

Bribery and time wasted in Indonesia: a test of the efficient grease hypothesis

Ari Kuncoro, author

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Abstrak

This paper examines the time wasted or effective harassment due to red tape at the district Indonesia, The study of finds a positive relationship between effective harassment in the form of the time spent by firms with heal bureaucrats and bribe rates, even after controlling for firm and other characteristics (location, industry etc). The bureaucratic harassment and bribes are therefore not completely exogenous - so, the efficient grease hypothesis cannot be supported. After decentralization, retribution to extract rents has become the biggest nuisance for most firms. Besides the euphoria of decentralization, a weak local tax base also explains why the temptation to create nuisance taxes and retributions is great, One picture is that education seems tv have a moderating impact on the part of local officials' behavior in creating red tape to extract rents.