The Impact of Inter-Organization Methods of Confronting Financial Corruption in Improving Financial Health of Melli Bank in Kashan, Iran

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Abstract
The present study deals with the analysis of the impact of inter-organization methods of confronting financial corruption on improving the financial health in the Melli Bank of the city of Kashan. The statistical subjects of the research were all the personnel of the branches of Melli Bank in Kashan who were 182 people. Based on the Morgan table, 123 people were chosen as the sample mass and the questionnaires were distributed among them. In this study, the questionnaire was designed by the researcher and it includes 32 questions that were planned according to the conceptual model of the research. To divide and analyze the data, descriptive statistics (average, standard deviation, etc.) and inferential statistics (the one sample run t-test, Friedman) were utilized through the version 18 of the SPSS software package. Results indicate that the inter-organization methods of confronting financial corruption have significant impacts on improving the financial health. On the other hand, according to the rating of the Friedman test, the variance of law executives has the highest position among the variables and the variance of retrieval and restoration of the corrupted money has the lowest position between the variables.

Keywords: inter-organization methods, financial corruption, financial health

Introduction
In today's complicated industrial world, where many ethical and religious values are fading and their effective roles in personal and social relation are neglected, a great number of justice systems have attempted to give social order by legislating peremptory and binding rules and tried to somehow prevent the expansion and pervasiveness of corruption by legislating precautionary rules and regulations against corruption and organizational reforms and creating sensitivity in public opinion (Mary Hatch, 2003).

The financial corruption and all of its subcategories, meaning bribery, embezzlement and misuse of post and position are among the issues that are deeply rooted and all societies face and they are not exclusive to one or some countries. But, it should be noted that despite the expansion of this evil phenomenon in all the economic systems of the world, their consequences are harsher on developing countries. Some of this harshness is derived from these countries' development process that they are forced to dedicate a notable share of their sources of finance and credit to developer investments and this issue opens up the path for the further deviation of the sources.

Half of the attention of the financial corrupts is always given to the banking system and therefore, the expansion of financial corruption is always likely to take place in there. It is partly because of the fact that the banking system has a great power in creating credits and financial facilities and this is a golden opportunity for the corrupt. The other reason is the expansion of electronic transactions in the banking system. Although this plays a vital role in facilitating transactions and financial endeavors, but in case the infrastructures for supervision and tracking were missing, it gives a good opportunity to the abusers of the system. It is precisely due to this that the tools of fighting misuse and corruption in the banking systems of developing countries are more evolved and supervision is the highest necessity. This reminds us of the necessity for a more
powerful supervision over the financial system, a great part of which is in the hands of the banking system (Eqtesad Journal, 2011).

**Research terminology**
The word corruption is derived from the Latin route (rumpere), meaning to break and violate. What is broken or violated can be an ethical, social or work regulations behavior (Tanzi, 2008).

Various definitions of corruption have been presented. For instance, it is said that corruption is to utilize public power for personal interests, such as getting a promotion and becoming known in a way that causes the breach of the law or neglecting ethics (Kaufmann, 2008). Corruption is to misuse the liberties that are appointed to reach undefined results in the appointed responsibilities (Mauro, 1995). In another definition, it is stated that corruption is the misuse of public facilities and resources for personal interests (Alvani et al, 2010). The most complete definition in this field is the one given by the World Bank. According to this definition, financial corruption is the misuse of power and facilities in both governmental and private sectors for personal, group, ethnic or tribal interests (Langseth, 2008).

**Major and minor corruption**
A major corruption is the one that reaches the highest levels of the government and causes the trust to the government and the ruling of the law and economic stability to be exponentially lost. Minor corruption includes the transaction of very small amounts of money and giving small interests by people who have a preference in hiring their friends and relatives in unimportant positions. The most significant difference between major and minor corruption is that the first type of corruption includes the deviation or corruption in the functions of the government, while the other appears and grows in the field of an office system and stable social frameworks (Robinson, 2004).

**Active and passive corruption**
In the subjects of transactional crimes, like bribery, bribing (active corruption) is usually appointed to proposing or paying bribes, while receiving bribes (passive corruption) is to accept bribes (Rose-Ackerman, 1997).

**Financial corruption**
The functional definition of financial corruption in the view of the World Bank, the International Monetary Fund and other references is to misuse power to gain personal interests (Rahbar, 2002). On the other hand, they define financial corruption as the illegal paying of the brokers of the public sector to gain the profit one does not deserve or the misusage of the government's workers for their personal interests (Taylor, 1989).

By analyzing the present definitions, the result can be reached that in all definitions, the financial corruption is a transaction of interests between the governmental and private sectors during which public interests are guided toward personal interests.

**Types of financial corruption**
Bribery: Bribery is the most common type of corruption in the business that may be done openly or discreetly (Zgravz, 2012).

Fraud: It is another type of financial corruption in which the members of a firm are involved in misusage for personal interests (Zgravz, 2012).

Embezzlement: Embezzlement is to take the properties of a firm or organization for personal interests (Miller, 2006).

Reimbursement: It is referred to in cases where payments are done by the salespersons to people in exchange with contracts that cause the high inflation of the costs (Treisman, 2006). It is in fact a type of commission that is given to the person who is bribed in exchange for a reclaimable service (Langseth, 2008).
Impacts and consequences of financial corruption

The negative impacts of financial corruption on the correct appointing of resources

Financial corruption cripples the way to follow the principle of providing resources by the government and neglects the basic priorities in national plans. Only those activities will be prioritized that are in coordination with the ill interests of the corrupted operators. It is here that people go toward illegal activities and try to get quick and easy money instead of discovering the abilities and talents.

The negative impacts of financial corruption on the proper distribution of incomes

This impact is created by reducing governmental income and this reduction of abilities leads the government to be paralyzed in undertaking civil, basic and infrastructural plans and also carrying the plans of growth and development. The incorrect pattern of incomes causes the expansion of inequalities and massive class gaps and prevents the establishment of social justice in the long term. Therefore, weak and lower sectors of the community enjoy the least amount of social facilities, they have no positions in the distribution of incomes and the governmental investments will not be in favor of this sector.

The negative impacts of financial corruption on economic growth

The deep negative impact of financial corruption is on economic growth and consequently on development. Reduction of economic sufficiency, improper appointment of resources and the improper distribution of incomes, together with the reduction of investing motivations in the long term has a negative impact on the country's economic growth. Consequently, the economic outcomes of the expansion of financial corruption in the countries can include the antigrowth and antidevelopment nature of financial corruptions, creation and expansion of poverty and its impacts and consequences and also change in the economic culture. The negative impacts of corruption in bad economic and social conditions can work both on social and personal levels.

The improper appointment of rare resources

Corruption in the budgeting process reduces important expanses for the networks of social security development. Therefore, the limited financial resources are spent on places where only a few number of people gain interests instead of being spent on social sectors that are of high priorities.

The suppression of people's rights

The corrupt office system creates the corrupted cycle in which the government loses its power and authority. When there is corruption, human rights and freedoms are at risk and economic and social norms become unpredictable.

Exemption from punishment

The justice system and the people who accept bribes affect the elements of corruption and crime in the society. The harshest impact of corruption on the economy is disassembling the expanses of the government. Corrupt politicians guide financial resources to places where they can earn major bribes discreetly. For instance, appoint resources to the production of goods in whose categories the competition is not fierce or they produce product whose values are hard to determine.

Disassembling the expanses of the government

Analyses show that financial corruption causes the expanses of the government to be disassembled because corrupt politicians guide the resources to parts where they will gain major interests. They are more interested in buying aircraft and investing in huge projects rather than publishing text books and increasing teachers' incomes, in spite of the fact that these expanses help the economy to grow.

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A barrier for economic growth

Corruption reduces the pace of the economic growth by weakening the public infrastructures and services and also reducing tax incomes. Consequently, talented people tend to intermediation and brokerage instead of working in creative positions. One of the channels through which corruption damages a country is deforming and perverting the structure and assembly of governmental expanses. Present inquiries show that each country that is able to reduce corruption in its territory from the rate of 6 to 8 (0 is the highest rate of corruption and 10 is the lowest), witnesses an increase in investments in the amount of 4 percent and an increase in the GDP growth in the amount of 5 percent.

Lack of motivation for fighting corruption

Whenever corruption roots in a system and people act in the framework of that system for a long time, the motivation for fighting corruption is diminished, even if all the people were to know that had the system changed, they would have enjoyed better lives.

Political unrest

The continuation and resistance of corruption in some of the countries of the world clearly shows how corruption causes political instability. Therefore, corruption and political instability are in fact two faces of a coin. In countries where coups take place one after the other, in fact, a corrupt regime replaces another. But, there are still dictators who stay in power for years and let the people around them to take personal interests in public properties. These regimes are formed by a group of the elite that agree to a certain amount of corruption and fraud. This level of corruption, although very high, is not so much as to cause the overthrow of the dictator regime.

Social gap

Financial corruption increases social gap and inequalities because resources are often given to sectors that are able to refund. In other words, people who have higher financial and situational abilities, attract more resources, which in turn lead to social gap (Bakhshi, 2012).

Inter-organization methods of confronting financial corruption

Evaluating the nature and amount of corruption

This method is utilized to present quantitative evaluations of the amount of corruption in a country or a part of a country. Also, this method presents quality evaluations of the most common forms of corruption and shows how corruption takes place and what factors can help create it. This program is usually utilized prior to designing a national method for confronting corruption.

Institutionalization

As a lot of the factors that are related to institutional cultures and structures affect the degrees and levels of actual corruption, these effects can be neutralized or reduced by institutional reformations. These reforms include having factors for the responsiveness of the organizations, eliminating layers or facilitating the operation to reduce errors and the hidden opportunities for corruption and also, incorporating further structural reforms to change the approaches and beliefs of all the active members of each institution. In some cases, some institutions can be completely eliminated or be designed with a new structure for a new beginning, or new institutions can be established.

Postural prevention

The prevention method is divided into the two parts of postural prevention and social prevention. The postural prevention, which is what this paper is concerned with, is a series of measures taken against corruption in special conditions in which corruption takes place. But, in social prevention, anticorruption measures are directed toward social or economic factors and the goal is to create conditions in which the possibility for creating or backing corrupt act is decreased.
Programs that deal with postural prevention, as it was mentioned earlier, are focused on preventing corruption in conditions where the institutions, functions or other important public interests are included. But, many programs can be applied with minor reforms and adjustments in the private sector.

**Law enforcement (revealers of corruption)**

One of the basic problems of those who chase down and investigate corruption is that unlike common crimes such as theft, harassment, murder, etc. corruption does not have a specific victim that would probably sue the criminal and there is no evident event that is possible to be reported by witnesses. In corruption cases, those who are directly aware of this crime are generally a party of interest in the case, which in turn make it unlikely for a report to be given. Yet still, corruption is not a crime without a victim. In many cases, the sole victim is the interests of the public. Therefore, any kind of confrontation method for corruption should include elements whose goal is revealing the existence of corruption.

**The restoration of the revenue of the corruption**

With the increase in the worries regarding corruption, now a great part of the legislated plans of judiciary systems are appointed for confronting it. These plans include measures for identification and confiscation of the financial and non-financial revenue of corruption. In different justice system, this issue is regarded as punishment. A tool that first insures that the motivation for the occurrence of corruption is eliminated and then, prevents the formation of financial resources for criminals that are able to be utilized to weaken governments or for other corrupt acts. Lately, in major corruptions, other motivations have been added to this fact based on this reality and that is when a corrupt system is changed, its replacement tries to restore the revenue of the corruption with this belief that these are in fact stolen from the public. These revenues provide the empty funds of the new government, which have lost their power due to the previous corruption.

**Financial health**

Financial health is the clarity, integration, responsiveness, responsibility and work reports of the specific financial periods of a financial organization or institution with regard to the appointed financial goals of that organization without any financial deviations.

**Reasons for reduction in the financial health of banks and financial institutions**

A. **Weakness of risk management system**

In spite of the several researches and advises in the world regarding banking risks management and the necessity of giving them more heed, unfortunately in our country's banking system the subject of risk and risk management are only discussed on the level of a show of names and a department. The risk management departments in banks in the view of international institutions such as the BCBS and the requirement of the Central Bank are created as indications of prestige and without content. In some cases where the content is also heeded and measures have been taken, they are not observed in practice.

The more important point is that among the different types of banking risks, banks have traditionally (and not in the form of modern models of risk management) has undertaken credit and cash risk management. While the most important banking risk, meaning operation risk is neglected. Operation risk is among the most complicated risks in every industry and managing it needs sufficient processes and advanced computer systems. Unfortunately, in our banking system, these factors are not observed.

B. **Lack of sufficient supervising systems**

The mechanism for supervising banks and credit and financial institutions in the world is in two forms: The integrated supervision through the central bank and supervision through an
independent observer. The amount of the function of both these methods is almost equal in all the
countries of the world. In our country, the mechanism of supervision on banks and credit institutions
is applied by the central bank and the investment market also has a separate supervisor position. As
the central bank does not have enough independence in our country and the subject of the
independence of this bank has been discussed for years in different places and no conclusion has
been reached, the subject of central banking has been combined with the subject of supervision over
banks. The central bank has been unable to supervise banks because of the imposition of
contradictory policies in many cases. Carrying orders of the nature of supervision, financial policy
and economic and partial development and also in some cases the shortcomings of the bank's
punishment system in the view of its board (which will be discussed later), have stained the
efficiency of the central bank's supervision.

C. Lack of appropriate punishment systems

The central bank as the supervising member of the country's banking system can incorporate
punishments for delinquent or inconsiderate banks. These punishments must match the importance
of the subject, the delinquency or the inconsideration and they must include a series of banks or
institutions, their executives and workers and sometimes their major share holders. In many
countries of the world, the punishments of the central bank or the banking supervisor are very harsh
and when it comes to laundering, these punishments have been very hard for inconsideration and
carelessness. But, is the bank in which delinquencies have been done, has been properly punished
because of the lack of a sufficient supervision system?

D. Lack of advanced information technology in the banking system

One of the issues that have made the efficient supervision on the banking system so difficult
is the shortcomings in the banks. Lack of online access to banks' information or the possibility to
provide the needed information of the supervisors are among the problems that the central bank
faces everyday because of the lack of a modern system of information technology in the banks.
During recent years, executives from major banks who were governmental authorities have not done
anything notable in this field because of the costliness of reaching modern technologies and also the
sanctions. The amount of the embezzlement done in the year 1995 in one of these banks would have
sufficed to renovate and update the information technology facilities of all the banks of the country.

Four methods for increasing the financial health of the banks

A. Creating an approach based on risk in the banking system

Based on the guidelines of the BCBS, risk in the banking industry is categorized in the two
groups of financial risk (credit, profit ratio, pecuniary and market) and non-financial risk
operational). The banks of the country often regard the subject of risk in the traditional and
separated way and mostly in the form of financial risks and they neglect the integrated management
of all risks, especially the operational risk.

The cause of this negligence is rooted in different elements such as lack of enough
knowledge in the field of risk management in the country, lack of relation with other banks and
pioneering countries in this field, the shortcomings of the systems and the information technology
and the lack of necessitating the culture by responsible institutions like the central bank. In the field
of risk management, one of the primary principles for defining a product is to identify different risks
in relation with it and taking measures for the needed tools for controlling and managing each risk.
Is the risk of internal document credits in the country well known? If so, is there any controlling
method that has been thought of? The answer to both questions is negative because only through
these tools, the biggest bank embezzlement has taken place.
**B. Strict confrontation with laundering**

Laundering is categorized as operational risk but because of its direct connection to crimes and felonies and different types of felonies, it is better to be discussed in a separate part. Preventing laundering is in fact to fight any kind of corruption and felony in the society especially in the financial department of a country. A successful plan for fighting laundering includes a mechanism for identifying potentially vulnerable parts that should be in the special attention of banks and financial institutions. Determining and undertaking proper measures for reducing such vulnerable points, is a vital element in the complete plan for the financial institution and helps control risks with laundering.

**C. Restructuring the supervision system of the country's financial sector**

As it was stated earlier, now the structure of the country's supervision system is based on the supervision of the central bank on the banks and financial institutions and the supervision of stock market on the fund market and institutions that provide funds and investments. In conditions that the country's central bank is not independent enough, supervision on the banking system by this bank may not be followed by satisfactory sufficiency and added to that, integrated supervision is not applied.

The suggestion of a lot of experts is that the field of bank supervision must be separated from the central bank and after being merged with the supervision structure of the fund market, supervise the investment and fund market in the form of an independent institution under the parliament or the justice system. This suggestion needs more precise and complete analysis.

**D. Developing technology in banks**

Almost all banks have done several studies in relation with devising a strategy for information technology and also plenary banking systems, but still most banks do not have specific methods in this field and with the changes in bank executives, the incomplete measures taken in this field are left without conclusion.

Shortcomings in the number of experts in designing an information technology method who are familiar with all the fields of designing strategy and field of banking have become a bigger reason for lack of devising proper strategies in this field. Economic sanctions are also among the reasons that cause the lack of deployment modern technologies or the use of skilled international consultants.

**Research method**

The present study is applied in terms of its goal and descriptive-scaling in terms of data collection. The goal of this research is to determine the impact of the inter-organizational methods of confronting financial corruption on improving the financial health in the branches of Melli Bank of the city of Kashan and its conclusions are useful in all financial organizations and institutions.

The statistical subjects of the present study are all the personnel of Melli Bank of the city of Kashan (182 people in total). According to the Morgan table 123 people were chosen as statistical subjects.

After gathering information through questionnaire and categorizing them to analyze information through different statistical methods. The statistical methods used in this paper include descriptive statistical skills (including amplitude tables, average, standard deviation, Likert scale, etc.) and skills of inferential statistics including the T test and Kolmogorov-Smirnov test. The software used for data analysis is also SPSS software.
Data analysis

Testing the hypothesis of the normality of variables

Table 1: Analyzing the normal distribution of the variables (Kolmogorov-Smirnov)

<table>
<thead>
<tr>
<th>Research variables</th>
<th>Normality test</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retrieval and restoration</td>
<td>0.175</td>
<td>0.094</td>
</tr>
<tr>
<td>Law enforcement</td>
<td>0.126</td>
<td>0.062</td>
</tr>
<tr>
<td>Postural prevention</td>
<td>0.137</td>
<td>0.057</td>
</tr>
<tr>
<td>Institutionalization</td>
<td>0.112</td>
<td>0.066</td>
</tr>
<tr>
<td>Evaluation</td>
<td>0.127</td>
<td>0.082</td>
</tr>
</tbody>
</table>

Testing research hypotheses

T-test was used for testing the five hypotheses. The results of these tests for each of the hypotheses are separately presented in Table 2.

Table 2: Summary of the statistical results of hypothesis testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Variable</th>
<th>df</th>
<th>t</th>
<th>Sig.</th>
<th>Mean</th>
<th>SD</th>
<th>Max</th>
<th>Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Evaluating the corruption and its power</td>
<td>122</td>
<td>4.390</td>
<td>0.000</td>
<td>3.1831</td>
<td>0.46257</td>
<td>0.2657</td>
<td>0.1005</td>
</tr>
<tr>
<td>H2</td>
<td>Institutionalization</td>
<td>122</td>
<td>6.376</td>
<td>0.000</td>
<td>3.3163</td>
<td>0.55007</td>
<td>0.4144</td>
<td>0.2181</td>
</tr>
<tr>
<td>H3</td>
<td>Postural prevention</td>
<td>122</td>
<td>14.421</td>
<td>0.000</td>
<td>3.4766</td>
<td>0.36651</td>
<td>0.5420</td>
<td>0.4112</td>
</tr>
<tr>
<td>H4</td>
<td>Law enforcement</td>
<td>122</td>
<td>15.958</td>
<td>0.000</td>
<td>3.7130</td>
<td>0.45461</td>
<td>0.8013</td>
<td>0.6247</td>
</tr>
<tr>
<td>H5</td>
<td>Retrieval and restoration of the revenue of corruption</td>
<td>122</td>
<td>2.515</td>
<td>0.013</td>
<td>3.1139</td>
<td>0.50225</td>
<td>0.2036</td>
<td>0.0243</td>
</tr>
</tbody>
</table>

Prioritizing the impact of the variables

According to the information resulted from the table below, with regard to the average of the determined priorities by doing the Friedman test, the law enforcement parameter and the postural prevention has more effectiveness than other parameters and the retrieval and restoration of corruption revenue parameter has the least effectiveness among all the parameters on the improvement of the financial health in banks and financial institutions.

Table 3: Results of Friedman test

<table>
<thead>
<tr>
<th>Variables</th>
<th>df</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law enforcement</td>
<td>3.92</td>
<td>1</td>
</tr>
<tr>
<td>Postural prevention</td>
<td>3.28</td>
<td>2</td>
</tr>
<tr>
<td>Institutionalization</td>
<td>2.93</td>
<td>3</td>
</tr>
<tr>
<td>Evaluating corruption and the institutional powers for confronting it</td>
<td>2.6</td>
<td>4</td>
</tr>
<tr>
<td>Retrieval and restoration of corruption revenue</td>
<td>2.27</td>
<td>5</td>
</tr>
</tbody>
</table>

Conclusion

With the growing increase of financial and economic corruption on the one hand, and on the other, the reduction in the financial health of banks and financial and credit institutions in different countries including Iran, investigating the factors that are related to this subject (financial corruption) and solutions and methods to confront it seem necessary. What should be regarded in the planning for confronting financial and economic corruption is that each society's social advance and development and consequently global development, depends on having a clean economy without corruption. Only the society can reach economic independence whose economic investors enjoy the needed safety for investing and on the other hand, the account holders and providers of the financial resources of the banks and financial and credit institutions should be reassured about giving their...
properties and funds to the banking system so that they can help the country grow and develop. Therefore, with regard to the importance and effective role of this subject (financial corruption) on the country's economy, the focus on the subject of financial and economic corruption and the ways to confront it and also the efforts to increase the level of the country's financial and economic health seems to be an undeniable necessity.

**References**


