Enterprises Dealing with Corruption: A Microeconomic Analysis

PhD Ermira Hoxha Kalaj

Aleksander Moisiu University, Durres

Abstract

This article focuses on survey data and qualitative evidence from Albanian manufacturing firms to examine the scale and consequences of corruption and tax evasion at the enterprise level. It discusses the costs and benefits from the entrepreneur's perspective. The vector of covariates includes information about; use of external finance, policy influence, experience of corruption, firms size and ownership structure. To control for differences in the availability of collateral, the proportion of the fixed assets is included. The models used in the paper are probit where the dependent variable is binary and ordered probit where the dependent variable is categorical and orderable. Empirical results show that manufacturing firms operating in an environment in which tax evasion is more prevalent are more likely to suffer demands for bribes from corrupt officials. The regression analysis shows that tax evasion is a matter of degree and that is not limited to small and medium-sized enterprises. Even quite large firms acknowledge concealing part of their sales from tax authorities. Enterprises that are evading taxes are less likely to obtain an external audit. In addition, the data predict that corruption and tax evasion is more likely to occur when the principal owner is male rather than female. Moreover, findings show that the main effect of the separation of ownership on the likelihood of bribery is insignificant.

Keywords: *corruption, tax evasion, ordered probit, survey data, enterprises.*

Full Text: PDF