

Do smaller businesses pay more bribes? Firm size, informal payments and mitigating strategies in Africa

## **ABSTRACT**

In this paper, we sought to understand the effect of firm size on demand for and payment of bribes by African firms and the strategies needed to overcome them. We argued that size represents a selectionist pressure on firms to cede to corrupt demands while strategies (time to formalization, relational intensity and foreign participation) from the adaptive perspective of the organization are tools to deal with these pressures. We test our framework using data from the World Bank Enterprise Surveys in Africa. We find that the liability of smallness effect exists as the larger a firm gets the fewer bribes in percentage terms it pays out to corrupt public officials. We find also that time to formalization, relational intensity and foreign participation are significant moderators of this effect. The study makes a contribution by testing a contingent framework that integrates the selectionist and adaptive views of organizing.