer from corruption themselves;

b - the presence of bureaucracy in state institutions;

C - A political power vacuum resulting from the struggle for control of state institutions;

d - The weakness of civil society institutions and the marginalization of their role;

E- Availability of the appropriate social and political environment for the emergence of corruption.

2. RESEARCH RESULTS:

By addressing a number of concepts related to financial and administrative corruption and corporate governance, and then examining the various mechanisms of governance In order to address the severity of this corruption, we reached a number of results in our research, which we summarize as follows:

- The application of corporate governance is the way out and an effective solution to address the phenomenon of administrative and financial corruption, and to guarantee the rights of stakeholders within companies, especially investors;
- The impact and importance of corporate governance and its role in protecting the interests of individuals, institutions and groups in many economic and legal aspects. social;
- Good corporate governance helps to attract investments, whether foreign or domestic, and helps to reduce capital flight. combating corruption;
- Establishing effective and serious systems to evaluate the performance of public institutions through the principle of accounting for the tangible and immaterial costs of corruption, so that corruption is not justified. To freeze the cancellation of anti-corruption plans because their costs are higher than the costs of corruption.

3. CONCLUSION:

Attitudes towards the issue of financial and administrative corruption have changed at the present time, and talking about it is no longer taboo, especially after the issuance of the agreement. In addition, the private sector has become no longer a supporting party to financial and administrative corruption, but has become an active party through its efforts. aimed at reducing its effects. The principles of corporate governance have become a pivotal party in the reform process, as they do not lay down a pivotal system that governs the relationship between Owners, investors, creditors and managers only, but it is considered as an incentive for reform through the application of the best standards of transparency, accountability and legal frameworks. Which would curb financial and administrative corruption and eliminate its effects.

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