

DIRTY DEEDS: how corruption affects entrepreneurship in developed and emerging economies

FABIO YOSHIO SUGURI MOTOKI
UNIVERSITY OF EAST ANGLIA

EMERSON WAGNER MAINARDES
FACULDADE FUCAPE (FUCAPE)

JOSE ANTONIO TEJEDA ALMONTE
FUCAPE BUSINESS SCHOOL

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Introdução

Corruption can have important implications for businesses and economic growth, possibly impacting entrepreneurs even harder than established businesses. The existing literature documents conflicting results on the relation between corruption and entrepreneurship, despite entrepreneurs being a main driver of economic growth.

Problema de Pesquisa e Objetivo

The evidence shows that the relationship between corruption and entrepreneurship is not trivial, with theoretical arguments and empirical evidence for both positive and negative associations. We try to shed light on this issue and study how entrepreneurs react to major corruption scandals in both a developed economy, with strong institutions, and an emerging economy, with weak institutions.

Fundamentação Teórica

Corruption may be defined as using power stemming from public office for private gains. Strong institutions constrain politicians and political elites and enforce the property rights of investors, limiting the opportunities for rent extraction and implementing the rule of law (Acemoglu, Johnson, & Robinson, 2001). So, it is no wonder that corruption can affect firms in general, including entrepreneurial activity (Bjørnskov & Foss, 2016; Mary George, Parida, Lahti, & Wincent, 2016).

Metodologia

We use individual-level data from the Global Entrepreneurship Monitor. The empirical design is based on a differences-in-differences estimator, with both the developed and emerging economies suffering the disclosure of a major corruption scandal in the same year, controlling for year and country fixed effects, country-level time trends, and macroeconomic variables. Our design attempts to address existing concerns on omitted variables bias and identification issues, while at the same time taking into consideration a broad view on institutional context.

Análise dos Resultados

We show that for the developed economy with strong institutions, major corruption events have little direct effect on entrepreneurs' decisions, and relations between entrepreneurs' perceptions and characteristics and entrepreneurial variables are mostly stable. However, in the emerging economy with weaker institutions, it has a severe negative direct impact on future intentions and can change the relation between several entrepreneurs' perceptions and characteristics and entrepreneurial variables, further impairing future intentions.

Conclusão

The present study addresses some shortcomings documented in the institutions & entrepreneurship literature. We also shed some light on the little-understood transmission mechanisms from institutions, to entrepreneurs, to economic growth, by linking macro-level institutions to entrepreneur-level responses.

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