

Consequences of Corruption on Tunisian Small and Medium Enterprises' Exports

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Abstract : This study builds on the literature about the effects of corruption on economic growth at the firm level, which analyzes how the payment of bribes affect organizational performance. Traditionally, the literature distinguishes two points of view regarding the impact of corruption: grease view and sand view. The grease view is based on the idea that corruption can compensate for the negative effect of red tape on firms' activities such as innovation and exports. Therefore, some firms will be motivated to pay some additional money to officials in order to reduce the delay related to bureaucratic procedures. On the contrary, the second point of view considers that corruption sands the wheels of the economy and distorts resource allocation because it increases agency and transaction costs and reduces the returns on the investment. We have tested the effect of corruption on innovation and export activities on a sample of 537 Tunisian manufacturing small and medium enterprises (SMEs) using structural equation modeling and path analysis. Tunisia has undergone a revolution in 2010 and since then, the country is experiencing a political instability and economic hardships. Our results do not support the greasing hypothesis suggesting that corruption can reduce the negative effect of bureaucratic delays and the hard access of companies to public services related to exports. Instead, our results support the sanding hypothesis according to which corruption hinders SMEs' exports through its negative influence on innovation. Furthermore, our results show that the interaction between excessive bureaucratic red tape and corruption has a negative effect on exports. However, the interaction between political instability and corruption increases exports.

Keywords : corruption, exports, SMEs, economic conditions

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