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# AN INVESTIGATION ON FACTORS CONTRIBUTING INTO PREVENTION OF TAX OFFICERS FROM BEING FINANCIALLY CORRUPTED
## (CASE STUDY: IRANIAN MINISTRY OF ECONOMIC AFFAIRS AND FINANCE)

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## ABSTRACT

*The present research is aimed at **investigating the factors contributing into prevention of tax officers from financial corruption (case study: Iranian Ministry of Economic Affairs and Finance (MEAF)).** Statistical population is composed of experts working in MEAF's departments of fraud, inspection and money laundering with a total staff of 200 persons (as of 2012). Of this population, a sample of 132 experts were taken via Cochran sampling approach. Once sample size was evaluated, random sampling method was used to determine the sample; the researchers then prepared a questionnaire with the help of experts and authorities who finally confirmed its contents. In terms of its objectives, this is an applied research conducted via descriptive-survey-based method. Documentary and library investigations as well as field studies were utilized for gathering the required data and information. A Cronbach alpha of 0.959 confirmed the research to be reliable, while it was further validated via content validity analysis. Considering the main objective in this research, the hypotheses were tested by Pearson correlation test as well as multiple regression analysis with the results indicating the presence of significant positive associations between economic, psychological, IT-related, cultural, human resources-related and structural factors with the prevention of tax officers from financial corruptions, so that the mentioned factors may prevent tax officers from being financially corrupted.*

*Furthermore, Freidman test results showed the following sequence of priorities for the factors contributing into the prevention of MEAF's tax officers from financial: economic factors, psychological factors, IT-related factors, cultural factors, human resources-related factors, and structural factors.*

***Keywords:*** *financial corruption, tax officer, prevention, prevention from financial corruption.*

## 1. Introduction

Being a multi-aspect phenomenon, financial corruption is a result of multiple causes leading to multiple effects with different representations under different conditions. It ranges from a simple personal bribery action to a pervasive misappropriation encompassing all pillars of politic and economic systems. The definitions proposed for "financial corruption" vary from the general expressions of "misappropriation of public power" or "ethical corruption" to its strict legal form as an "act of bribery by a governmental agent". As such, one may see the study on financial corruption to be a multi-aspect task involving a range of subtasks from public theoretical modelling to description of financial scandals. Complicated nature of the corruption has convinced many observers to believe in no quick well-defined approach for treating such a phenomenon .Every year, such financial issues incur heavy non-compensable financial costs. In order for the corruptions and frauds to be recognized, one may monitor individuals' behaviors, so as to identify and prevent individuals from exhibiting either suspicious or unconventional behaviors. "Unconventional behavior" is a general term which refers to either violation of law, fraud, violation of others' rights, or intentional manipulations in individuals' accounts and any other action with its aim being to corrupt some ones' financial affairs (Nye *et al.*, 1967). Building numerous obstacles along the path to economic growth, corruption imposes negative impacts on economic development. Such an impact is more pronounced on open economies rather than those on closed ones. Misguiding the talents and potential as well as actual human resources toward illegal activities with the aim of gaining easy revenues, corruption makes the basis for downturns in its every aspect (Satish Krishnan et al,.2013).Financial corruption is a pervasive phenomenon by which all communities in all times have been affected, although to different extents. Annual reports by Transparency International (TI) organization (2009) have shown that no country around the world is free from financial corruption; there are, however, significant differences among the extents to which different countries around the world are financially corrupted .Similar to other countries, Iranian governmental system has suffered from financial corruption and its associated expenses which, due to either internal or external factors, have pushed the country's development backward giving rise to numerous concerns and issues within the country. Here, financial corruption refers to those activities by governmental staff and officials which inaccurate costs to public interests with their aim being to gain interest for a particular person or agent. Numerous managerial and organizational factors (such as structural factors, organizational culture, communications, psychological factors, payment system, monitoring and controlling system) and managerial tasks (such as planning, organization, resource and facility arrangement, leadership, governance, supervision, and control) may contribute into financial corruption (Azimi, 2011:63). Corruption control is well-recognized as an index of good governance. To be considered when developing adjustment strategies are various contexts including economic, legal, and politic ones, so as to establish and put in place anti-corruption strategies well-suited with the social environment within which the corruption has been undertaken. In principle, financial corruption is the opposite to responsibility and the rule of law; it makes the government's capabilities less trusted by the people while threatening social and governance ethics. There is no doubt that a financially corrupted administration system is not to provide an adequate managerial tool to achieve so-called Iran's Outlook 2025 in terms of sustainable development Generally speaking, corruption makes the government weak, inefficient and unable to perform its duties; the capacity of government to collect taxes will be dramatically attenuated when there are ways for individuals or groups to invade taxes or there are approaches via which governmental officials can make money by fraud (Tadbir-e-Eghtesad research institute, 2003). Financial corruption appears in numerous economic fields including the corresponding taxing organization. Due to complexity of the tax legislations, extensive interactions between the tax officer and the tax payer, and ambiguities within the governing legislations, one may observe such a phenomenon which reduces the ratio of tax revenues to gross domestic production (GDP).

Financial corruption gives rise to tax invasion as associated costs with collecting taxes. On the other hand, the government will be incurred by implicit taxes as capital flow control leads private return on investment (ROI) to be reduced.

Being a significant tool to enforce financial and economic policies, taxes are utilized by governments to not only adjust macro-economic variables such as economic stability and growth, inflation, unemployment, etc., but also to better allocate the resources, redistribute the revenues and promote social equality .Experiences gained by most of developed countries serve as successful examples where, in spite of the fact that the governments had no access to vast financial resources coming from oil reservoirs and so on, they have relied on taxing revenues and used tax leverage to control and adjust other monetary, financial and economic indices such as liquidity, wealth distribution, inflation rate, exports – import balance, etc. (Iranian National Tax Administration (INTA), 2013).

Being the official proctor tax collection cycle, Iranian National Tax Administration (INTA) possess a particular position within Iranian financial affairs, so that possible corruptions or shortcomings within this organization may heavily impact the country's economy. MEFA is one of the authorities who supervises the activities undertaken by INTA; as such, the present research is aimed at finding, from experts' point of view, the factors contributing to prevention of tax officers from being financially corrupted, the extent to which each factor contributes to this purpose, and the order of preference across different factors. Once finished with a review on the theoretical framework, the research objectives are presented along with the research hypotheses, methodology, findings, and a final conclusion followed by some recommendations.

## 2. Theoretical Framework

Proposed by the World Bank, the simplest yet the best definition for financial corruption is "the misappropriation of the governmental power and authorities to gain personal benefits. One may consider financial corruption as well for those private sector activities which are regulated by the government. This phenomenon is particularly visible in giant private companies. In many cases, the offenders may not misappropriation governmental power and authorities solely for the sake of personal benefits, they rather use them to give rise to benefits gained by their intended party, social class, tribe, or even family. Financial corruption may not be seen as just an act of bribery (Tadbir-e-Eghtesad research institute, 2003:102).

### *2.1. Different Types of Financial Corruption*

Main forms of financial corruption include bribery, embezzlement, fraud and extortion.

**Bribe:** A sum (either in cash or non-cash form) paid or received via a corrupted interaction (Mevliyar et al,. 2008).
Bribe and bribery are among the most common financial and economic corruptions widely undertaken not only across Iran, but also at an international level, so that international economic organizations have identified the bribery to be one of the most important threats and serious obstacles along trusted international transactions with which these organizations are to cope (Langford et al., 1994 and Nikolaos et al,.2014).
**Embezzlement:** right now, our country is dealing with an ominous phenomenon called embezzlement; it is well extended across the administration and financial systems of all sectors.

Management system weaknesses, misappropriation of the position within the organization, disorganization when allocating administrative budgets, the directorates who step in parallel businesses, family (relative) connections, excessive administrative complexities, and bureaucracy can be listed as the main reasons by which embezzlements are developed across governmental agents, authorities, and institutions governed by the state. Involvement of governmental administrations in businesses, intermediation and fringe activities are among the most important factors contributing into embezzlements leading to loss of public assets (Langford et al., 1994).

**Misappropriation of position:** a process in which some officials utilize their political position to generalize, guarantee and extend their personal benefits in a well-organized fashion. Misappropriation can also be seen as a form of embezzlement. Officials in some states are given some benefits and concessions in terms of trading and property bounces.

**Fraud:** occurred when the individual who is responsible for enforcement of an order or fulfillment of a task assigned by his/her supervisor, changes the flow of information in his personal interest. Fraud is a legal yet general term publically used with its extent wider than those of either bribery or embezzlement. As an example, a fraud is evident when a set of governmental institutions and public representatives take part in illegal business scamming and extortion networks, or when they undertake forgery, smuggling and other organized economic crimes with well-defined official punishments.

**Extortion:** application of force, violence, or threatening acts to capture money or other resources (Ed. Robert Gibbons et al,. 2012).

Financial corruption not only largely impacts poor citizens within the society, but also imposes final expenses of extortions to poor people who will accordingly been more deprived.

Financial corruption is a combined result of various cultural, social, political, legal and economic factors, so that a well-recognition of these factors is seen to be a pre-requisite for those who are to seriously fight such issues. Since 30 years ago, when researchers raised the issue of rent-seeking and referred to illegal rent-seeking activities as financial corruptions, researchers of economy have been trying to investigate factors contributing to financial corruptions.

Tanzi have divided the factors contributing into financial corruption within governmental sector into two categories, namely direct and indirect factors. Those factors directly contributing into financial corruptions include governmental regulations and authorities, taxing regulations, decisions made on governmental expenditures, offering products and services at prices below market prices, and decisions made to finance political parties. On the other hand, the factors indirectly contributing into financial corruption include bureaucracy quality, public sector wages, punishment system, institutional controls, transparency of regulations, rules and processes, and behavioral patterns exhibited by the leaders .

Paolo Mauro (1998) suggested that governmental financial corruption have its root into business restrictions, governmental subsidies, pricing controls, multiple exchange rates for the foreign currencies and the way the currency is allocated, low wages in public sector, natural resources and sociological factors.

An investigation on literatures within financial – administrative corruptions indicated that each researcher have had his/her angle of view to determination of factors contributing to financial – administrative corruptions. As such, in order for the present research to be relatively comprehensive, the factors to be investigated have been chosen based on a general summation of theoretical foundations along with previous literatures on this subject. As a result, conceptual model of this research will be based on 6 major factors, namely economic, cultural, structural, human resources-related, psychological and IT-related factors, which are assumed to contribute into prevention of taxing officers in Iranian National Tax Administration (INTA) from being financially corrupted.

### *2.2. Factors Affecting Financial Corruption*

#### *2.2.1. Economic Factors*

Governmental economies are always accompanied by rents and lack of transparency. Accordingly, economic liberalization via elimination of non-reasonable restrictions imposed to trading, customs, banking, and business environments, in one hand, and making the regulations governing different public administrative and economic organizations and institutions simpler and more transparent, while legislating required regulations followed by careful enforcement of them, on the other hand, may eliminate the bases on which corruptions may develop (S.Rose-Ackerman, 1996).

In one of their studies, U.N.D.P. listed the causes by which governmental financial corruptions may develop as follows: payments equalizing the supply and the demand (i.e., the gap between supply and demand is a factor motivating governmental staff as well as officials); payments to take concession for firms to be privatized; payments to buy information gained by political influence; and payments to affect juridical decisions (U.N.D.P., 1997) .

Fokouh (2008) investigated a range of papers published within 1967 – 2005, based on which he showed that with the more discriminations and gaps between the staff and managers, the higher level of corruption will be realized within the organization. Considering the results coming from various researches, he suggested wages (economic factor in general) to be the main factor contributing into financial corruptions .

Served as principle factors for all social structures, economic factors largely contribute to reducing such personal activities as bribery and embezzlement (financial corruptions). Such economic development indices as GDP growth, per capita production and economic liberalization, quality of regulations, underground economy size, social development and citizen engagement are among the most important and affecting variables on financial corruption (Langford et al,.1994).

Public sector wages is seen to be another economic variable which affects financial corruption, particularly at micro level. For many years, observers and researchers found the wages gained by governmental staff to play a role in the size of financial corruptions realized; as an example, Assar Lindbeck (1998) believed that the low level of financial corruptions observed in Sweden is the result of the fact that the wages paid to top managers and officials were 12 to 15 times greater than those paid to industrial workers (Kuhlmann *et al*., 2008).

In one of their new researches, Rijckeghem and Weder (1997) investigated the relationship between wages and financial corruption. They used sectional data to find a significant correlation between financial corruption and level of wages. The researchers belive that one may reduce financial corruptions by rising the wages; so that much high levels of wages will be required to minimize financial corruptions.

Lambesdvorf claims that no significant cause-effect association can be proposed between the GDP and financial corruption, even though he confirms strong correlation between per capita GDP and the rank of each country in terms of associated indices with financial corruption. In contrary to his opinion, Paldam emphasizes on the influence of general level of poverty on financial corruption (Peter Rodriguez *et al*., 2005).

*2.2.2. Taxation and Customs Duties*

With the taxing regulations being transparent and clear enough, so as to minimize the interactions between the tax payers and tax officers, one may see it rare for the taxing process to be transformed into a financial corruption. However when:

1. Tax codes are not clear with different interpretations being possible, so that the tax payer fails to fulfil them without any help from a tax official,
2. A continuous communication between the tax payer and tax officers is required for the tax payer to be able to pay his/her tax,
3. Low wages are paid to tax administrators,
4. Violations and corruptions by the tax officials are neglected, and
5. Administrative and enforcement procedures fail to be transparent enough with the tax administrations and customs offices not carefully supervising their enforcement, and finally whenever governmental managers weakly supervise tax officers, financial corruptions are to be big issues dealt by tax administrations and customs offices (Abed et al., 2003 and [1] ).

*2.2.3. Cultural Factors*

Defined as a complex of common beliefs and values governing the behavior and thoughts of the organization itself as well as its members, organizational culture can serve as a source to build either a healthy environment or a space which promotes financial corruptions. Organizational culture refers to a set of common assumptions, beliefs, and values among organization's members which determines the organizational behavior pattern differentiating the organization from other organizations. With its fundamental functions, organizational culture have large capacities to prevent administrative corruptions via the impact it imposes on the staff (S.Rose-Ackerman, 1996 and Nye et al,.1967).

From a cultural point of view, administrative-financial corruptions make people less trust and rely on organizations, promote lazy and incompetent works, and loos social beliefs and values.

Trying to categorize cultural and social factors contributing to financial corruption one may refer to the following list:

- Lack of work ethic and social discipline,
- Unawareness or non-enough awareness of people of the limits of authorities, tasks and activities undertaken by agencies, and
- Inefficient social security system (Mark.Robinson, 2007).

*2.2.4. Structural Factors (Administrative Logistics, Regulations, Systems and Procedures):*

Weakness of structural and management system, misappropriation of position, disorganization in terms of administrative budgets allocation and expenditures, involvement of governmental directorates in parallel businesses, family (relative) connections, excessive administrative complexities, and bureaucracy can be listed under the main reasons by which embezzlements (an expression of financial corruption) are developed across governmental agents, authorities, and institutions governed by the state. Involvement of governmental administrations in businesses, intermediation and fringe activities are among the most important factors contributing into embezzlements (i.e., financial corruption) leading to loss of public assets.

By applying such modifications to governmental organizations as modification and improvement of organizations' formation, improvement of budgeting system, effective financial management, efficient tax system, formation of e-government, etc. may contribute to reduced financial corruptions (S.Rose-Ackerman, 1996 and Nye et al,.1967).

*2.2.5. Human Resources-Related Factors*

Among other factors contributing to promotion of financial corruption within administrative and human resources management sectors one may refer to lack of transparency and accountability against activities undertaken within administrative system, economic difficulties with which the staff are dealt, improper distribution of revenues, managerial instability and lack of job security for the staff, assigning excessive authorities and powers making the basis for misappropriation of power and authority, inefficiency or complexity of governing regulations, lack of a proper administrative system of incentives/penalties, lack of meritocracy system, etc. Among other solutions proposed to fight corruption, one may point to eliminating discriminations in terms of paid wages at different levels and providing compensations for low-income staffs as to be the most significant means by which to go for a society free of administrative corruption (Svensson et al.,2005)

It is necessary for every society to establish a correct insight into human resources and make the basis for human development indices to be enhanced. Accordingly, comprehensive justice and human development in various cultural and social aspects can play significant roles in reducing economic and financial corruption (Peter Rodriguez *et al.*,2005).

Improving employment systems with an emphasize on the principle that only the most meritorious individuals may enter and be maintained in the system, and establishing an incentive system for meritorious healthy staff within the administrative system, so as to sustain services provided by the staff, and making required educational and cultural basis for the staff's level of job conscience and ethics to be enhanced while upgrading their level of enjoyment and quality of life, particularly via rationalizing their wages according to their expertise, significance, role, and the quality they provide (Abed *et al.*,2003) and {7}.

*2.2.6. IT-Related Factors*

Development of internet networks together with ever increasing use of internet to reflect practices, investigations and empirical researches undertaken by developed countries, not only gives people the information on financial corruptions, but also helps countries once lacking enough knowledge in this context to utilize the expriences gained by other countries, so as to put some actions in place against financial corruptions (Heidenheimer *et al.*, 2002). Collecting adequate information and knowledge for the right people at the right time, knowledge establishment and assessment via data analysis using complex models to support decision-making process, provide managers with high quality information and knowledge to help them in strategic planning and control process, linking the knowledge and work flows to such organizational resources as staffs, gathering and storing information on requirements and demands raised by the customers with an emphasize on the customer information bank. In order to liberalize the information flows, it is necessary to eliminate restrictions placed in term of economic and financial corruption disclosure, so that this information can be equally accessed by public (Ed. Robert Gibbons *et al.*, 2012). In general, establishing an accurate and up to date information system can contribute to prevention of financial corruptions.

*2.2.7. Psychological Factors*

Mental-psychological anomalies, family struggles, undermined credit or dignity, and failure to properly guide individual talents are among the factors contributing to financial corruption (Svensson et al.,(2005).

Internal psychological factors refer to sociological factors associated with individual attitudes, low level of ethical and right patterns within governmental offices, promotion of egoism, relative-orientation, regionalism, and scientific groups within the society which contribute to financial corruptions (Nye *et al.*, 1967).

## 3. Research Objectives

1. Recognizing, from MEFA experts' point of view, factors contributing to prevention of tax officers from being financially corrupted,
2. Determining the extent to which each factor contributes to prevention of tax officers from being financially corrupted, and making the factors ranked based in the opinions from the sampled experts.

## 4. Research Question

***Main Research Question:***

From MEFA experts' point of view, which factors contribute to prevention of tax officers from being financially corrupted?

***Minor Questions***

1. How economic factors contribute to prevention of tax officers from being financially corrupted?
2. How cultural factors contribute to prevention of tax officers from being financially corrupted?
3. How structural factors contribute to prevention of tax officers from being financially corrupted?
4. How human resources-related factors contribute to prevention of tax officers from being financially corrupted?
5. How psychological factors contribute to prevention of tax officers from being financially corrupted?
6. How IT-related (information system) factors contribute to prevention of tax officers from being financially corrupted?
7. Does all factors equally contribute to prevention of tax officers from being financially corrupted?

## 5. Research Hypotheses

1. Economic factors significantly contribute to prevention of tax officers from being financially corrupted.
2. Cultural factors significantly contribute to prevention of tax officers from being financially corrupted.
3. Structural factors significantly contribute to prevention of tax officers from being financially corrupted.
4. Human resources-related factors significantly contribute to prevention of tax officers from being financially corrupted.
5. Psychological factors significantly contribute to prevention of tax officers from being financially corrupted.
6. IT-related (information system) factors significantly contribute to prevention of tax officers from being financially corrupted.
7. Different factors differently contribute to prevention of tax officers from being financially corrupted.

## 6. Research Methodology

In terms of its objectives, this is an applied research conducted via descriptive-survey-based method. Documentary and library investigations as well as field studies were utilized for gathering the required data and information. The questionnaire used in this research was designed by investigating previous researches and questionnaires introduced by Jin Liu , Bin Lin.( 2012) and Ed. Robert Gibbons *et al.* (2012) further edited by the help of and confirmed by experts from MEAF. A Cronbach alpha of 0.959 confirmed the research to be reliable, while it was further validated via content validity analysis. Designing such a questionnaire, the presence of these variables were measured and evaluated from MEAF's experts' point of view. Samples were taken via stratified random sampling method. The questionnaire was distributed among 132 experts working in MEAF's departments of fraud, inspection, offence, and money laundering as well as other managers and experts working there. Considering the main objective in this research, SPSS software was used along with regression analysis, Pearson correlation coefficient, and Freidman statistical tests to investigate factors contributing to prevention of tax officers from being financially corrupted.

## 7. Research Findings

Statistical inference methods studied in this research include:

- Kolmogorov–Smirnov (K-S) test, used to verify the normality across the data,
- Pearson correlation, used to investigate possible associations of economic factors, cultural factors, structural factors, IT-related factors, and human resources-related factors with prevention of tax officers from being financially corrupted.
- Regression analysis, used to evaluate the ability to predict prevention of tax officers from being financially corrupted by either of economic factors, cultural factors, structural factors, IT-related factors, human resources-related factors, and psychological factors. Therefore, one may begin with testing the normality across the variables:

### *7.1. Kolmogorov–Smirnov (K-S) test for normal distribution*

Table 1. Kolmogorov–Smirnov (K-S) test.

| ***Variable Index*** | ***Z (K-S)*** | ***Level of Significance (Sig.)*** |
|---|---|---|
| Economic Factors | 1.360 | 0.223 |
| Cultural Factors | 1.034 | 0.235 |
| Structural Factors | 1.309 | 0.065 |
| Human Resources-Related Factors | 1.161 | 0.135 |
| IT-Related Factors | 1.094 | 0.182 |
| Psychological Factors | 1.108 | 0.0132 |
| Prevention of Financial Corruption | 1.431 | 1.0131 |

Table 1 shows the results of Kolmogorov–Smirnov (K-S) test undertaken to verify the normality across the distributions of research variables. Considering the obtained levels od significance for independent variables of economic factors, cultural factors, structural factors, human resources-related factors, IT-related factors and psychological factors, and also for the independent variable of prevention of tax officers from being financially corrupted, the test results are not significant ($p > 0.05$), that is to say these variables enjoy normal distributions.

### *7.2. Pearson Correlation Coefficient Test*

Continuing with the investigation of inferential statistics, Pearson correlation coefficient test was used to assess the extent to which dependent variables are associated with independent ones. Obtained for this test was an about 0.05 level of significance.

### *7.3. Main Research Question*

In order to find the answer for the main research question, we investigate the variables by Pearson correlation coefficient as well as regression method.

*7.3.1. Hypothesis 1: Economic factors significantly contribute to prevention of tax officers from being financially corrupted*

*H0: Economic factors do not contribute to prevention of tax officers from being financially corrupted.*

*H1: Economic factors significantly contribute to prevention of tax officers from being financially corrupted.*

Table 2. Pearson correlation coefficient test for the association between economic factors and prevention of tax officers from being financially corrupted.

| ***Sample Size*** | ***Independent Variable*** | ***Dependent Variable*** | ***Correlation Coefficient*** | ***R Squared ($R^2$)*** | ***P-value*** | ***H0*** |
|---|---|---|---|---|---|---|
| 132 | Economic Factors | Prevention from Financial Corruption | 0.644 | 0.318 | 0.000 | Reject |

**Result:** As can be seen in Table 2, Pearson correlation coefficient (the intensity at which the two variables are associated with one another) and P-value are 0.644 and 0.000 (< 0.05), respectively. The results indicate a reasonably positive significant association between economic factors and prevention from financial corruption. Positive nature of obtained Pearson correlation coefficient further confirms the positive direct association between the two variables. That is, one may expect economic factors to prevent tax officers from being financially corrupted. Furthermore, the calculated coefficient of determination (COD) indicates that economic factors may represent 0.318% of the variance exhibited by the "prevention from financial corruption" variable.

*7.3.2. Hypothesis 2: Cultural factors significantly contribute to prevention of tax officers from being financially corrupted*

*H0: Cultural factors do not contribute to prevention of tax officers from being financially corrupted.*

*H1: Cultural factors significantly contribute to prevention of tax officers from being financially corrupted.*

Table 3. Pearson correlation coefficient test for the association between cultural factors and prevention of tax officers from being financially corrupted.

| ***Sample Size*** | ***Independent Variable*** | ***Dependent Variable*** | ***Correlation Coefficient*** | ***R Squared ($R^2$)*** | ***P-value*** | ***H0*** |
|---|---|---|---|---|---|---|
| 132 | Cultural Factors | Prevention from Financial Corruption | 0.487 | 0.134 | 0.000 | Reject |

**Result:** As can be seen in Table 3, Pearson correlation coefficient and P-value are 0.487 and 0.000 (< 0.05), respectively. The results indicate a reasonably positive significant association between cultural factors and prevention of tax officers from being financially corrupted. Positive nature of obtained Pearson correlation coefficient further confirms the positive direct association between the two variables. That is, one may expect cultural factors to prevent tax officers from being financially corrupted. Furthermore, the calculated coefficient of determination (COD) indicates that cultural factors may represent 0.134% of the variance exhibited by the "prevention from financial corruption" variable.

*7.3.3. Hypothesis 3: Structural factors significantly contribute to prevention of tax officers from being* financially corrupted

*H0:* *Structural factors do not contribute to prevention of tax officers from being financially corrupted.*

*H1:* *Structural factors significantly contribute to prevention of tax officers from being financially corrupted.*

Table 4. Pearson correlation coefficient test for the association between structural factors and prevention of tax officers from being financially corrupted.

| ***Sample Size*** | ***Independent Variable*** | ***Dependent Variable*** | ***Correlation Coefficient*** | ***R Squared ($R^2$)*** | ***P-value*** | ***H0*** |
|---|---|---|---|---|---|---|
| 132 | Structural Factors | Prevention from Financial Corruption | 0.401 | 0.54 | 0.000 | Reject |

**Result:** As can be seen in Table 4, Pearson correlation coefficient and P-value are 0.401 and 0.000 (< 0.05), respectively. The results indicate a reasonably positive significant association between structural factors and prevention of tax officers from being financially corrupted. Positive nature of obtained Pearson correlation coefficient further confirms the positive direct association between the two variables. That is, one may expect structural factors to prevent tax officers from being financially corrupted. Furthermore, the calculated coefficient of determination (COD) indicates that structural factors may represent 0.54% of the variance exhibited by the "prevention from financial corruption" variable.

*7.3.4. Hypothesis 4: Human resources-related factors significantly contribute to prevention of tax officers from being financially corrupted*

*H0:* *Human resources-related factors do not contribute to prevention of tax officers from being financially corrupted.*

*H1:* *Human resources-related factors significantly contribute to prevention of tax officers from being financially corrupted.*

Table 5. Pearson correlation coefficient test for the association between human resources-related factors and prevention of tax officers from being financially corrupted.

| ***Sample Size*** | ***Independent Variable*** | ***Dependent Variable*** | ***Correlation Coefficient*** | ***R Squared ($R^2$)*** | ***P-value*** | ***H0*** |
|---|---|---|---|---|---|---|
| 132 | Human resources-related Factors | Prevention from Financial Corruption | 0.292 | 0.98 | 0.000 | Reject |

**Result:** As can be seen in Table 5, Pearson correlation coefficient and P-value are 0.392 and 0.000 (< 0.05), respectively. The results indicate a reasonably positive significant association between human resources-related factors and prevention of tax officers from being financially corrupted. Positive nature of obtained Pearson correlation coefficient further confirms the positive direct association between the two variables. That is, one may expect human resources-related factors to prevent tax officers from being financially corrupted. Furthermore, the calculated coefficient of determination (COD) indicates that human resources-related factors may represent 0.98% of the variance exhibited by the "prevention from financial corruption" variable.

*7.3.5. Hypothesis 5: IT-related factors significantly contribute to prevention of tax officers from being financially corrupted*

*H0:* *IT-related factors do not contribute to prevention of tax officers from being financially corrupted.*

*H1:* *IT-related factors significantly contribute to prevention of tax officers from being financially corrupted.*

Table 6. Pearson correlation coefficient test for the association between IT-related factors and prevention of tax officers from being financially corrupted.

| ***Sample Size*** | ***Independent Variable*** | ***Dependent Variable*** | ***Correlation Coefficient*** | ***R Squared ($R^2$)*** | ***P-value*** | ***H0*** |
|---|---|---|---|---|---|---|
| 132 | IT-related Factors | Prevention from Financial Corruption | 0.717 | 0.198 | 0.000 | Reject |

**Result:** As can be seen in Table 6, Pearson correlation coefficient and P-value are 0.717 and 0.000 (< 0.05), respectively. The results indicate a reasonably positive significant association between IT-related factors and prevention of tax officers from being financially corrupted. Positive nature of obtained Pearson correlation coefficient further confirms the positive direct association between the two variables. That is, one may expect IT-related factors to prevent tax officers from being financially corrupted. Furthermore, the calculated coefficient of determination (COD) indicates that IT-related factors may represent 0.198% of the variance exhibited by the "prevention from financial corruption" variable.

*7.3.6. Hypothesis 6: Psychological factors significantly contribute to prevention of tax officers from being financially corrupted*

*H0:* *Psychological factors do not contribute to prevention of tax officers from being financially corrupted.*

*H1:* *Psychological factors significantly contribute to prevention of tax officers from being financially corrupted.*

Table 7. Pearson correlation coefficient test for the association between Psychological factors and prevention of tax officers from being financially corrupted.

| *Sample Size* | *Independent Variable* | *Dependent Variable* | *Correlation Coefficient* | *R Squared ($R^2$)* | *P-value* | *H0* |
|---|---|---|---|---|---|---|
| 132 | Psychological Factors | Prevention from Financial Corruption | 0.388 | 0.201 | 0.000 | Reject |

**Result:** As can be seen in Table 7, Pearson correlation coefficient and P-value are 0.388 and 0.000 (< 0.05), respectively. The results indicate a reasonably positive significant association between Psychological factors and prevention of tax officers from being financially corrupted. Positive nature of obtained Pearson correlation coefficient further confirms the positive direct association between the two variables. That is, one may expect Psychological factors to prevent tax officers from being financially corrupted. Furthermore, the calculated coefficient of determination (COD) indicates that Psychological factors may represent 0.201% of the variance exhibited by the "prevention from financial corruption" variable.

### 7.4. Multiple Regression

Regression test was undertaken to evaluate cause-effect association among dependent and independent variables.

Table 8. ANOVA results associated with hypothesis 6.

| *Independent Variable* | *Dependent Variable* | *F* | *P-value* | *df* |
|---|---|---|---|---|
| IT-Related Factors | Prevention from Financial Corruption | 404.027 | 0.000 | 131 |
| Economic Factors | | | | |
| Human Resources-Related Factors | | | | |
| Cultural Factors | | | | |
| Psychological Factors | | | | |
| Structural Factors | | | | |

**Result:** As the F-statistic calculated for the regression estimation represented in Table 8 is found to be 404.027, that is greater than $F_{95.6} = 2.417$, then the corresponding regression function is significant at 0.05% level of error.

Table 9. Significance test for corresponding coefficients to economic factors, psychological factors, IT-related factors, cultural factors, human resources-related factors, and structural factors within the regression model.

| *Regression Coefficients* | *T* | *B* | *Degree of Freedom* | *P-Value* |
|---|---|---|---|---|
| **Constant Value** | 2.169 | 0.015 | 131 | 0.000 |
| IT-Related Factors | 3.733 | 0.267 | | 0.000 |
| Economic Factors | 7.138 | 0.381 | | 0.000 |
| Human Resources-Related Factors | 3.395 | 0.121 | | 0.000 |
| Cultural Factors | 3.525 | 0.222 | | 0.000 |
| Psychological Factors | 4.353 | 0.321 | | 0.000 |
| Structural Factors | 0.101 | 3.315 | | 0.000 |

**Result:** As the values of t-statistic calculated for the estimation function using economic factors, psychological factors, IT-related factors, cultural factors, human resources-related factors, and structural factors are 7.138, 4.353, 3.733, 3.525, 3.395, and 3.315, respectively. Since all of these t-values are greater than $t_{95,131} = 1.23$, therefore the coefficients associated with economic factors, psychological factors, IT-related factors, cultural factors, human resources-related factors, and structural factors within the regression function are proved to be significant. That is to say, economic factors, psychological factors, IT-related factors, cultural factors, human resources-related factors, and structural factors significantly contribute to prevention of tax officers from being financially corrupted.

Regarding the P-value which is below 0.05 for all tables reported above, one may confirm all mentioned hypothesis and corresponding associations at 95% confidence.

**Overall Results:** Based on what was extracted from Pearson correlation coefficient and multiple regression tests, one may reject *H0* hypotheses while confirming *H1* hypotheses (at 95% confidence) for the first 6 hypotheses under study. According to the hypotheses 1 – 6, economic factors, psychological factors, IT-related factors, cultural factors, human resources-related factors, and structural factors have significant positive association with the prevention from financial corruption.

### 7.5. Freidman Test

Table 10. A comparison among different factors contributing to prevention of tax officers from being financially corrupted, using Freidman test.

| ***Average Rank*** | | | | | | ***Freidman*** | ***Degree of Freedom*** | ***Level of Significance*** |
|---|---|---|---|---|---|---|---|---|
| ***Economic*** | ***Psychological*** | ***IT-Related*** | ***Cultural*** | ***Human Resources-Related*** | ***Structural*** | | | |
| 4.01 | 3.69 | 3.51 | 3.46 | 3.21 | 3.11 | 21.59 | 5 | 0.000 |

Reported in Table 10 is a summary of Freidman test results for a comparison among different factors contributing to prevention of tax officers from being financially corrupted. As the results are found to be at 0.05 level of significance ($p < 0.05$), one may suggest that the studied factors are significantly different from each other. In addition, MEAF's experts have seen the economic factors as the most contributing factors into prevention of tax officers from being financially corrupted, followed by psychological, IT-related, cultural, human resources-related, and structural factors.

**8. Conclusions and Recommendations**

Indicating a positive direct association between economic factors and prevention of tax officers from being financially corrupted.

Governmental economies are always accompanied by rents and lack of transparency. Accordingly, economic liberalization via elimination of non-reasonable restrictions imposed to trading, customs, banking, and business environments, in one hand, and making the regulations governing different public administrative and economic organizations and institutions simpler and more transparent, while legislating required regulations followed by careful enforcement of them, on the other hand, may eliminate the bases on which corruptions may develop. Furthermore, the government may rise the wages to shrink the motivations by which public officials may undertake financial corruptions.

Indicating a positive direct association between cultural factors and prevention of tax officers from being financially corrupted, the findings of this research are in agreement with those of Mark**.**Robinson *et al.* (2007) and Moliyar (2008).

Organizational culture refers to a set of common assumptions, beliefs, and values among organization's members, which determines the organizational behavior pattern differentiating the organization from other organizations. With its fundamental functions (institutionalizing common organizational and religious beliefs and values, so as to establish a trust- and loyalty-based relationship between the tax officers and INTA and promote social discipline and job ethics across tax officers) organizational culture have large capacities to prevent administrative corruptions via the impact it imposes on the staff.

Indicating a positive direct association between structural factors and prevention of tax officers from being financially corrupted, the findings of this research are in agreement with Nicolas Antnax *et al*. (2014).

By applying such modifications to governmental organizations as modification and improvement of organizations' formation, improvement of budgeting system, effective financial management, efficient tax system, formation of e-government, simplification and elimination of unnecessary complex procedures and bureaucracies governing various agencies, along with reducing face-to-face interactions between the staff and clients with an emphasize on accelerating the tasks, may contribute to reduced financial corruptions.

Indicating a positive direct association between human resources-related factors and prevention of tax officers from being financially corrupted, the findings of this research are in agreement with those of Satish Krishnan *et al.* (2013), and Nicolas Antnax *et al.* (2014).

Improving employment systems with an emphasize on the principle that only the most meritorious individuals may enter and be maintained in the system, and establishing an incentive system for meritorious healthy staff within the administrative system, so as to sustain services provided by the staff, and making required educational and cultural basis for the staff's level of job conscience and ethics to be enhanced while upgrading their level of enjoyment and quality of life, particularly via rationalizing their wages according to their expertise, significance, role, and the quality they provide, may contribute to reduced financial corruptions.

Indicating a positive direct association between psychological factors and prevention of tax officers from being financially corrupted, the findings of this research are in agreement with those of Satish Krishnan *et al.* (2013).

Internal psychological factors refer to sociological factors associated with individual attitudes, low level of ethical and right patterns within governmental offices, promotion of egoism, relative-orientation, regionalism, and scientific groups within the society which contribute to financial corruptions. As such, careful attention should be paid to the tax officers' personal talents, so as to guide them to the right path while trying to enhance ethical levels across tax officers in INTA.

Indicating IT-related factors to be contributing into prevention of tax officers from being financially corrupted, the findings of this research are in agreement with those of Mark.Robinson (2007) and Nicolas Antnax *et al.* (2014).

Among other IT-related factors one may refer to collecting adequate information and knowledge for the right people at the right time, knowledge establishment and assessment via data analysis using complex models to support decision-making process, provide managers with high quality information and knowledge to help them in strategic planning and control process, linking the knowledge and work flows to such organizational resources as staffs, gathering and storing information on requirements and demands raised by the customers with an emphasize on the customer information bank.

Used to compare different factors contributing into the prevention of tax officers from being financially corrupted, Freidman test results were found to be at 0.05 level of significance ($p < 0.05$) indicating significant differences among different factors considered in this research. MEAF's experts have seen the economic factors (with an average value of 4.01) as the most contributing factors into prevention of tax officers from being financially corrupted, followed by psychological (with an average value of 3.69), IT-related (with an average value of 3.51), cultural (with an average value of 3.46), human resources-related (with an average value of 3.21), and finally, the structural factors (with an average value of 3.11).

Based on the research results indicating positive direct contribution of economic, psychological, cultural, structural, human resources-related, and IT-related factors, one may suggest respective officials to pay careful attention to staff revenues, legislate well-defined and transparent supervisory regulations and tax codes, well-guide staff's personal talents, institutionalize common organizational and religious beliefs and values, incorporate modern tools and automated information networks, promote the quality organization's human resources along with adjusting and improving organizational formation within the tax system. Furthermore, it is recommended for the future researches to extent the qualitative method undertook in this research, so as to propose feasible solutions in terms of fighting the phenomenon of financial corruption.

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## 9. Appendix

The questionnaire was formed based on the following analytic model.

Table 11. The research's analytical model. [APA,2010]

| ***Concept*** | ***Dimension*** | ***Indices*** | ***Question Number*** |
|---|---|---|---|
| Factors contributing to the prevention of tax officers from being financially corrupted | Economic factors | 1. Tax officers' wages<br>2. Discriminations in salaries paid to staff of different levels within INTA<br>3. Salaries of low-income officers<br>4. Non-reasonable restrictions imposed on trading, customs, banking, and business environments 5. Regulations governing various economic and administrative organizations and institutions<br>6. Legislation and enforcement of supervisory regulation<br>7. Supporting domestic producers | Questions 1 – 7 |
| | Cultural factors | 1. Institutionalization of common organizational beliefs and values<br>2. Institutionalization of common religious beliefs and values<br>3. The trust and royalty the officers perceive from the managerial support from INTA (Laipset Velnz, 2000)<br>4. Work discipline across tax officers<br>5. Work ethics within tax officers | Questions 8 – 12 |
| | Structural factors | 1. Legislation and enforcement of well-defined transparent regulations for tax payers<br>2. Interactions between tax payers and tax officers (Tadbir-e-Eghtesad research institute, 2003)<br>3. Organizational supervision in terms of the way administrative budgets are allocated and spent<br>4. Involvement of INTA's managers and officers in parallel trading arena<br>5. Manipulate or interpret the regulations in such a way to gain personal benefits (Tadbir-e-Eghtesad research institute, 2003)<br>6. Unnecessary complexities within organizational structures and processes within INTA<br>7. Bureaucratic governance of administrative space within INTA | Questions 13 – 19 |
| | Human resources-related factors | 1. Staff employment systems<br>2. Presence of a meritocracy system<br>3. Management stability<br>4. Assigning excessive power to the staff<br>5. Presence of incentive/punishment systems<br>6. Staff's level of enjoyment and life quality enhancement<br>7. Proportionality of staff's salaries to their expertise, significance, role, and the quality of service they provide<br>8. Provision of required educational and cultural | Questions 20 – 27 |
| | IT-related factors | 1. Accurate and up-to-date information systems<br>2. Direct face-to-face interaction between tax payers and tax officers<br>3. Deployment of E-government (Rahmani, 2014)<br>4. Accountability of executive agencies and the government against economic, financial and administrative affairs<br>5. Free flow of information<br>6. Establishment and facilitation of information flow mechanisms (disclosure by the staff) (Aref, 2014)<br>7. Freedom and juridical immunity of press in terms of reports released by the government | Questions 28 – 34 |
| | Psychological factors | 1. Job stability and security for the staff<br>2. Guidance of the staff's personal talents<br>3. Level of ethics within tax officers<br>4. Valuing personal and social identities of tax officers | Questions 35 – 38 |