THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE SCORECARD INDEX AND LEVEL OF ADMINISTRATIVE CORRUPTION

"AN EMPIRICAL STUDY ON THE LISTED AND UNLISTED EGYPTIAN COMPANIES"

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ABSTRACT

This study aims to examine the relationship between corporate governance scorecard index and level of administrative corruption. This was inspired by several firms' failure after the recent financial crisis. This effects prevailed even to the capital markets of developing countries as the Egyptian market. Which attracted the attention of the researcher to study the relationship between the corporate governance scorecard and administrative corruption in Egyptian companies. The corporate governance scorecard is a tool for combining financial accounting, management accounting and audit with the aim of implementing, monitoring and monitoring international best practices in corporate governance. Which may help companies to reduce the level of administrative corruption in companies. Especially in environment of high uncertainty and emerging capital markets as in the Egyptian market. The Study uses nonparametric tests to investigate this relationship. The sample consists of 45 firms listed and unlisted in the Egyptian market for the year 2016, where corporate governance scorecard is measured by Egyptian Corporate Governance Index issued by the Egyptian Financial Supervisory Authority in 2016. While administrative corruption is measured by corruption survey. The relationship tested using nonparametric tests. The results reveals significant relationship between corporate governance scorecard and administrative corruption in listed and unlisted Egyptian companies.

Keywords: Corporate governance, Corporate governance scorecard, Gov-score index, Administrative corruption.

1. INTRODUCTION

Corporate governance has recently received much attention due to Adelphia, Enron, WorldCom, and other high profile scandals, serving as the impetus to such recent U.S. regulations as the Sarbanes-Oxley Act of 2002, considered to be the most sweeping corporate governance regulation in the past 70 years (Byrnes et al., 2003). If better corporate governance is related to better firm performance, better-governed firms should perform better than worse-governed firms (Brown& Caylor,2004).

Much of the prior literature stops at this stage and interprets the association between accounting discretion and poor governance quality as evidence that lax governance structures encourage managerial opportunism (Becker, DeFond, Jiambalvo, and Subramanyam 1998; Gaver, Gaver, and Austin 1995; Chen and Lee 1995; Guidry, Leone, and Rock 1999; Frankel, Johnson, and Nelson 2002; Klein 2002; Menon and Williams 2004).

While increasing the requirements for the importance and need to develop corporate governance as it is one of the methods used by companies to address the financial and administrative corruption that can be exposed to companies, The term "corporate governance scorecard" has been contemplated since the onset of the Asian financial crisis where the Asian financial crisis of 1997 underscored the importance of structural reforms in the governance of the region's business sector. Since then, various initiatives have been undertaken to promote such reforms. The international investment community has also developed several indices to measure the state of corporate governance. For example, Standard and Poor's Transparency and Disclosure Index (Standard and Poor's, 2002) assesses the transparency and disclosure practices of corporations around the world, while the Cre´ dit Lyonnais Corporate Governance Index (Cre´ dit Lyonnais Securities Asia, 2001) applies some major corporate governance factors – including discipline, transparency, independence, accountability, responsibility, fairness, and social awareness – to rate corporations in different markets (Cheung & Jang,2008) .

The importance of corporate governance in mitigating administrative corruption activity is an extensive area of research especially during the last decade where several business failures. The literature, thus far has treated the relation between corporate governance and administrative corruption and the relation between the mechanics of corporate governance and administrative corruption separately. Authors provide evidence that setting up a proper governance structure helps to prevent accounting manipulation using two main approaches.

Although much attention has been paid to studying the relationship between corporate governance and administrative corruption, As far as the researcher knows, none of the previous studies have examined the relationship between corporate governance scorecard and

administrative corruption in companies. The purpose of this paper is to examine the relationship between the corporate governance performance index and administrative corruption especially in the context of high uncertainty existing in the Egyptian capital market.

Research problem:

The propagation of crises in recent years has called into question the governance policy practiced by companies internationally. This has prompted regulators to propose new laws of good conduct and financial security offering a series of recommendations perceived as best practices of governance. These reports were considered to be a benchmark in corporate governance. They help companies to reduce mismanagement, to remedy any deficiencies in governance mechanisms to prevent abuse of power and to manage risks. Compliance with these recommendations is the essential basis for evaluating the quality of the governance system, and therefore the protection of the reputation of the company (Fathi,2013). This study aims to investigate the relationship between corporate governance scorecard index and Administrative corruption. As corporate governance scorecard is an Quantitative tool to measure the level of compliance to best practices in corporate governance. And the Corporate Governance scorecard can rating the level of governance within companies. Especially in environment of high uncertainty and emerging capital markets as in the Egyptian.

So this research aims to answer two questions:

1. What is the corporate governance scorecard, and what is its significance, and what their goals, and those who are users of the corporate governance scorecard?
2. What is the relationship between corporate governance scorecard index and the level of administrative corruption?

Research objective:

The research aims to study the relationship between corporate governance scorecard index and level of administrative corruption via Survey conducted by the researcher. The researcher conducted a survey based on :

- Principles and mechanisms of corporate governance

- Corporate Governance Index issued by the Egyptian General Auditing Authority in 2016.

- Søreide' survey in 2006

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 Corporate Governance Scorecard concept:

Corporate Governance defined differently; Cadbury Committee, 1992 indicated that it the system by which companies are directed and controlled. OED,2004 it also refers that Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Corporate governance has been defined by the Egyptian Financial Supervisory Authority in 2016, where defined as "a set of fundamentals and principles and regulations that govern the relationship between the Governing Council of the hand control and between company owners and other parties collaborating with them the other hand, In order to achieve better protection and a balance between the interests of all those parties.

Finally, the researcher concludes that despite the significant attention given corporate governance in recent years, there is no unified and agreed to the concept of corporate governance definition. This is due to the overlap of the concept of corporate governance in many areas, and can be defined as a set of laws, rules and standards that define the relationship between management and shareholders, customers and stakeholders. The aim of corporate governance is to increase accountability and oversight in companies.

Several initiatives have been initiated to integrate a balanced performance card with corporate governance. Initially, corporate governance scorecard initiatives were divided into two phases: 1) In Germany, the German Association of Financial Analysts prepared the German Corporate Governance Scorecard based on best practices in June 2000. A revised version of the Corporate Governance Scorecard was issued in February 2002. In 2003, the last version of the scorecard was issued Corporate Governance in line with German Corporate Governance and Corporate Governance principles; 2) ASEAN countries have called for initiatives by the Association of South East Asian Nations (ASEAN) on corporate governance since early 2011 to prepare the ASEAN Corporate Governance Scorecard and apply them to listed companies. In 2013, the Association of Asian Countries (ASEAN) published its corporate governance scorecard and evaluated it for the top 100 listed companies in Malaysia, Philippines, Indonesia, Thailand, Singapore and 39 listed companies on the Vietnam Stock Exchange.

In both phases, the principles of corporate governance were used as the main benchmark for the development of the scorecard in cooperation with the Organization for Development and Cooperation (OECD).

There is general agreement among many researchers on the concept of Corporate Governance Scorecard (Htay & Salman, 2013; Strenger, 2004; Marcello, 2014; Johnson & Beiman, 2007; Shah, 2009; Simanjuntak et.al, 2014; Montagnon & Strenger, 2014), defined as a quantitative tool to measure the level of compliance with best practices in corporate governance. The corporate governance scorecard compares practices according to the index that is designed to measure and classify the level of corporate governance. Jakarta (2014, P.1) defined the corporate governance scorecard as an important and useful tool for identifying the gap between corporate practices and improving the level of corporate governance restricted in the ASEAN region.

The researcher concludes that the corporate governance scorecard provides a methodology for international best practices where balanced scorecard has a positive impact on improving corporate governance practices through its four dimensions. The first dimension of the balanced scorecard focuses on the integration of shareholders and management to increase trust and investment as one of the main sources of income. The second dimension of the balanced scorecard (internal processes dimension) focuses on how to use the information to achieve the company's goals in providing new and good services according to the needs of customers. The third dimension of the balanced scorecard (learning and growth dimension) focuses on how Develop and think of the best performance to meet the expectations of the owners. And the fourth dimension (customers dimension) focuses on developing relationships with customers to meet their needs.

Although many articles agreed on the concept of a corporate governance scorecard, they did not agree to design of corporate governance scorecard (Htay & Salman, 2013; Strenger, 2004; Marcello, 2014; Johnson & Beiman, 2007; Shah, 2009; Simanjuntak et.al, 2014; Montagnon & Strenger, 2014), some of them noted that it is possible to add a fifth dimension to the Balanced Scorecard (financial dimension - internal operations dimension - customer dimension - learning and growth dimension) which is corporate governance dimension, on the contrary some researchers noted that it is possible to integrate of corporate governance dimension with each dimension into a corporate governance scorecard.

The researcher concludes from the above that it is better to integrate corporate governance dimension with each dimension of the Balanced Scorecard where the Corporate Governance scorecard model can be formulated by combining the four dimensions of the BSC with the principles of corporate governance issued by the Organization for Economic Cooperation and Development . The corporate governance scorecard model can be illustrated in the following format (Prepared by the researcher):
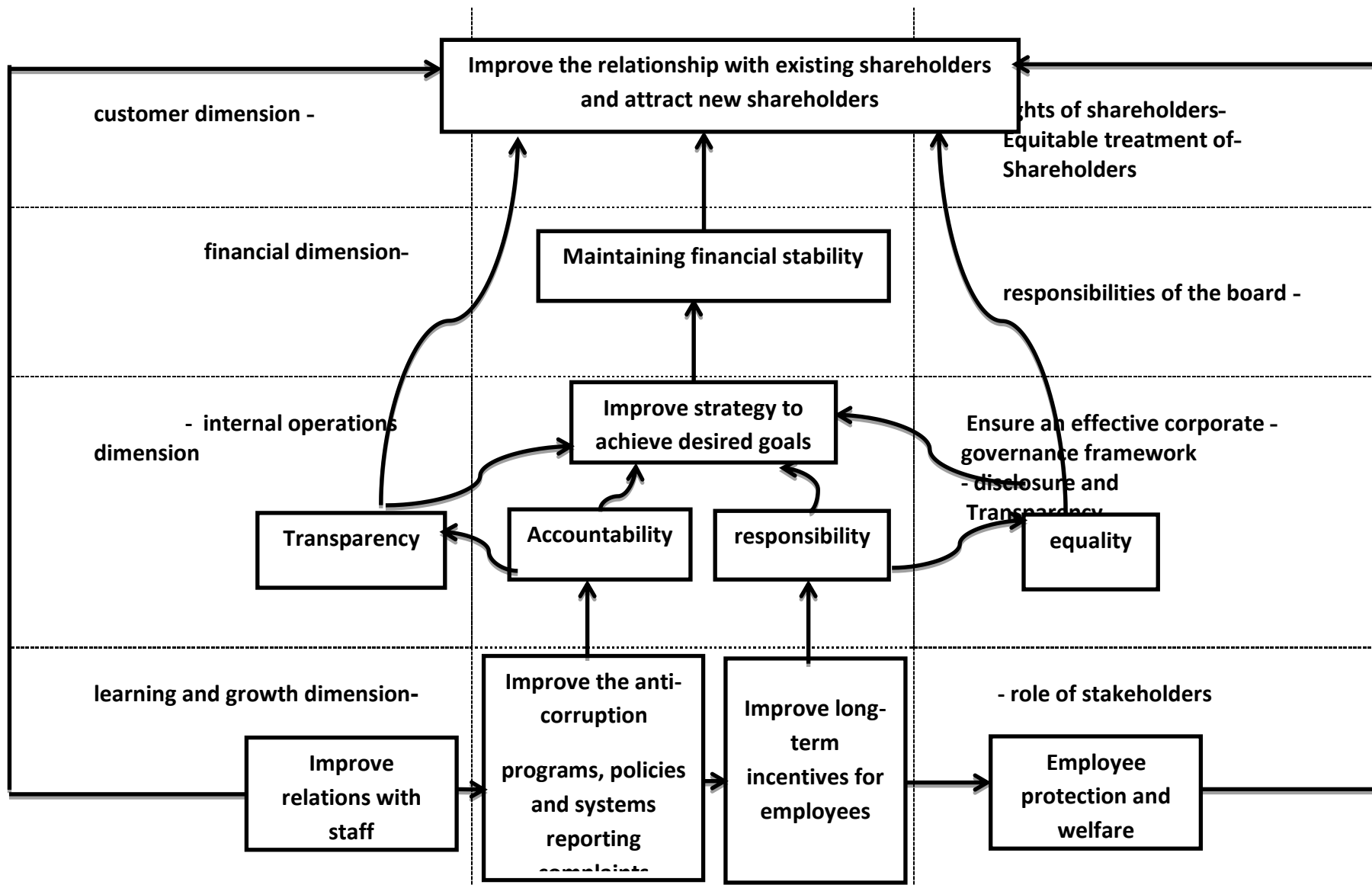
Figure (1) The corporate governance scorecard consists of four dimensions:

-       The first dimension (customers dimension is integrated with the principles of equity and equal treatment of shareholders): It aims to improve the relationship with existing shareholders and attract new shareholders.

-        The second dimension (the financial dimension is integrated with the principle of the responsibilities of the Board of Directors): It aims to maintain financial stability.

-       The third dimension (internal operations dimension and is integrated with the principles of ensuring the existence of an effective framework for corporate governance, transparency and disclosure): It aims to improve the strategy to achieve the desired objectives.

-       The fourth dimension (learning and growth dimension is integrated with the principle of the role of stakeholders): It aims at development and innovation to meet the expectations of stakeholders.

2.1.1 the main reasons for the acceleration in German corporate governance scorecard matters were as follows:

Strenger (2004) examined the reasons for integrating the BSC with corporate governance to activate good governance, and many efforts were made in Germany in the early 1990s to promote good corporate governance but did not achieve much success because Of weak external oversight. It was one of the main reasons:

1-   Large institutional investors actively pursued the shareholder value concept by asking for concentration on core competencies and longer term profit orientation.

2-   The success of the equity markets on a worldwide basis saw a prolonged rise also in German equities. With the privatisation of the "Deutsche Telekom", the number of German shareholders increased to some 13 million (4 million direct and 9 million indirect through investment funds, as per December 2001). This led to increased competition in the asset management sector. To win clients, opportunities for increased performance were sought and a key element was found in the pursuit of corporate governance. Recent empirical research (Gompers et al., 2001; McKinsey and Company, 2002) confirms that companies with demanding governance standards show higher market valuations.

3-   The new German "KonTraG" law of 1998 was an important sign of more capital-market-oriented legislation and led to clearer lines of demarcation inside the companies as well as increased duties and rights for auditors.

4-   Well publicised failures in erstwhile "blue chip companies" like Metallgesellschaft and Holzmann, but also large "Neue Markt" companies, contributed to the urgency of governance improvements. This also led to increased political attention, evidenced by the formation of a Government Commission by the German Chancellor.

2.1.2 Main goals of the Scorecard approach

The Scorecard should (Strenger, 2004):

1-   Facilitate the work of analysts and investors through a systematic and easy overview of all relevant issues of good governance.

2-   Enable companies to easily assess the "reach" and the quality of their own governance situation.

3-   Allow setting of minimum scores by investors for governance as part of general investment politics.

4-   Enable comparisons across industries and countries.

5-   Be readily available to all interested parties via the Internet.

6-   Ensure high degrees of usage: the completion of the Scorecard via programmed tools (MS Excel) should therefore be possible.

2.1.3 The development of the Scorecard was guided by the following principles:

The corporate governance initiative of the Association of Southeast Asian Nations (ASEAN) is one of several regional capital market integration initiatives of the ASEAN Capital Markets Forum (ACMF) which aims to raise the corporate governance standards and practices of ASEAN publicly listed companies (PLCs), to give greater international visibility to well-governed ASEAN PLCs and showcase them as investable companies, and to complement other ACMF initiatives and promote ASEAN as an asset class. so there are many factors to guide the development of the Scorecard by the following principles (Hattori,2013):

1-   The Scorecard should reflect global principles and internationally recognized good practices in corporate governance applicable to PLCs and, in some instances, may exceed the requirement and standards recommended in national legislation.

2-   The Scorecard should not be based on the lowest common denominator, but should aim to encourage PLCs to adopt higher standards and aspirations.

3-   The Scorecard should be comprehensive in coverage, capturing the salient elements of corporate governance.

4-   The Scorecard should enable gaps in corporate governance practices among ASEAN PLCs to be identified and should draw attention to good corporate governance practices.

5-   The Scorecard should be universal and applicable to different markets in ASEAN.

6-   The methodology should be robust to allow the accurate assessment of the corporate governance of PLCs beyond minimum compliance and box ticking.

7-   There should be extensive and robust quality assurance processes to ensure the independence and reliability of the assessment.

The researcher concluded that the corporate governance scorecard has been developed to achieve the main objectives set by analysts and investors. It has a specific format, can be applied efficiently, provides cost and enables self-evaluation by companies as well as comparison of specific sectors. It is not only applicable in developed countries, but can be adapted worldwide, especially in emerging countries. Also concluded that although the OECD Principles on Corporate Governance aim to assess and improve the legal and regulatory frameworks of corporate governance and provide basic guidelines for corporate governance practices, there are many shortcomings in the OECD principles but corporate governance scorecard works to improve deficiencies and to measure the degree of compliance and compliance by applying good principles and mechanisms of corporate governance because they are an increasingly important factor for investment decisions and to attract capital.

After designing the corporate governance scorecard and defining its objectives and users, interest began to study how to use them and to test the relations between them and many other variables and measure them through the preparation of a corporate governance index, The study (Rani et.al, 2013; Outa & Waweru, 2016) was aimed at research on the relationship between compliance with the principles of corporate governance and financial performance and value of

companies, while this paper aims to study the relationship between corporate governance scorecard and administrative corruption in the Egyptian business environment.

The researcher concludes from the model of corporate governance scorecard to the role played by the card in reducing administrative corruption practices through the four dimensions of the card. Therefore, the researcher aims to study the relationship between the corporate governance scorecard and administrative corruption in companies listed on the Egyptian Stock Exchange.

2.2 Administrative corruption

The issue of corruption has received wide attention in international business (IB) research, where scholars have examined both the causes and the consequences of corruption. Early research on the multinational firm, such as Vernon (1971, 1977) and Wells (1977), identified corruption as a potential cost of doing business that was heightened by the obsolescing bargain. In the wake of the 1977 US Foreign Corrupt Practices Act, the Journal of International Business Studies published various studies examining the legislation's impact on business: e.g., Graham, 1984; Kim & Barone,1981(Jensen et al,2010).

While definitions of corruption differ depending on discipline and mechanisms used to explain the phenomenon (Johnston, 1996: 333). These can be divided into three basic definitional types: public-office-centred; public-interest-centred; and market-centred (Heidenheimer, 1970; Meny & de Sousa, 2001). Sometimes the public-opinion- centred definitional type is additionally pointed out, but due to its similarity with public-interest-centred one (Liiv,2004).

As corruption is a problem with which all world countries have been grappling to a larger or lesser extent. However, its type, depth and scale differ from one country to another just as its effects are different depending on the type of political and economic structure and the level of a nation's development. Anyway, corrupt leads to decadence, pits the policies of a government against a nation, squanders national resources and reduces the efficiency of governments in running the country's affairs. This erodes people's trust in government and non-government organizations and increases indifference and inefficiency in society. Corruption undermines beliefs and moral values in the society, increases costs of implementing projects and hampers the growth of competitiveness. It also thwarts efforts to combat poverty and leads to lack of motivation , pessimism and also weakens the morale of decent people (Mousavi & Pourkiani, 2013).

Administrative corruption is a hurdle to investment and creates many obstacles in the way of economic growth and development. It deviates talents and potential and non-potential human resources towards illicit activities to make easy money, thus paving the way for recession. On the

other hand, wherever corruption takes root, it becomes rampant day after day and it will be very difficult to tackle it. In this way, corruption becomes more and more deep-rooted. For these reasons, fighting administrative corruption is an undeniable necessity (Jalilkhani , 2011;Nosrati,2011).

Also, administrative corruption refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules, and regulations to provide advantages to either state or non-state actors as a result of the illicit and nontransparent provision of private gains to public officials. Examples of administrative corruption: bribes to a seemingly endless stream of official inspectors to overlook minor (or possibly major) infractions of existing regulations; "grease payments" as bribes to gain licenses, to smooth customs procedures, to win public procurement contracts, or to be given priority in the provision of a variety of other government services; state officials can simply misdirect public funds under their control for their own or their family's direct financial benefit. At the root of this form of corruption is discretion on the part of public officials to grant selective exemptions, to prioritize the delivery of public services, or to discriminate in the application of rules and regulations (MATEI & POPA,2009).

2.2.1 Examples of administrative corruption

Through the analysis of previous studies, the researcher concluded that there are a number of cases of administrative corruption which are great importance as they greatly affect the nations economy, growth and poverty rates:

1-   Abuse of power to obtain bribes or gifts or perks.

2-   Embezzlement, fraud, theft and forgery in the documents.

3-   Tax evasion and the use of public funds for personal interests.

4-   Giving incorrect reports about the performance of the organization and financial situation of the company.

5-   Abuse of power to influence the staff and the use of patronage to designation personnel in their places is.

6-   Abuse of power to upgrade the staff do not have the necessary qualifications or experience.

7-   Illegal use of company property, such as cars and real estate.

8-   Discrimination between customers.

9-   The use of of influence to extract permits illegal.

10-   Circumvention of the law to obtain discounts must be paid according to the rules and laws.

2.2.2 Implications of administrative corruption

Administrative corruption throws the composition of government budget into confusion and pushes it towards complicated, unjustified projects and huge investments that cannot be monitored accurately. Administrative corruption erodes the efficiency of the administrative system in the long run through employment corruption and the employment of human workforce which lack merit. Corruption slows down economic growth because it discourages national and foreign investors. Studies show that investment in a relatively corrupt country incurs 20% extra tax on investment compared to a non-corrupt country (Farhadi Nejad , 2011).

1-   Squandering resources through damaging the policies of the government at the expense of the interests of the majority.

2-   Foiling the government's efforts to reduce poverty and discrimination and prevent growth of competition.

3-   Social losses and the undermining of existing bodies; political losses and unfair allocation of resources; and political losses and unfair allocation of resources and economic losses.

4-   Reducing the effectiveness and legitimacy of governments and undermining the democratic values and ethics.

5-   Obstructing sustainable development due to an increase in costs of dealings and a decrease in the possibility of economic forecasts.

6-   Undermining people's belief in their ability and the government's political will(Mousavi & Pourkiani, 2013).

In Egypt, The administrative control authority, distinguished as a supreme control authority in the Arab Republic of Egypt, have instituted the systems and rules, and included among its organization the internal control elements by which , can clearly monitor the behaviors and practices of its members and employees. Finally, it is important to indicate that, the political and the executive leadership in Egypt emphasize on detecting and fighting corruption. Therefore, the

provisions of criminal codes were reviewed and amended by including intensified criminal penalties, and the recent criminalized acts. Further, from the administrative prospective, the administrative systems applied were developed to overcome the regulatory gaps leading to corruption (ACA,2015).

2.3 Relationship between administrative corruption and corporate governance scorecard and hypothesis development:

There are a lot of studies on the relationship between Structure and principles of corporate governance and administrative corruption, for example (Choi, 2007) examined the relationship between Corporate Governance Structure and Administrative Corruption in Japan. Where traditional studies of the Japanese bureaucracy have emphasized effective governance through a close government – business nexus. Yet this network relation creates corruption, especially at a high level of administration. Examining financial and public works policies, this article finds that amakudari- and zoku-driven network relationships, which have been reinforced by sociocultural bases, are vertically and exclusively structured and substantiate corruption in administration. Policy making on the basis of such network relations not only results in mismanagement in administration and the distortion of the market disciplines but also delegitimizes the governance system by destroying public trust in government. This article suggests that bringing greater heterogeneity and citizen participation to administration through diversity management and e-government would reduce administrative corruption in Japanese governance. This article agrees with the study of (Kwame & Mensah, 2017) they examined the relationship between corporate governance, corruption and disclosure of forward-looking information in listed firms in two African countries, Botswana and Ghana. They found that firms in the least corrupt country, Botswana, disclose more forward-looking information than firms in Ghana, one of the most corrupt countries in sub-Saharan Africa. This confirms the relationship between the transparency level of a country and the transparency level of the listed firms in that country.

This results agrees with the study of (Ouédraogo, 2017) he investigated the relationship between governance, corruption, and the size of the informal economy in SSA. The results show that a high level of corruption and poor institutional settings favor an increase of the informal economy. There is also evidence that the unemployment rate is negatively related to the size of the informal economy and that greater fiscal freedom and greater business freedom are associated with a larger informal economy, while monetary freedom reduces the size. From a policy point of view, the results suggest that the burden of institutional setting, governance, and corruption can lead entrepreneurs to enter to the informal economy. The findings also show that the informal economy is an important component of the economy. It also agrees with the study

of (Wijayati & Holzhacker, 2016) In this study, they compared the corporate governance institutional framework of three Southeast Asia countries Indonesia, Malaysia, and Thailand. they found that Malaysia has the strongest institutional framework with respect to shareholder rights, the quality of the BoD, accounting auditing, and transparency standards, which in turn leads to a tightened monitoring system. When monitoring is well developed, the opportunity for bribery and corruption can be curbed. On the other hand, Indonesia's institutional framework is less stringent compared to Malaysia and Thailand. Some crucial issues that should be highlighted here include RPT, shareholder activism, and the quality of the BoD. The Indonesian corporate governance framework is mostly voluntary based.

Although several studies examined the relationship between corporate governance and administrative corruption to diagnose the impact of the characteristics and structure of corporate governance that reduce corruption in companies, However, these studies did not address the impact of corporate governance scorecard on the level of administrative corruption in companies. So this results needs further analysis to test this relationship on the firms listed in Egyptian Stock Exchange, especially in the context of high uncertainty existing in the Egyptian capital market. The research hypothesis can be derived as follows:

H1: There is a significant relationship between corporate governance scorecard and the level of administrative corruption of firms.

3. METHODS

The research is based on the empirical methodology, to measure the relationship between corporate governance scorecard and level of administrative corruption. Checklist research design is used to determine the level of administrative corruption in the Egyptian business environment. As it allows for testing of expected relationships between corporate governance scorecard and level of administrative corruption and the making of predictions regarding these relationships (Nguyen et al.,2012; 2017; Wu,2005) that used the same design for testing this kind of relationships.

3.1 Population and Sample selection

The population of the research is firms listed and unlisted in the Egyptian stock exchange during the period 2016 after the Egyptian Financial Supervisory Authority issued the corporate governance index. The sample consists of 45 company (32 listed company and 13 unlisted company after excludes 4 companies which there is a discrepancy in the answers) that the researcher was able to access for interviews with financial managers, auditors, and department

heads and directors of the Risk Management Committeethe, sample excludes banks and financial institutions because of their different natures and the separate laws and regulation they follow.

3.2 Measurement of Variables:

The independent variable corporate governance scorecard: Gov-scorecard means a quantitative tool to measure the level of compliance with best practices in corporate governance (Htay & Salman, 2013; Marcello, 2014; Simanjuntak et.al, 2014; Montagnon & Strenger, 2014), measured by Egyptian Corporate Governance Index issued by the Egyptian Financial Supervisory Authority in 2016.

The dependent variable administrative corruption: administrative corruption means administrative corruption refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules, and regulations to provide advantages to either state or non-state actors as a result of the illicit and nontransparent provision of private gains to public officials, measured by Survey conducted by the researcher based on Søreide' survey, 2006.

3.3 Data collection and Analysis

The data used in this study is primary data, collected from financial managers, auditors, and department heads and directors of the Risk Management Committeethe. Then emptying the data in Microsoft excel sheet in preparation of analyzing it using SPSS to test the research hypothesis.

3.4 Statistical methods used in data analysis and model selection

Nonparametric Tests was used to determine The relationship between corporate governance scorecard index and level of administrative corruption and descriptives is also used to determine minimum, maximum, mean, standard deviation and variance.

The checklist was prepared by a researcher according to Søreide 'survey, 2006 to measure the level of administrative corruption in listed and unlisted companies operating in Egypt. The questions were formulated in this section to answer yes (if the company does these practices) or not (if the company does not practice these practices) to determine the level of administrative corruption practices.

In order to test the hypothesis of the study, the hypothesis of the study (alternative hypothesis) and its formulation in the form of null hypothesis:

H0: There is no significant relationship between corporate governance scorecard and the level of administrative corruption of firms.

4. RESULTS AND DISCUSSIONS

4.1 Results:

Figure (2) Nonparametric Tests

Figure 1 provides WILCOXON test for hypothesis in study number of companies investigated in this study are 45. The result of the test was the refusal to impose nullity and accept the hypothesis of the alternative study. Where p-value = 0.000 which means accepting the hypothesis of the study.

Table (1) Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
VAR00001	45	.00	1.00	.6667	.47673	.227
VAR00002	45	.00	1.00	.4889	.50553	.256
VAR00003	45	1.00	1.00	1.0000	.00000	.000
VAR00004	45	.00	1.00	.9111	.28780	.083
VAR00005	45	.00	1.00	.9111	.28780	.083
VAR00006	45	.00	1.00	.9333	.25226	.064
VAR00007	45	.00	1.00	.2889	.45837	.210
VAR00008	45	.00	1.00	.9111	.28780	.083
VAR00009	45	.00	1.00	.9778	.14907	.022
VAR00010	45	.00	1.00	.1778	.38665	.149
VAR00011	45	.00	1.00	.1556	.36653	.134
VAR00012	45	.00	1.00	.1333	.34378	.118
VAR00013	45	.00	1.00	.1778	.38665	.149
VAR00014	44	.00	1.00	.8409	.36999	.137
VAR00015	45	1.00	1.00	1.0000	.00000	.000
VAR00016	45	.00	1.00	.8000	.40452	.164
VAR00017	45	1.00	1.00	1.0000	.00000	.000
VAR00018	45	.00	1.00	.4667	.50452	.255
VAR00019	45	.00	1.00	.0667	.25226	.064
VAR00020	45	.00	1.00	.9556	.20841	.043

VAR00021	45	.00	1.00	.7111	.45837	.210
VAR00022	45	.00	1.00	.7333	.44721	.200
VAR00023	45	.00	1.00	.9778	.14907	.022
VAR00024	45	1.00	1.00	1.0000	.00000	.000
VAR00025	45	.00	1.00	.3556	.48409	.234
VAR00026	45	.00	1.00	.9778	.14907	.022
VAR00027	45	1.00	1.00	1.0000	.00000	.000
VAR00028	45	.00	1.00	.1556	.36653	.134
VAR00029	45	1.00	1.00	1.0000	.00000	.000
VAR00030	45	1.00	1.00	1.0000	.00000	.000
Valid N (listwise)	44					

Table 1 provides the descriptive statistics for all variables in study number of companies investigated in this study are 45. For minimum, maximum, mean, standard deviation and variance. Each variable refers to questions addressed to financial managers, auditors, and department heads and directors of the Risk Management Committeethe. The table shows the calculation of mean, variance and standard deviation of each variable, which confirms the existence of a relationship between the application of corporate governance scorecard index and administrative corruption in the listed and unlisted companies in Egypt.

4.2 Discussion of the results:

Nonparametric tests result reveals that corporate governance scorecard index has significant effect at 5% level on administrative corruption of Egyptian listed and unlisted firms. This result reveals that the higher used of corporate governance scorecard index asset the lower administrative corruption. Where the high used of the Corporate Governance ScoreCard provides greater control and monitoring, which can lead to lower levels of administrative corruption, which encouraging managers to portray the company's performance to improve their image in the market.

Our empirical results support the results of many other researchers (Choi, 2007; Monteduro et al.,2016), The researchers have examined the relationship between corporate governance and administrative corruption, But to the knowledge of the researcher is the first study that examined the relationship between corporate governance scorecard index and administrative corruption.

5. CONCLUSIONS AND RECOMMENDATIONS

Conclusions:

These results shows the presence of significant relationship between corporate governance scorecard index and level of administrative corruption in firms. Also shows that the high level of used corporate governance scorecard index effect on level of administrative corruption in the Egyptian capital market.

At the company level, Scorecards are a useful basis for companies to start an analysis of their governance practices. Scorecards help identify shortcomings against locally defined standards and/or generally accepted international standards of good practice. The findings of a scorecard can, in turn, be used to help the company develop a corporate governance improvement plan. The ultimate outcome should be better operational performance and lower risk as a result of better governance practices (Montagnon & Strenger, 2014).

So the corporate governance scorecard is one of the newest management methods that plays an important role not only for companies but also regulators, stock exchanges, institutes of directors, and development finance institutions (DFIs). Each is likely to have somewhat different goals. Companies tend to be more interested in addressing the concrete day-to-day issues they face in their governance. Regulators and stock exchanges tend to be more interested in measuring code compliance and drawing conclusions about the effectiveness of the regulatory framework. DFIs are usually interested in encouraging market-level change in corporate governance practices and transferring knowledge and skills to local counterparts (Montagnon&Strenger,2014).

This study provided further evidence on the importance of used the corporate governance scorecard in firms, where provided evidence of a relationship between the corporate governance scorecard and administrative corruption in the listed and unlisted companies in the Egyptian capital market.

Recommendations:

Corporate governance scorecard is not just a matter financial and managerial variables effect on administrative corruption in the Egyptian environment, which is an unstable environment with high level of uncertainty in the recent year's, because of the political turbulences taking place in it. The Corporate Governance Scorecard is a very important issue, where attracted the attention of most researchers who have studied the relationship between it and the many variables such as earnings management, risk management, company value and financial performance. As far as the

researcher is aware, this study is addition to these studies where it studied the relationship between the corporate governance scorecard and administrative corruption in the Egypt market, which an environment of high uncertainty and emerging capital markets as in the Egyptian.

One of the areas proposed is further studies to test the relationship between the corporate governance scorecard and many variables that affect the capital market.

Appendix (1) corruption survey

	Measurement	Yes	No
1	Has the company encountered a gap between formal and informal rules in areas where immoral practices can occur?		
2	Has the company encountered any problems related to corruption that hinder foreign direct investment in any of the fields?		
3	When competing for a contract, competitors can influence bidding procedures?		
4	Has the company previously decided not to work in a specific country or market due to problems related to corruption or similar problems?		
5	Has the company previously decided not to enter into a specific industry due to problems related to corruption or similar problems?		
6	Has the company faced unethical business practices by competitors and influenced the competitive position of the company?		
7	If the company faces immoral practices or corrupt practices, is the company more inclined to file a complaint with the competent authorities as a mechanism of corporate governance?		
8	Has the company earlier paid to intermediaries, consultants or agents for help when entering new overseas markets?		
9	Did the company face an earlier request from the agent to obtain a share of the total contract in exchange for providing facilities to obtain the contract?		
10	Has the company previously affected customers to obtain the tender specifications?		
11	Has the company previously designed tender specifications to suit a specific company offer?		
12	Is it possible to conduct negotiations between the owners of the tender and the participants and the decision-makers during the tender		

	procedures to ensure access?		
13	Are common bidding rules (eg, international competitive bidding) an obstacle to corruption?		
14	Has a competitor ever won a contract or tender with the help of political pressure?		
15	Do you think the industry related to the company is free and unbiased when it comes to international competition?		
16	When the company is operating in foreign markets, has the company previously paid extra expenses to get things done?		
17	Are competing companies making secret contacts with decision makers to influence the market?		
18	Are there certain circumstances in which the impact on customers is acceptable through the provision of assistance of great benefit or give gifts or money?		
19	Has the company previously attempted to obtain a contract or licenses by providing assistance in a confidential manner?		
20	Is the announcement made in the company if a person paid an amount on behalf of the company to obtain an important contract according to the principle of disclosure and transparency?		
21	Is there a motive for companies to provide bribes?		
22	Is competition for contracts free and fair when working in other countries?		
23	Do you think that unethical practices or similar methods affect bidding procedures?		
24	Do you think the company's anti-corruption efforts have affected the company's immoral behavior and bribery?		
25	In view of the legislation and laws adopted by the State to combat corruption, does the company find it difficult to implement them?		
26	Does the company have a set of written rules of conduct that restrict employees from immoral behavior and pay bribes according to the Egyptian Corporate Governance Index issued in 2016?		
27	Does the company have effective procedures for detecting false consulting fees, paying fake bills or illegal transactions, for example avoiding taxes through internal controls and auditors as corporate governance mechanisms?		
28	Has the company ever discovered an employee who may receive bribes through internal control as a mechanism of corporate		

	governance?		
29	Does the company encourage employees to report internal problems if they find a bribe or other type of crime that occurs in the company in accordance with the reporting policies in corporate governance index?		
30	Has the company's anti-corruption measures changed in recent years?		

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