

-RESEARCH ARTICLE-

THE EFFECT OF ADMINISTRATIVE CORRUPTION PHENOMENON ON THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES IN IRAQ

Haitham Obaid Abd Alzahrh

Department of Mechanical Engineering
Faculty Engineering / Babylon University, Iraq
Email: eng.haitham.oh@uobabylon.edu.iq
<https://orcid.org/0000-0003-4284-79658>

Ihab Malik Raji Al-Ameedee

College of Islamic science / Babylon University, Iraq
Email: ehab.malik@uobabylon.edu.iq
<https://orcid.org/0000-0003-4284-79658>

—Abstract—

Currently, the organization' success depends on the control of illegal activities such as fraud and misuse of company assets and capture the attention of recent researchers and policymakers. Thus, the purpose of the research is to examine the impact of administrative corruption (employee absenteeism, employee inefficiency, employee fraud and misuse of assets) on the success of the small and medium enterprises (SMEs) in Iraq. The authors have collected the data from the financial statements of the SMEs from 2016 to 2020. The current study has used the random effect model (REM) and the generalized method of moment (GMM) to test the association among the variables. The results indicated that administrative corruption such as employee absenteeism, employee inefficiency, employee fraud and misuse of assets have a negative association with the success of the SMEs in Iraq. This research guides the regulators regarding the regulation formation related to control administrative corruption.

Keywords: Administrative corruption, employee absentee, employee inefficiency, employee fraud, misuse of assets, small and medium enterprises, return on equity

1. INTRODUCTION

Small and medium-sized businesses (SMEs) play a critical role in job creation and economic growth. SMEs is linked and have a direct impact over the top to bottom level

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of the society (Doshmanli et al., 2018; Jamali et al., 2015). As a result, it is not surprising that small and medium-sized firms (SMEs) attract a lot of attention in Iraq. According to preliminary data, Iraq's small and medium-sized enterprises (SMEs) account for more than 99 per cent of the total number of businesses in the nation. According to the facts, small and medium-sized businesses (SMEs) play an important role in the nation's economy and well-being. There are different sectors especially manufacturing has the highest concentration of small and medium companies (SMEs), followed by food and drinks, metals and metal products, and wood and wood products. Small and medium-sized companies (SMEs) development is seen as a major issue in many nations, including Iraq since it plays a significant role in providing more employment and economic conversion (A. Khan et al., 2019; Malca et al., 2020). It is also implied that sectors having a direct impact by small and medium-sized firms (SMEs) are more capable of developing dynamic economies of scale. The functions of small and medium-sized firms (SMEs) in the generation of productive employment are concerned with their location in the middle of a spectrum of sizes and resource intensities in a growing economy. The common society is the ultimate beneficiary of the success of SMEs. Although there is several factors that impact the success of the company but the most common all around the globe is corruption. In the modern era, the developed as well as the developing nation are worried about the effects of corruption and investing their best efforts to minimize it (Hoinaru et al., 2020; Khidirov Khoshim Ibodullaevich, 2021). There are several organizations all around the globe which monitor the corruption and impacts like World Bank etc. The Global Corruption Index Rating of Iraq is given in Figure 1.

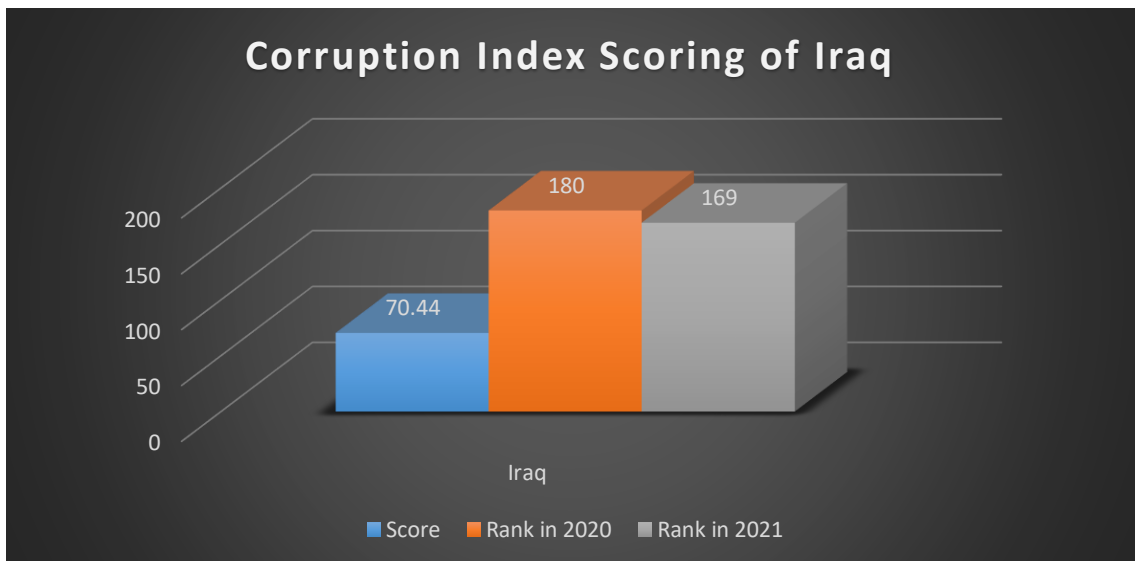


Figure 1: Global Corruption Index Rating of Iraq

Corruption is derived from the Latin word "rumpere," which means "breaking." As a result, corruption occurs when anything is damaged or compromised. Those things might be ethical guidelines, legislation, or administrative norms (Ishengoma, 2018; Mousavi et al., 2013). Corruption is described as "the abuse of entrusted power for private benefit" by the World Bank and Transparency International. There is universal agreement on the term, and it has been assumed that a set of laws and regulations exist that establish a framework for permissible administrative actions. Any administrative conduct that violates the laws and regulations for personal advantage would be considered administrative corruption. It is self-evident that this definition will be complete if its boundaries are defined and inclusive. Corruption in any civilization is relative and characterized by the community's value system. Administrative corruption is defined by the World Bank and Transparency International as "the misuse of delegated power for private gain or for family ties and interests." (Al-Frijawy et al., 2018; Mousavi et al., 2013; Taboli et al., 2019).

Iraq is rated very high in the world in terms of corruption as given above. Like, Iraq, Venezuela, North Korea, Libya, Sudan, Yemen, Afghanistan, and Syria top the international list of the most corrupt nations. Figure 1 reflects that there is 11-point increase in corruption from 2020 to 2021. This increase in ranking shifts Iraq from high to very high-risk evaluation. Although this has a strong negative impact on the overall economy as well as this also had an impact on small and medium-sized businesses as a part of the economy. The contribution of SMEs to GDP and the exodus of standards and metrics for SMEs performance and output from their worldwide counterparts, not just in Iraq but also in most developing countries. There are a number of factors that stands behind why this contribution is low like the country political, economy, administrative model etc. The present study will focus on administrative corruption and its impact on SMEs. The present study addresses some gaps does exist in the literature like 1) Corruption is one of the important and painful topics of developed as well as developing countries although researched although but with the passage of time its multiple factors are under exploration which indicates that it still not reached its peak, 2) there is a lack of evidence regarding administrative corruption and SMEs particularly in Iraq. 3) Drebee et al. (2020), investigated the impact of corruption on the agriculture sector in Iraq by applying an Econometric Approach whereas the present study will work on SMEs. 4) (Mahmood et al., 2018) investigated the impact of corruption on the economy as a whole in Iraq with the perception of Religious Power whereas the present study will work on one of the sectors of the Economy i.e. Small & Medium Enterprises (SMEs). 5) Asaad et al. (2020), investigated the impact of corruption on the stock exchange in Iraq whereas the present study will work on SMEs. The significance of the present study is 1) will highlight the adverse impact of administrative corruption on SMEs especially in Iraq, 2) will also help the administrative as well as accounting professionals to understand

the impact of corruption on society and small and medium scale businesses, 3) will explain how corruption influence the SMEs success in Iraq.

The structure of the present study is composed of several phases. The first phase is about the introduction and after an introduction, the second phase of the study deals with evidence regarding administrative corruption and SMEs in light of past studies. The third phase of the study throws light on the methodology applied to collect the data regarding administrative corruption, SMEs and analyze its validity. The fourth phase compares the study results with the findings of other authors about the same subject and thus, approves these results. The paper ends with proper study implications, conclusions, and future recommendations.

2. LITERATURE REVIEW

Employees are a major part of the organization that helps the organizations to sustain and achieve higher performance in the global markets. An unfortunate rise in employee absentees not only raises the cost of organizations but also reduces the growth of return on equity. [Eskildsen et al. \(2021\)](#), investigated the employee absentees in private and public organizations that impact the returns on equity. The improper supply of labor and absentees of employees are major factors that demoralize the return on equity in all organizations. The variation of such absentees is enumerated by the application of various statistical techniques. The study shows positive personal effects that promote the lack of absentees and uplift the return on equity. These interact with the incentives toward employees and larger the returns inequity in corporate organizations. [Collins et al. \(2018\)](#), assessed the influence of absentee of employees due to illness and sickness that not only poses psychological variance among employees but also on the return on equity. Simultaneously, the return on equity is dependent on the employee presence in an organization that enlarges the working and better outcomes. Using the structural equation modelling techniques, the employee absentees and return on equity are assessed. Results indicate the significant association between employee absentees and return on equity. [Buys et al. \(2019\)](#), analyzed the support of the workplace due to employee efficiency and lack of absentees that promotes positive and successful growth over the return on equity. It could be positively upgraded by the contact of supervisors that are responsible for managing the long-term benefits for equity of organizations. Different statistical approaches and econometric techniques has been used among these factors. Study shows that reduction in employee absentees promotes higher performance of organization and higher return on equity.

The element of employee absentees is the negative and influential element for the significant rise in return on equity. This shows the main key in organizational performance which could be disrupted by the improper increment in employee absentees. [Tolonen et al. \(2017\)](#), investigated the costs and losses occurring in the organizations due to the rise in employee absentees and lack of working and physical

activities of employees. Inactive working due to huge absentees of employees is also resulting in the decrease in return on equity. The application of different statistical techniques and regression analysis positively showed employee absenteeism as a major factor in the decrement of return on equity. Studies indicate the reduction in employee absenteeism could positively increase the return on equity. X. Zhang et al. (2020), analyzed the dividends and investors by the payouts of return on equity by involving the importance of employees. In organizations, performance is viewed with various targets that are designed according to the expected returns and dividend is one of these targets. Using various statistical techniques and ratios, results are likely to indicate the employee dominance and investor eyes over the organizations. Study shows that payout ratios are directly linked with employee absentees that inflate the emergence of return on equity. De Biasio et al. (2017), examined the competition and returns on equity in the markets of the UK with affiliations of social networks developed by the employees. Various stakes are interpreted by the existence of employee absentees that comprehensively identifies the impacts on return on equity. Using various databases, the statistical and ratio approaches have been applied among return on equity and employee absentees. Results indicated positive interpretations of employee absentees influencing the eminent returns on equity in large and small type of organizations.

Working conditions and working environments are major essential for the increment in return on equity. Due to employee inefficiency, the return on equity can be derailed that indicates the lack of efficiency in labor and employee practices. De Winne et al. (2019), examined the impacts of employee turnover and volatility in uplifting the productivity of an organization that indicates employee efficiency and inefficiency. It is upon the flexibility of employee approach the efficaciously contributes its portion for the better return on equity. Among these factors, the significant non-linear approaches have been properly used that interprets the employee inefficiency over the return on equity. Study shows significant and positive employee turnover states employee efficiency while inefficiency results in a lack of return on equity. Z. Khan et al. (2019), interpreted the role of human resource practices that deal with employee efficiency and its resilience with the return on equity. Increasing interest in employee efficiency positively helps the employees to contribute their larger proportion to the organization. Qualitative and qualitative methodologies significantly interpret the lack of employee inefficiency reduces employee resilience in return on equity. Results positive shares the lack of employee inefficiency is the lack of development in HR practices and this effectively results in the decrease in return on equity. Zeng et al. (2020), explored the relationship between work-family culture, organizational dissent and employee burnouts that are linked with employee efficiency and inefficiency. There is a major role of employee inefficiency in organizations that interrupts the return on equity. The proper balance of work and responsibilities managed by the employees could develop the return on equity according to the applicability of multiple

regression analysis. Results articulate the employee inefficiency a main factor that likely to extend the difference and reduction in return on equity.

There are numerous ways to prevent the inefficiency of employees in the workplace. By maximizing the ultimate needs of human resources and targets of attaining higher return on equity, employee inefficiency could be eliminated. [Edwards et al. \(2020\)](#), extended the participation of employees that is emergent in changing and ensuring the probability of return on equity in the corporate organizations. Successful change in employee efficiency and inefficiency is prominent in promoting the return on equity in global markets. This is positively explained by the application of econometric and statistical approaches among the elected factors. Results indicate that employee inefficiency could be positively removed by the transparency, trust and commitment of supervisors managing the employee participation in return on equity. [Jamaani \(2021\)](#), investigated the joint and single impacts of financial policies that intervene the employee efficiency among the return on equity markets. Using the different incidents on the economy, government interventions by policies and power distances, the return on equity is measured. For this purpose, the data is obtained from various developing countries and a regression technique has been applied. The study shows the positive impacts of financial policies, index prices, government interventions and employee inefficiency contributing to the return on equity. [Bianconi et al. \(2017\)](#) asserted the positive role of employee contributions with the market to book values in the commodity sector to interpret the eminence and emergence of return on equity. Employee efficiency and inefficiency is the main element that could develop positive measures for return on equity in the corporate markets. Using the ordinary least square and regression analysis, the return on equity has obtained the positive impacts of employee role and other market value factors. Employee inefficiency uncovers the gaps and negative values that reduces the return on equity.

Different advantages are gained in the organizations by using deliberate intentions of committing fraudulent activities. These activities are performed after establishing the trust among the organizations that are a threat to the return on equity. [Cordis et al. \(2017\)](#), investigated the relationship between corporate frauds and whistleblower laws that impacts the return on equity. It is essential to assess the frauds that are committed by the employees that retaliate with the corporate returns in global markets and in the organizations. For this association, statistical approaches have been used with the assistance of econometric applications. The lower whistleblower and lack of fraud prevention in the organization are deterrents to the return on equity. [Zhang et al. \(2018\)](#), analyzed the relationship between costs of corporate bonds and corporate frauds that is inappropriate to the growth of return on equity. Various typical factors associated with corporate frauds indicates the employee emergence in fraudulent activities. This involvement of employee fraud in the organization reduces the performance and outcome of the organization. Results indicated the robust impact of

employee fraud on the return on equity after the induction of different statistical approaches. Severe involvement of corporate frauds in the organizations is reluctant to the return on equity and positive outcomes. [Ewelt-Knauer et al. \(2021\)](#), assessed the misreporting and probabilistic audits in organizations that are highly influential due to employee behavior and fraudulent activities. These activities are problematic in the growth of return on activities that is ultimately dependent on the employees misreporting and unfortunate audits. Various statistical and econometric approaches have been extended for the assessment of organizational performance that is necessary for the return on equity. Result shows that anonymity of employee fraud is a high threat to the rise in return on equity.

Higher employee fraudulent activities affect the size and outcomes of the organization. The reputation of return on equity can be affected by the increment in employee fraud that is a deception to the authority and trust of the organization. [Kura et al. \(2019\)](#), stated the linkages of human resource practices that are counterproductive toward the working behavior of employees involved in fraudulent matters. Strong countermeasures are eminent elements for the engagement of employee frauds for its positive eliminations. Taking the data of various employees in the organizations and their practices of engagement in various activities are assessed by the usage of econometric techniques. Results indicate that demographics of employee fraud is the larger engagement of lack in human resource practices that impacts the return on equity. [Becker \(2021\)](#), examined the relationship between leverage ratios and return on equity with the dominant role of employee contributions and frauds. Usually, employee fraud is considered as the main objector over the return on equity that could be eliminated in all types of organizations. In uncovering the elements of employee frauds and various employee dynamics, valuation formulas with different techniques have been applied. Cash flows are valued with debts and equity where the tax shields are properly viewed after the determination of employee fraud in an organization. Vergara [Garavito et al. \(2021\)](#), analyzed the expected return on equity and cash holdings that are majorly influenced by employee fraud in an organization. Employee fraud in the corporate sector is considered a major problem for organizations that interrupts the positive growth of return on equity. For interpreting the impact of employee fraud over the return on equity, regression analysis with various statistical techniques has been used. Results indicate that, employee fraud significantly influences and degrades the growth of return on equity in global markets.

Misappropriation of assets or fraud, in general, is significant to and critical for accountants, auditors, and businesspeople. The losses caused by fraud have an impact on the economy as a whole. "Fraud is a social phenomenon, not merely an accounting problem." ([Wells, 2004](#)) Accountants, auditors, and business people all have distinct but related obligations to uphold in relation to the general public and the bodies that supervise their performance. These obligations include having honesty, disclosing

important information fairly, and ensuring that the information given is trustworthy. Misappropriation of assets disrupts all of these commitments since stealing lacks integrity; concealment of the crime contradicts the fair disclosure responsibility and altering records to avoid detection ensures untrustworthy information. French (2019), assessed the gearing of return on equity that is highly influenced by the improper and misuse of assets in an organization. The misuse of assets is not only prevalent in large organizations but also exist in small and medium enterprises. Various statistical approaches, when applied to the misuse of assets in organizations, indicates the negative impacts on the return on equity. Study shows the successful growth of return on equity is decreased by the misuse of assets. Jang (2021), examined the relationship between return on equity and monetary policy that is extended by the approach of misuse of assets. Usually, the misuse of assets arises after the implementation of monetary policies that are clearly derailed due to misuse of assets. Different econometric approaches stated the determination of monetary policy for positive shocks in the return on equity. Study shows the improper and misuse of assets poses a negative impact on the return on equity, especially in small and medium-term enterprises.

3. RESEARCH METHODS

The article examines the impact of administrative corruption (employee absenteeism, employee inefficiency, employee fraud and misuse of assets) on the success of SMEs in Iraq. The authors have collected the data from the financial statements of the SMEs from 2016 to 2020. The study equation is given below:

$$ROE_{it} = \alpha_0 + \beta_1 EA_{it} + \beta_2 EIE_{it} + \beta_3 EF_{it} + \beta_4 RUA_{it} + e_{it} \quad (1)$$

Where;

- ROE = Return on Equity
- i = Firm
- t = Time Period
- EA = Employee Absentees
- EIE = Employee inefficiency
- EF = Employee Fraud
- MUA = Misuse of Assets

The authors have used business success as the dependent variable and measured as the ratio of net profit to total equity. In addition, the researchers also used administrative corruption as the independent variable and measured the ratio of employee absent days

to the number of days in a year, the ratio of short timing at the workplace to total working hours, logarithm of the total amount of fraud and logarithm of the total amount of assets misused. Table 1 shows the measurement of the variables.

Table 1: Measurements of Variables

S#	Variables	Measurements
01	Business Success	The ratio of net profit to total equity
02	Administration Corruption	The ratio of employee absent days to the number of days in a year
		The ratio of short timing at the workplace to total working hours
		The logarithm of the total amount of fraud
		The logarithm of the total amount of assets misused

The authors have used descriptive statistics that exposed the total observations, mean and standard deviation. Moreover, it also shows the minimum and maximum values of the constructs. In addition, a correlation matrix has been used by the authors to examine the directional nexus among the constructs. Finally, the variance inflation factor (VIF) was also run by the authors to check the multicollinearity. The VIF equations are given below:

$$R^2_Y \longrightarrow Y_{it} = \alpha_0 + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + e_{it} \quad (2)$$

$$j = R_Y^2, R_{X1}^2, R_{X2}^2, R_{X3}^2, R_{X4}^2, R_{X5}^2 \quad (3)$$

$$Tolerance = 1 - R_j^2 \quad VIF = \frac{1}{Tolerance} \quad (4)$$

Moreover, the Hausman test has been run by the authors to find the appropriate model among fixed and random models. Finally, the authors select the REM, and researchers assume that the “effect size differs from one research to the next.” REM equations are mentioned as under:

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \varepsilon_i + u_{it} \quad (5)$$

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + w_{it} \quad (6)$$

In equation (5) $w_{it} = \varepsilon_i + \mu_{it}$ and ε_i show the “individual-specific error component”, and μ_{it} shows the “time-series error component”. REM equation by adding this study constructs as given as under:

$$ROE_{it} = \beta_1 + \beta_2 EA_{it} + \beta_3 EIE_{it} + \beta_4 EF_{it} + \beta_5 MUA_{it} + w_{it} \quad (7)$$

Finally, the authors have used the GMM model to test the nexus among the constructs. GMM model controls the issues of autocorrelation as well as heteroscedasticity that generally exist in the data. The equation for GMM is given as under:

$$Y_{it} = \delta Y_{i,t-1} + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + u_{it} + \varepsilon_{it} \quad (8)$$

GMM model also has a suitable model in the case of autocorrelation, heteroscedasticity and normality issues in the model. The GMM model equation with present study constructs are given as under:

$$ROE_{it} = \delta ROE_{i,t-1} + \beta_1 EA_{it} + \beta_2 EIE_{it} + \beta_3 EF_{it} + \beta_4 MUA_{it} + u_{it} + \varepsilon_{it} \quad (9)$$

4. STUDY FINDINGS

The authors have used descriptive statistics that exposed total observations, mean and standard deviation. Moreover, it also shows the minimum and maximum values of the constructs. The figures highlighted that the total observation of the study is 150 (30 firm x 5 years). The results also show that the mean value of ROE is 1.629, while the average value of EA is 0.165. In addition, the average value of EIE is 0.247, while the mean value of EF is 5.309 and MUA mean value is 12.939. These values are shown in [Table 2](#).

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	150	1.629	0.607	1.179	3.437
EA	150	0.165	0.193	0.045	0.756
EIE	150	0.247	0.576	0.199	0.386
EF	150	5.309	0.516	3.756	6.271
MUA	150	12.639	20.521	4.380	65.89

In addition, a correlation matrix has been used by the authors to examine the directional nexus among the constructs. The findings exposed the negative impact of EA, EIE, EF and MUA on the ROE. [Table 3](#) highlights these relationships.

The VIF was also run by the authors to check the multicollinearity issue in the data. The findings show that the values of VIF are not larger than five that indicating the no multicollinearity issue in the model. [Table 4](#) shows the VIF results. The Hausman test has been run by the authors to find the appropriate model among fixed and random models. The probability value is larger than 0.05 that accept the null hypothesis about the REM is appropriate. [Table 5](#) shows the probability value of the Hausman test.

Table 3: Correlation Matrix

Variables	ROE	EA	EIE	EF	MUA
ROE	1.000				
EA	-0.276	1.000			
EIE	-0.556	-0.157	1.000		
EF	-0.051	-0.424	0.178	1.000	
MUA	-0.567	-0.021	-0.148	0.468	1.000

Table 4: Variance Inflation Factor

	VIF	1/VIF
EF	1.740	0.575
MUA	1.439	0.695
EA	1.284	0.779
EIE	1.113	0.899
Mean VIF	1.394	.

Table 5: Hausman Specification Test

	Coef.
Chi-square test value	2.814
P-value	0.589

The results of REM indicated that administrative corruption such as employee absenteeism, employee inefficiency, employee fraud and misuse of assets have a negative association with the success of the SMEs in Iraq. The results also indicated that 56.1 per cent of changes in ROE are due to the EA, EIE, EF and MUA. [Table 6](#) shows the association among variables using REM.

The results of GMM indicated that administrative corruption such as employee absenteeism, employee inefficiency, employee fraud and misuse of assets have a negative association with the success of the SMEs in Iraq. [Table 7](#) shows the association among variables using GMM.

5. DISCUSSIONS

It has been indicated by the study results that employee absentees, which is a phenomenon of administrative corruption, have a negative impact on return on equity. These results are supported by the past study of [Ferris et al. \(2021\)](#), which states that firms operations are carried on by employees, their productivity and financial performance are dependent on employees performance. The punctuality of the employees in performing their duties is to ensure consistency in business operation,

which improves firm goodwill and enhances profitability. Contrary to this, the organizations where employees' absenteeism is frequent, there is low marketing and low profitability.

Table 6: Random Effect Model

ROE	Beta	S.D.	t-value	p-value	L.L.	U.L.	Sig
EA	-0.593	0.221	-2.69	0.007	-2.160	1.026	***
EIE	-0.477	0.068	-7.06	0.000	-0.610	-0.345	***
EF	-0.121	0.014	-8.64	0.000	-0.296	-0.095	***
MUA	-0.015	0.002	-7.60	0.000	-2.011	-0.019	***
Constant	5.454	0.799	6.83	0.000	3.889	7.019	***
Overall r-squared	0.591		Number of obs		150		
Chi-square	176.688		Prob > chi2		0.000		
R-squared within	0.523		R-squared between		0.640		
*** $p < .01$, ** $p < .05$, * $p < .1$							

Table 7: Generalized Method Moment

ROE	Beta	S.D.	t-value	p-value	L.L.	U.L.	Sig
EA	-0.723	0.318	-2.27	0.002	-1.947	-0.501	***
EIE	-0.746	0.196	-3.81	0.000	-1.134	-0.359	***
EF	-0.168	0.037	-4.54	0.000	-1.934	-0.598	***
MUA	-0.026	0.005	5.29	0.000	-2.016	-0.036	***
Mean dependent var	1.596		SD dependent var		0.578		
Number of obs	150		F-test		.		
*** $p < .01$, ** $p < .05$, * $p < .1$							

These results agree with the previous study of [Sartor et al. \(2018\)](#), which shows that when employees are frequently absent at the time of work, the performance of the whole organization is disturbed, as the working of one department in a company is linked with that of another department. Thus, the business effectiveness becomes difficult, and there is low profitability. These results are also supported by the past study of [Behrouzi et al. \(2019\)](#) when the business administration is corrupt or poor, employees are seen randomly on their jobs. Inconsistency in employees' attendance may keep them unaware of the many organizational issues, decisions, statistics, and all the other events that occur in their absence. In this situation, knowledge and information, which are the key factors of business creativity, innovation, and large profitability, are missing. Thus, employees' absentees adversely affect the firms' success. These results are also in line with the past study of [Bennedsen et al. \(2019\)](#), which shows that agility and responsiveness are essential factors to a firm's success in the competitive market as all the consumers want their needs to fulfil in no time. But,

the employees' frequent absentees from the job makes it impossible to fulfil the customers' orders at the right time and respond to their innovative requirements about the quality of products and delivery time. So, the increase in the frequency of employees' absenteeism is a threat to return on equity.

The study results have also indicated that employee inefficiency, an administrative corruption phenomenon, has a negative impact on return on equity. These results are supported by the previous study of [Khan \(2021\)](#), which analyzes employee inefficiency and its impact on firm success. According to this study, if there is a lack of responsible and honest administrators, there may be hiring of inefficient employees who lack the basic knowledge of the position, skills required for the effective performance, speed required, and have unprofessional behaviour while interacting with firm's stakeholders. These inefficient employees are unable to act upon the firm policies and business strategies. That is why there is low profitability. These results are also in line with the past study of [Lorincová et al. \(2019\)](#), which highlights that employee inefficiency results in a decrease in the firm profits and becomes a hurdle in the way of firm success as they are unable to cope with the changes in the market trends, and customer innovation requirements. And the lack of customer satisfaction and marketing of products reduces profitability. These results are also in line with the previous study of [Prentice et al. \(2020\)](#) which posits that when in case of administrative corruption, the employees show a lack of responsibility toward the organization and company stakeholders and do not perform their functions wholeheartedly. The inefficiency showed by the employees damages the quality of products and spoils customer service quality. The lack of customer satisfaction for the defective products or products designed on a conservative pattern result in low profitability and comes in the way to business success.

The study results have also shown that an administrative corruption phenomenon, employee fraud has a positive relation to returning on equity. These results match with the study of [Nawawi et al. \(2018\)](#) which implies that employee' fraud in the form of conspiracy, leakage of the product formula, illegal disclosure of company secrets to some outsider, illegal dealings with the company stakeholders, theft, or smuggling of company resources, could be a great risk but a serious threat to company reputation, its competitiveness, and financial development (return on equity). These results are supported by the literary work of [Suh et al. \(2019\)](#), which states that employee fraud is purposeful conduct in which a person takes advantage of a position of trust or power through deception. It can harm any company, regardless of size or industry, and poses a significant risk not just to the financial bottom line but also to the company's reputation. This may reduce the company's share value in the market, and the return on equity also goes down. These results are also in line with the previous study of [Kazemian et al. \(2019\)](#), which shows that some dishonest employees persons who cannot live on their limited income and want much more without efforts through a

shortcut start walking on the illegal path. Such employees commit fraud within the organization, and this fraud may not adversely affect the firm reputation but also drop the financial position of the company in the market by reducing the return on equity.

It has also been revealed by the study results that the misuse of assets and administrative corruption phenomenon has a negative influence on return on equity. These results are in line with the research of [J. Zhang et al. \(2020\)](#), which shows that employees in an organization have certain rights to approach and utilize the business assets or resources when needed. Employees are granted this authority or right to make the best use of these assets or resources for business welfare. But some corrupt employees with evil intentions take advantage of the authority and misuse the assets for personal objectives. In this case, the firm has to face heavy loss, and the return on equity is less, which is a threat to business success. These results are also in line with the previous study of [Margherita \(2021\)](#), which reveals that the corrupt employees do not care for the organizational effectiveness, employers' profits or company's welfare while making any decision, plan, or taking action for personal satisfaction or trust. These employees do not hesitate to steal from the company's assets like machinery and related parts, equipment, instruments, and cash in hand for personal interest, abusing their authority or position. This results in the total loss of the company and thus, lowers down the return on equity and makes business success impossible. These results are also supported by the past study of [Flannery et al. \(2021\)](#), which states that when an organization, unfortunately, hires some corrupt employees, its future progress is endangered. The reason behind this is that the corrupt employees do not try to utilize all the resources and assets for business purposes they also try to fill their own pockets and houses, having made misuse of business assets and resources.

6. IMPLICATIONS

The current study succeeds to achieve a dominant place in the theoretical world because of its significant contribution to the literature on business success. This study analyzes the impacts of the administrative corruption phenomenon on business success. The current study uses the measurement of return on equity to represent the business success, which is an addition to the literature. This study examines the four administrative corruption phenomena such as employee absenteeism, employee inefficiency, employee fraud, and misuse of assets and checks their influences on return on equity. Employee fraud and misuse of assets are the well-known and well-discussed administrative corruption phenomena in the previously established literature. Many authors have addressed administrative corruption phenomena like employee fraud and misuse of assets as critical business issues and a threat to business success. In contrast, employee absenteeism and employee inefficiency as the administrative corruption phenomena and their impacts on return on equity or business success have been debated by scholars a little in the existing literature. So, the presents study analyzes the all the four administrative corruption phenomena, such as employee

absenteeism, employee inefficiency, employee fraud, and misuse of assets, as determiners of return on equity and business success. This study proves to be a significant theoretical guideline for economists, owners, investors, and top managers while making policies to administer and run a business. This study highlights the threats to the business performance, its profitability, and success and thus, diverts the attention of readers (economists, owners, investors, and top managers) to effectively supervise and remove these threats. The study suggests that business success through high profits can be improved by reducing employee absenteeism, employee inefficiency, employee fraud, and misuse of assets.

7. CONCLUSION AND LIMITATIONS

The aim of the study was to check how much the administrative corruption phenomena could be defective for business success. The study was conducted with the aim to analyze the backward influences of four administrative corruption phenomena such as employee absenteeism, employee inefficiency, employee fraud, and misuse of assets on return on equity. The study analyzed the administration corruption phenomena such as employee absenteeism, employee inefficiency, employee fraud, and misuse of assets and checked their influences on return on equity in the small and medium enterprises in the economy of Iraq. The results of the study are based on this empirical analysis. The results showed that the frequent absenteeism of employees at the workplace adversely affect the business effectiveness in different ways, reduces productivity, and total profits on equity. The results also revealed that when there is corrupt administration and employees show inefficient behavior while performing their duties, the business working is ineffective, which could not attract customers and reduces the return on equity. The study findings revealed that the employee commits fraud by taking advantage of a position of power through deception; they can harm the company, not only its financial position but to the company's reputation. Thus, employee fraud adversely affects business success. The study also concluded that the misuse of assets on the part of corrupt employees for their personal benefits, the business has to face loss, and they fail in the market.

Despite the theoretical and empirical implications, the current study also faces some limitations, and future authors are expected to remove these limitations. The study analyzes only the impact of the administrative corruption phenomenon on return on equity and business success. At the same time, many other factors like financial position, organizational climate, or innovation have deep impacts on business profitability and success. Thus, future authors are recommended to analyze a greater number of the constructs affecting business success in financial terms. In addition, the authors have analyzed the nexus among the aforementioned factors in the small and medium enterprises in Iraq only. For a more valid study, the authors must analyze more economies to check the nexus among administrative corruption phenomena such

as employee absenteeism, employee inefficiency, employee fraud, and misuse of assets on return on equity.

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