CORRUPTION IN BUSINESS - PROS AND CONS

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  Abstract: Corruption has been a subject to social construction and reconstruction for a long time. The social dimension of corruption means that this is a phenomenon whose meaning, positive or negative values are determined by people. Corruption changes, since it was already a subject to changes in the past. Therefore, if we currently believe that negative effects of corruption is something right and promotes the stability of society, then it is not enough to refer to research, analyses or descriptions of the phenomenon. Even if in certain situations society is forced to offer bribes, lead anti-corruption policy or take specific actions, we have to make moral choices all the time and prove to ourselves that this activity is undesirable, especially in the developed countries.
  The aim of this article is to analyze and assess the issue of corruption, including topics such as: emergence of corruption, effects of corruption, reducing the level of corruption, Poland against the background of corruption and the correlative analysis of corruption in the world.
  Key words: corruption, business, private sector.
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One of the most important aspects of social life is the population's professional and personal life. However, it is work that gives results in the form of remuneration and influences the population's possibilities, the occupied position in society, desires for professional development and influences the quality of personal life. For the economy of a given country to develop, accurate conditions for business must be created; after all, it is the enterprises that pay taxes, which feed the state budget. The economy is the society's bloodstream, it makes funds from the broadly understood

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private sphere flow to the public sphere and vice versa. Corruption may cause disruptions in the process of commodity and service flow inside the economic system and at the economy's point of contact, with the private sector. However, does corruption always play a negative role? What do professionals think about the phenomenon of corruption in the current reality?

The aim of the article is to analyze and assess the issue of corruption, including topics such as the emergence of corruption, effects of corruption, reducing the level of corruption, Poland against corruption and correlational analysis of corruption in the world.

The political and economic environment plays a significant role in terms of the influence of these surroundings on the firm's activity and the development of entrepreneurship. As the state changes, its approach to economic processes, the quality of its institutions largely determines the type of incentives that affect companies; it is expressed, for example, in what is allowed and what is not, otherwise which actions cause one to receive severe punishment and which do not. As rightly noted by C. Douglas North (1990, p. 79): "When public contracts are awarded to companies with the highest productivity and innovation, enterprises will try to develop these qualities, but when corruptive behaviours are rewarded, companies with this attitude will be the winning ones on the market."

Corruption is the abuse of a social position to obtain economic benefits for oneself. Despite the occurrence of criminal penalties for corruptive behavior for the public and private sector, in which a pejorative[1] understanding of entrepreneurship absorbs corruptive practices, the level of this phenomenon is still dependent on the standards of life of a given country's citizens.

The study is of theoretical and empirical nature; analyses from the scientific research papers of domestic and foreign authors and the correlation analysis have been used.

Emergence of the phenomenon of corruption

Corruption is not a creation of the modern times, and its presence was already noted in the period when the first structures of power were shaped. (Bielecki, 2002, p. 45). The world of business accepts the concept that corrupttion on a smaller scale has long been an accepted way to do business,

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[1] Pejorative (Latin pejor = worse) means a negative feature of a word in a sense that diminishes, degrades, discourages. There is a phrase "pejorative connotations" or "pejorative overtone", which means that the given meaning, word sound is not well received, although it does not have to be vulgar.

and in many countries, it is an integral tool to conclude a transaction. (BukowskI, 1978, p. 5)

Since the 1950s, views of economists on corruption have been gradually changing. To begin with, some research and analysis have proved that corruption, though morally reprehensible, in practice often facilitates exchange of goods and facilitates the flow of money, and thus contributes to growth of the economy (Lui, 1996). Other researches and analyses have demonstrated something quite the opposite - that corruption is actually dysfunctional for the economy, as it lowers the level of trust between players on the market, which increases uncertainty of transactions and ultimately damages the entire economy. (Treisman, 2000). It also affects household finances (Pukała & Adamisin, 2015).

At the same time, it should be borne in mind that the distinction between the public and private spheres was not very clear in the nineteenth-century Europe, which was touched upon, for example, by Max Weber in his writings or more historically by historian and political scientist James Scott. (Scott, 1969)

What is particularly interesting in the discussion of Andrzej Mączak (Mączak, 1986) is the described way in which corruption was battled during the First Polish-Lithuanian Commonwealth. This concerns the plot of royal treasurers, appointed for life by the king of officials who, in exchange for a permanent, relatively high salary, were obliged to watch over the collection of taxes. In spite of their high social status and high income, they probably belonged to the most corrupt element of the royal administration - in addition to their salary, they collected two types of bribes: "sack" (the name comes from sacks which were used to transport money) and "glove" which comes from suppliers of various goods and services for the crown. Interestingly, as Mączak indicates, nobody at that time was agitated with this practice, but merely the amount of these "commissions". At the same time, Mączak reports very accurate results of research of another historian, Jacob van Kleveren, who made a thesis that at least till the eighteenth century, trade of offices in European countries was a standard. Where it was not organized by the state, it took the form of corruption, but it was still part of the system of exercising power in these societies.

Even in 1996, Gordon Tullock (Tullock, 1996), a well-known economist and candidate for the Nobel Prize of 2003, condemning corruption in general, recognized that it could play a positive role as a kind of supplement to the low salaries of officials, motivating them for more flexible and entrepreneur-friendly actions.

At the end of the 1990s, in many developed countries (including France, the Netherlands, Germany and Belgium), entrepreneurs bribing civil

servants to obtain large public contracts could simply deduct such "additional" costs of acquiring new orders from tax. The situation began to change only after the OECD Convention entered into force; it spoke of fighting against bribery of foreign public officials in international commercial transactions in 1997.[1]

Poland belongs to the group of countries in the European Union with the highest perception of corruption. Various factors have contributed to this state. These included large-scale transfer of political power and property, connected with the political transformation, i.e., with democratization of the state and transformations in the sphere of ownership. Systemic transformation has also brought profound changes in the social structure, which are not without influence on the political culture of society.[2]

Corruption is conditioned by established social values, habits and attitudes that are considered a norm in some countries of the world. Society must clearly know what corruption, violation of certain values and principles, and acceptable social norms are.

Business is an area prone to corruption, where there are countless opportunities to commit crimes and have dishonest, unethical behaviour. A lot of businesses are looking for innovative ways to improve efficiency and maintain competitive advantage in order to survive (Petrova et al., 2018a). This requires the development of various techniques for improving their business competitiveness (Petrova et al., 2018b); (Odinokova, 2018); (Sushchenko, 2016).

In addition to behaviour based on committing crimes, there occur events of "pericorruptive" behaviour, i.e., acting against ethics and good business practice.

A great example may be the Chinese institution guanxi, which, in a nutshell, is simply a network of personal, family connections and influences that largely determine the shape of business, political or social relations. Guanxi is rooted in the centuries-old Chinese tradition, which has survived years of modernizations and communist revolutions; today it still persists despite the pressures of the capitalistic model of the economy's organization. (Ling, 2011)

The number and quality of regulations is related to presence of the state in economic life. As the research shows, the bigger the presence, expressed in limitation of the free market, narrowing of free competition or a

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[1] The OECD Convention on combating bribery of foreign public officials in international commercial transactions, drafted in Paris on December 17, 1997 (OJ of 2001, no. 23, item 264).

[2] Further on this topic, R. Karklins, The System Made Me Do It: Corruption In Postcommunist Societies, New York 2005: M.E.Sharpe, Inc.

large number of state firms receiving subventions from the state budget, the greater the corruption. (Djankov et al., 2002)

The basic conditions conducive to emergence and spread of corruption include (Hankiss, 1986):

1. creation of a common and social good to be shared in society,

2. delegation of rights to persons who have become administrators of that good,

3. creating a system of sharing the good considered by the community to be right, accepted and subject to severe sanctions, so that it is unprofitable in gaining individual benefits.

Currently, views have focused on the negative aspect of this problem. The prevailing law and opinions of scientists rather point to the fact that corruption is a socially damaging phenomenon and is forbidden.

The question arises: *what negative **effects** does corruption bring to economic and social life?*

Effects of corruption

The effect of corruption, which is most commonly pointed out in researches, is the negative influence on investments: the higher the level of corruption, the lesser the investment share in GDP is. (Mauro, 1998). The need to offer bribes in order to obtain a license, for example. Corruption also has a negative impact on foreign investors. It reduces certainty of stable business operations, increases costs and investment risk. As a result, investors prefer to invest in less corrupt countries.

For many countries, including Poland and Ukraine, foreign investments are an important component of economic development, and their reduction or lack thereof brings negative effects. Analysis of statistical indicators shows that despite the desire of Ukraine to carry out implementation of the innovative type of economic development, institutional environment does not provide sufficient incentives and economic instruments for implementation of innovative changes, which has also confirmed the rating position innovativeness of the economy of Ukraine. (Labunska et al., 2017). To assess corruption, foreign investors are based on various indices; one of the most popular indices is the Corruption Perception Index - CPI.

Corruption is correlated with GDP per capita. The lower value of domestic and foreign investments translates into lower GDP per capita, the lower the economic growth is. Probably, a high level of corruption limits the country's prosperity and opportunities for further development. Examples of countries characterized by low levels of corruption and high GDP per capita

are: Denmark, - 58207.90, Finland- 45288.63, Sweden, - 54988.62, New Zealand - 36463.53, Norway - 89741.21 etc.

On the other hand, poor countries such as: Somalia - 187.00, South Sudan - 717.70, Haiti - 731.23, Myanmar - 824.19 are very corrupt and show low levels of GDP per capita. It is also worth noting that rich countries are characterized by good quality of regulations and institutions, a free market and high competition. In contrast, poor countries have ineffective, "weak" institutions, low-quality regulations, limited competition and free market.

Another negative effect of corruption is its impact on state expenditure and the provision of public goods, such as infrastructure or health care. For example, the presence of corruption in public tenders may lead to purchase of a commodity (service) at higher prices and lower quality than in the case where corruption would not exist. This entails growth and inefficiency of expenses. Choosing an offer with a lower price and better quality of the commodity (service) would allow decreasing expenses and allocating the saved funds for other needs. (Gupta et al., 2001)

At this point, one should also pay attention to a view regarding the positive impact of corruption on the economy. The hypothesis came about in the 60s of the previous year and assumed that in the case of inefficient and bureaucratic economy, corruption may allow for more efficient and faster solving of certain problems (e.g., issuing a decision on business activity). (Huntington, 1999)

Generally, economists take the view (although there is still no clear evidence to support this thesis) that corruption causes a slowdown in the rate of economic growth. (Kamiński & Kamiński, 2004). This in turn means that the economy is not able to generate income for the state or create workplaces, which, of course, fosters unemployment and all other negative phenomena associated with it. Economists also try to prove that corruption aggravates inequalities in the distribution of income (Gupta et al.,1998). Other negative consequences of corruption commonly mentioned in the source literature are:

- outflow of qualified workforce,
- improper allocation of funds to unprofitable investments.

What is often mentioned, is the decline in the state's tax revenues, because it is obvious that corrupt companies tend to avoid paying taxes.[1]

It should be noted that the phenomena of corruption and the gray zone are strongly interrelated: research indicates that a high level of gray economy is also accompanied by a high level of corruption. (Buehn & Schneider, 2007)

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[1] See D. Kaufmann, W., Shang-Jin, Does 'Grease Money' Speed Up the Wheels of Commerce, International Monetary Fund, 2000; D. Treisman, The Causes of Corruption: A Cross-National Study, Journal of Public Economics 2000, vol. 76, pp. 399–457.

Countries with low levels of corruption have high GDP per capita, as well as clear and effective regulations and a free market. In contrast, highly corrupt countries are characterized with inefficient administration, non-transparent regulations, low GDP per capita, and often lack of a free market and competition. (Cichocki, 2012).

Limiting the level of corruption

Under such conditions, the **authority of the official** is large. This creates possibilities to extort bribes in exchange, for example, favourable interpretation of a specific regulation or its non-compliance. An example of this type of regulation is the Act on Personal Income Tax from 1991[1].

The official's high authority weakens the position of the petitioner, who - wanting to obtain a decision that is favourable to them, tends towards paying a bribe, saving time and incurring lower costs than if they have decided to settle the matter in the standard way. Clear, precise, stable and transparent regulations strengthen the position of the client, while weakening the authority of the official - they are less corrupt. At the same time, it is pointed out that although too many regulations are problematic, if they meet the above-mentioned conditions, they do not induce corruption themselves. (Lambsdorff & Cornelius, 2000)

Corruption, when made public, will strengthen in the society's consciousness as a lawful act and become more difficult to battle. This creates a common element of relations between society and the state. Combating this phenomenon must begin with the state, but the problem is heightened if the state is dominated by powerful interest groups, for which the existence of strengthening public institutions is the greatest threat. Tolerating corruption in such conditions may quickly lead to "[...] a vicious circle, when a high level of the state's intervention, inefficiency of the market and corruption mutually strengthen and consolidate.")Alesina & Angeletos, 2005)

Politicians talk a lot about the need to fight corruption, but when it comes to specific actions, they behave like citizens that believe it is necessary to limit the state's expenditures, but immediately protest with anger when expenditures on programs, which they use themselves are cut off. Another effect of corruption, which makes it a phenomenon that is difficult to weed out, is its influence on the fall of public values in the society's culture. International researches, which have been carried out in the recent years confirm the existence of a strong link between corruption in the functioning of the

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[1] Act on personal income tax (OJ no. 80, item 350).

state and the level of citizens' trust in public institutions, which is obvious, but also - what is less obvious - with a lack of trust in human relations. (Newton & Norris, 1999) The quality of the law and efficiency in its enforcement exert a particularly strong influence on the level of trust in this sphere. (Rothstein & Stolle, 2002)

However, there are examples of effective reduction of the corruption level.[1] A condition for this efficiency is the political will. An important step in forming an anti-corruption policy is its prevention. "Most of these options are limited along with limiting the state's role in the economy. A limited government requires fewer construction contracts, acquires fewer equipment and may reduce taxes.")Rose-Ackerman, 2002)

The process of limiting corruption must be subject to robust oversight. Otherwise, this may lead to increased corruption and the opening of new sources of corruption. Let us also note that reduction of the state's role has its limits, beyond which chaos lurks. The essence of the political dilemma is that "a small government does not adequately correct inequalities and market injustices; a large government increases corruption and the search for pension.")Alesina & Angeletos, 2005)

To summarize, it should be emphasized that the problem of corruption may be solved with three components. These are primarily well-formulated, clear and understandable legal regulations. However, this may be insufficient; another important issue is the education of society and urgent compliance to legal rules.

This is because a higher level of corruption is found in countries with a large number of unintelligible regulations, with officials holding significant, discretionary power, strong state presence in the economy and limited competition on the market.[2]

Poland against the background of corruption

Governmental Anti-Corruption Strategy for 2013-2018. The newest document, which propagates an anti-corruption strategy in Poland is the Governmental Anti-Corruption Strategy for 2013-2018. The document is prepared considering the experience gained as part of the Strategy's imple-

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[1] Examples of such effective efforts to reduce corruption are discussed by Robert Klitgaard (1988), Controlling Corruption. Berkeley: University of California Press.

[2] This entitles state authorities to make decisions in a free manner, i.e., not restricted by specific legal provisions. However, this does not equal the possibility of making decisions based on private whims.

mentation in the years 2002-2009. The aim of the Strategy is lowering the level of corruption in Poland through intensification of preventive and educational activities both in society as well as in public administration. Further activity in fighting corruption is also continued. The prepared document contains detailed goals, tasks and points towards activities for entities responsible for counteracting and fighting corruptive behaviours.[1]

Governmental anti-corruption strategies are aimed at identifying, preventing and combating corruption primarily in the state sector, with particular emphasis on the disposal of public funds. Private enterprises that operate in the surroundings of other subjects make every effort to form an opinion about them, which is far from suspicions of practice of unfair competition and use of corruptive methods. That is why entrepreneurs who care about the good name of their firm introduce rules for applying good practices, which are included in the codes of ethics. Compliance with ethical recommendations contributes to the company's profits as it reduces the incidence of corruption, embezzlement and use of the so-called bad practices. What is more, it limits behaviours, which result in conflicts of interests. On the other hand, complying with the adopted rules turns into trust of the clients, contractors and partners and raises loyalty and credibility of staff. The need to introduce ethical principles in the prospect of enterprises was also recognized by the Polish Chamber of Commerce, which developed a model for the organization's functioning in dealing with employees and business partners. According to assumptions of the suggested concept (titled "Fair Play Enterprise"), a firm may achieve measurable effects in checking reliability of proceedings in the field of advertising and promotion, contacts with clients, contacts with contractors, solving problems related to employees and reliability towards the state treasury.[2]

When considering the problem of corruption, it is worth paying attention to the interpenetration of various issues. Corruption is difficult to grasp, it is affected by the law and public awareness conditioned by the history of its creation and the old desire of people to make big money in a short time. Corruption is a deed forbidden by law and its exposure may have negative effects for both parties. The "concealed" nature of corruption leads to difficulties in carrying out research into this phenomenon.

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[1] Draft of the Governmental Anti-Corruption Strategy for the years 2013-2018.

[2] Poradnik antykorupcyjny dla przedsiębiorców, Centralne Biuro Antykorupcyjne, Warszawa 2011, pp. 48-50.

Correlation analysis of corruption

The organization Transparency International has published the Corruption Perception Index (CPI), which presents results in this regard.

In a 2015 rank, Poland took 30th place (out of 167) and scored as many as 62 points, in 2014 - 61 points (2013 - 60) and was classified at 35th place (in 2013 - 38), which means better assessment compared to the position from the previous year.

Unfortunately, Ukraine cannot claim a high level of transparency, although there is visible improvement. In 2015, it scored as little as 27 points and the distant 130th place in the rank right at the bottom of all presented positions. This is not good information; it points to the fact that in spite of the improvement made year by year in terms of its high level of corruptness, the results show major problems related to corruption in this country.

It should be emphasized that Denmark made another stand at the head of the rank (first place) with a score of 91 points (in 2015), Finland was ranked second with 91 points, and Sweden third - with 89 points.

The Corruption Perception Index presents an evaluation of 175 countries, of which over 2/3 scored less than 50 points.

Since 2012, TI has used a different methodology compared to the one in previous years; it grants from 0 to 100 points, where **0 equals the largest corruption, and - 100 the highest transparency**. This change should enable accurate observation of trends and comparison of results with reference to previous years.

The Corruption Perception Index (CPI), which is prepared by Transparency International every year since 1995, is a leading determinant of the perception of corruption in the public sector.

Table 1
Selected countries with a low-level perception of corruption

Specification	GDP PER CAPITA PPP	Rank of corruption
United States	52549.01	16
China	13400.27	83
Japan	35804.23	18
Germany	44053.07	10
Great Britain	38657.79	10
France	37305.69	23
India	5730.14	76
Italy	33587.12	61
Brazil	14454.94	76
Canada	42890.88	9
North Korea	34386.57	37
Australia	43654.58	13
Russia	23895.34	119
Spain	32814.45	36
Mexico	16501.94	95
Indonesia	10385.3	88
Poland	24835.9	30
Ukraine	7449.77	130

Source: Author's own study based on data from Transparency International, 2015

Basing on randomly selected countries of the world, two variables distinguished by a low level of perception of corruption were correlated, such as: GDP PER CAPITA PPP and corruption rank indices.
n=18 on a scale from 0 to 100

Calculation of Pearson's linear correlation coefficient.

$$r = \frac{n \cdot \sum x_i y_i - \sum x_i \cdot \sum y_i}{\sqrt{[n \cdot \sum X_i^2 - (\sum x_i)^2][n \cdot \sum y_i^2 - (\sum y_i)^2]}}$$

r = - 0.84

The result indicates a very strong dependence of the correlation between two variables; the dependence is negative.

Table 2

Selected countries with high-level of perception of corruption

No.	Countries	GDP per capita PPP	Rank of corruption
1	Maldives	11892.5	134
2	Comoros	1363.56	136
3	Nigeria	5638.89	136
4	Tajikistan	2616.19	136
5	Bangladesh	3136.6	139
6	Guinea	2854.75	139
7	Kenya	2901.01	139
8	Laos	5341.31	139
9	Papua New Guinea	2854.75	139
10	Uganda	1717.83	139
11	Central African Republic	562.19	145
12	Republic of the Congo	5993.15	146
13	Chad	2043.54	147
14	Congo	736.68	147
1	Myanmar	1324.61	147
16	Burundi	692.67	150
17	Cambodia	3278.2	150
18	Zimbabwe	1687.98	150
19	Uzbekistan	5642.82	153
20	Eritrea	1411.16	154
21	Syria	4684.72	154
22	Turkmenistan	15527.4	154
23	Yemen	3663.31	154
24	Guinea-Bissau	1367.3	158
25	Haiti	1658.41	158
26	Venezuela	15602.9	158
27	Iraq	14017.8	161
28	Libya	13320.8	161
29	Angola	6937.01	163
30	Equatorial Guinea	28271.8	163
31	South Sudan	1741.1	163
32	Sudan	3927.49	165
33	Afghanistan	1820.3	166
34	Somalia	547.32	167

r = 0.26
r^2= 0.07
There is a very weak positive correlation.

Conclusion

There is a very strong negative dependence between GDP per capita PPP and the results of the corruption rank; in other words, if PPP per capita GDP is high, the level of perceived corruption in the country drops. The phenomenon of corruption is decreasing. It is not well perceived and it is not profitable to give bribes when the country is at a relatively high level of economic development. However, in countries where the level of perception of corruption is high and GDP per capita indicates a low level, there is a very weak correlation, but it is positive. This result shows that in a country with a low standard of living, the phenomenon of corruption can have a positive impact on the country's economic development. As already mentioned, it can stimulate the population to some extent.

The attitude and consent of the government and society to corruption play a significant role, as counteracting and combating corruption becomes very difficult under these conditions. Unmasking irregularities at the work-place or whistleblowing are still too rare, as both parties are responsible for committing the prohibited act. Both parties, both the individual giving the financial advantage as well as the individual receiving it, will not disclose this fact, as each of them is exposed to criminal sanctions. This phenomenon still raises great controversy; this also regards incomprehensible wording of legal acts, which causes different interpretations and views. Many people speak out in favour of one side or the other, they claim that it would be accurate to settle a certain case by giving a bribe, while others proclaim that this is immoral behaviour, but should someone want to offer them a bribe, they would gladly accept it. It should be emphasized that a part of society considers corruption to be a negative phenomenon, but if the situation concerns their private life, then they cannot guarantee that they would not take advantage if an oppor-tunity presented itself.[1] The surveyed respondents evaluate these practices as reprehensible, not as a crime.

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[1] Conclusion from the author's own research, questionnaire survey conducted on a group of 263 respondents in 2015-2018, in Poland and Ukraine.

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1. Number of article pages: from 12 to 25 standard pages

2. Deposit of journal articles: one printout (on paper) and one in electronic form as attached file on E-mail: NSArhiv@uni-svishtov.bg

3. Technical characteristics:
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- page numbering– bottom right;
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4. Layout:
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- workplace, postal address, telephone and E-mail;
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6. **Manuscripts of lecturers without an academic** rank should be accompanied by a transcript of the minutes of the Department meeting at which the proposed paper was discussed.

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