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Corruption-Induced Inhibitions to Business: What Business Leaders Have to Say in Ghana

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ABSTRACT



The paper examines how corruption-induced inhibitions influence business-related corruption from the perspectives of business leaders in Ghana. Data were collected through focus group discussion with Chief Executive Officers (CEOs) of multi-national and local companies operating in Ghana. The findings show that business leaders encounter multiple regulatory agencies with duplicated and overlapping functions, multiple charges for virtually the same and duplicated services, multiple law enforcement agencies also performing regulatory functions at the Ports of entry, inadequate information on processes and costs of services, and inadequate channels for reporting corrupt activities in Ghana. The paper argues that these challenges trigger corruption-induced inhibitors which in turn, negatively affect the growth of the private-sector in Ghana.

KEYWORDS

Bureaucracy; business; corruption; Ghana; institutions; regulation

1. Introduction

Conventionally perceived as the abuse of public office for personal gain, corruption has almost received universal condemnation by both international and domestic observers. From this underpinning, one strand of the literature contends that corruption creates a burden on firms, distorts markets mechanisms, and deters domestic and foreign investments (Freund, Hallward-Driemeier, & Rijkers, 2016; Hansen, Langevang, Rutashobya, & Urassa, 2018). To the extent that it imposes greater costs and uncertainty on strategic decisions, corruption is seen to be more devastating for firms than taxation (Fisman & Svensson, 2007). The contrasting view in the literature suggests that corruption could enhance business activities and subsequently promotes overall economic growth since it can be used as a hedge against bad policies (Dreher & Gassebner, 2013; Méon & Weill, 2010). This strand of the literature insinuates that new businesses are likely to spring up if businesses are allowed to bribe their way through the start-up process (Dutta & Sobel, 2016). Within this framework, Leff (1964, p. 11) contends that “if the government has erred in its decision, the course made possible by corruption may well be the better one”. Analogous to this argument, scholars posit that corruption obviates distortions perpetuated by inefficient bureaucracy and may be beneficial to growth in a second-best world (Méon & Weill, 2010).

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Over the past few decades, an active body of empirical literature has evolved that attempts to explain whether corruption suffocates or liberates activities of businesses and overall economic growth. Based on the quantitative approach, empirical explanations on the impact of corruption on businesses remain decidedly mixed (Boudreaux, Nikolaev, & Holcombe, 2018; Chowdhury, Audretsch, & Belitski, 2015; Dreher & Gassebner, 2013; Dutta & Sobel, 2016; Freund et al., 2016; Goel & Saunoris, 2020; Méon & Weill, 2010). Heckelman and Powell (2010) specifically argue that where economic freedom is lacking, the damaging impact of corruption on business activities is minimal. Consistent with this view, Bachmann (2010) explains that the discourse on corruption and entrepreneurship should reflect specific institutional and cultural environment. Though the findings from the previous studies have been sporadic and inconclusive (see Table 1), less attention is paid to understanding the conditions under which corruption influences entrepreneurial activities. Thus, deeper understanding of how public institutions are structured, and how entrepreneurs react to such environment can help foster sound public policies to support business survival and startups which are crucial in promoting economic growth in emerging and transitional economies.

African businesses face the most challenging business environments compared to their counterparts in Europe, Americas, and Asia (World Bank, 2020). Arbitrary behaviors including red-tape and excessive bureaucracy, under-and-over regulation, corruption, and rent-seeking remain key threats to private-sector driven development across Africa (World Economic Forum, 2019). Yet, the literature on African renaissance has argued that African development, to a large extent, depends on investment in its private sector, its entrepreneurs, and in its enterprises (Hansen et al., 2018). Scholars have argued that in most emerging economies, corruption triggers excessive regulation (corruption-induced inhibitions) and empowers technocrats to extract rents from businesses (Aidt, 2016). This suggests that under burdensome regulations amidst weak institutional environment, public bureaucracy is emboldened to extract rents, and thereby prompt 'grease' money from businesses to ultimately help circumvent the process (Munemo, 2012).

Considering the ambivalent nature of the literature on corruption and entrepreneurship, the aim of this paper is to understand the conditions under which corruption may be a second-best option for businesses. Specifically, by exploring business leaders' experiences and perceptions of state-backed institutions (thus, public institutions and agencies mandated to regulate business activities), this paper shapes our understanding of how anti-corruption policies contribute to eliminating (or otherwise) corruption as a barrier to doing business in Ghana. In this context, corruption-induced inhibitions are those obstructive regulations and practices of public institutions and agencies set-up to facilitate business development. Ghana is chosen for this study because of several reasons. The 2016 Global Competitiveness Index places Ghana at 114th out of a total of 138 countries (Schwab & Sala-i-martin, 2016). The position of Ghana on the 2018 World Bank Doing Business Report equally signals more work to be done to enhance opportunities for private sector growth (World Bank, 2018). Ghana was ranked 120th position out of 190 countries surveyed. On the 10-point indicator used by the Doing Business Report, Ghana ranked very poor on resolving insolvency (160th), cross-border trading (156th), contract enforcement (116th) and property registration (123rd). The key question for this paper is: how do business leaders perceive the regulations and role of institutions and agencies established to help promote the agenda of "private sector as

Table 1. The Bird-eye Literature on Corruption-business.

Study	Theory	Methods	Findings
Dutta and Sobel (2016)	'Grease' or 'sand'	Quantitative method – panel data analysis – System GMM.	Corruption undermines entrepreneurship.
Dreher and Gassebner (2013)	"Grease or 'Sand'	Quantitative method – extreme Bound Analysis.	Burdensome regulation suffocates entrepreneurship. But corruption facilitates firms' entry.
Chowdhury et al. (2015)	Regulatory capture theory and Institutional theory	Quantitative method – Generalized Least Square, Fixed effect, Interactive model	Corruption worsens the burden of regulation on the international entrepreneurship.
Chowdhury and Audretsch (2021)	Institutional theory	Panel data – country fixed effect, country clustered standard errors.	Corruption does not exert a consistently negative impact on international entrepreneurship.
Boudreaux et al. (2018)	--	Panel data – Hierarchical regression, Random effect estimator.	Higher levels of corruption shift resources away from education, professional, scientific, and technical service industries to construction industry.
Bologna and Ross (2015).	'Grease' or 'Sand'	Panel data – fixed and marginal effects.	Found support for both 'grease' and 'sand' hypotheses.
Harraf, Ghura, Hamdan, and Li (2020)	Institutional theory	Longitudinal Analysis	Lower levels of corruption positively moderate entrepreneurial training but negatively moderate firm-level technology absorption.
Freund et al. (2016)	'Grease or 'Sand'	Panel data analysis	Corruption (bribery) delays time taken to register and license businesses.
Bukari and Anaman (2021).	'Grease or Sand'	Panel data analysis	Corruption impedes firms' innovation
Goel and Saunoris (2020)	'Grease or 'Sand'	Panel data Analysis	Higher corruption acts as 'grease' by facilitating firms' exit or death.
Jauregui, Heriot, and Mitchell (2020).	Institutional theory	Panel data analysis. Spatial analysis	Low level of corruption promotes firms' birth. But high level of corruption hinders entrepreneurship.
Chen and Cheng (2019)	New Institutional Economics (NIE) and Theory of Second-best Option	System GMM estimator	Corruption suffocates the emergence of new businesses.
Liu, Hu, Zhang, and Carrick (2019)	Institutional lens	Longitudinal country-level survey	Corruption facilitates entrepreneurship.
Belltski, Chowdhury, and Desai (2016).	--	Log-linear basic panel model	Both corruption and taxation discourage firms' entry. But their interactive effect is positive.
Wu (2019).	'Grease' or 'Sand'	Tanslog function	Bribery abates firms' innovation capacity and productivity.

Source: Authors' construction

engine of growth” in Ghana? The paper contributes to the mainstream literature on the corruption and entrepreneurship in emerging and transitional economies. Specifically, a deeper analysis of contextual imperatives would provide pointers to specific policies and institutions that should be reformed for businesses to thrive in Ghana and other emerging economies in Africa. The rest of the paper is structured as follows: theoretical background and the empirical literature are reviewed, the methodology is discussed, empirical data and analysis are presented and discussed, conclusions and recommendations are provided.

2. Corruption and business: theoretical argument

It is a commonly held view that vibrant entrepreneurship lies at the root of economic development through the creation of employment, increase in productivity, and innovation (Van Praag & Versloot, 2007). Nevertheless, two contending research traditions offer explanations on corruption-business nexus. The “grease the wheels” strand of the scholarship argues that corruption leads to more favorable operational conditions and can increase the rate of entrepreneurship (Dutta & Sobel, 2016). The central idea is that corruption could help grease the inefficient bureaucracy to speed up the bureaucratic procedures, introduce competition for government resources, and ensure more efficient provision of services (Leff, 1964). Thus, as inefficient institutions have the potential to “create private and social deadweight losses” (Dutta & Sobel, 2016, p. 180), entrepreneurs will be able to expand their businesses if they are able to get public officials to bend the rules. Theorizing the queue model, scholars point out that corruption can help minimize the time spent in queues to access government services. As such, graft may encourage innovation and can be used as a hedge against bad public policies (Bayley, 1966). As argued in the queue model, entrepreneurs attach different values to time, and public officials grant preferential treatment to those that pay high bribes to get services rendered to them in real time. In this scenario, some scholars believe that delays may be intentionally created by bureaucrats to extract rents from entrepreneurs (Huntington, 2002). It should be noted that graft is not justifiable and may not be the best option in any business environment, however, because entrepreneurs may want to circumvent distortions or inefficiencies within an economy to ultimately meet their commercial mandate, it may well be the second-best option. In line with this hypothesis, Méon and Weill (2010) find that corruption stimulates efficiency in a dysfunctional institutional environment. Dreher and Gassebner (2013) report that within onerous regulatory context, corruption facilitates the establishment of start-up businesses. Similarly, Amin and Ulku (2019) also established that the extent to which graft reduces the productivity of firms is higher under a more regulated economy. An analysis of ‘grease the wheels’ hypothesis suggests that in the context where a higher number of procedures are required to start a business, corruption is seen to be the second-best option to help navigate. From here, the paper argues that in the milieu where public officials exert much control over the flow of information, license, contracts, or customers, businesses may decide to offer bribes to government agents to compensate for bad business climate. The opposing strand of the literature – the “sand the wheels” hypothesis – posits that corruption is harmful and deters business activities (Ferraz, Finan, & Moreira, 2012; Fisman & Svensson, 2007; Freund et al., 2016), which contradicts grease the wheels hypothesis. Accordingly, the empirical literature presents mixed results.

3. Context of weak and overlapping institutions and businesses

Existing literature begins to recognize that entrepreneurial behavior needs to be understood within the context it occurs (Manolova, Eunni, & Gyoshev, 2008; Smallbone & Welter, 2001; Welter & Smallbone, 2011). Implicit to this literature is the idea that businesses operate in a context that is composed of both formal and informal institutions (Shane, 2003), and these institutions influence the motives, attitudes, and the resources required in running a business (Welter & Smallbone, 2011). Often defined as “the rules of the game in a society or . . . the humanly devised constraints that shape human interactions” (North, 1990, p. 3), there is no doubt that the economic exchanges are embedded in institutional contexts (Hodgson, 2007) ranging from explicit state-backed rules, regulations and agencies to social norms, conventions, and codes of ethics (North, 1990). Whilst state-backed institutions such as courts and other regulatory bodies ensure compliance in contractual relationships (Boettke & Coyne, 2009; Lim, Morse, Mitchell, & Seawright, 2010), in an event that such formal institutions are perceived to be ineffective, businesses resort to informal institutions to carry out business transactions (Tonoyan, Strohmeyer, Habib, & Perlitz, 2010). Consequently, in the context of weak or overlapping institutional environment, entrepreneurs either rely on trust-based relationships (Welter & Smallbone, 2011) or engage in discretionary actions such as rent-seeking and corruption (Smallbone & Welter, 2001). Welter and Smallbone (2003) further point out that in unstable and weakly structured transitional settings, informal networks often play crucial roles in aiding entrepreneurs to win contracts and to cope with the constraints imposed by highly bureaucratic structures and unfriendly public officials. Scholars echo this point and argue that where multiple and overlapping government agencies yield discretionary power over businesses, entrepreneurs tend to resort to arbitrary behaviors including bribery (Hansen et al., 2018; Tonoyan et al., 2010). Nkakleu and Biboum (2019) posit that overlapping regulatory jurisdictions expose businesses to corrupt activities in Africa. Peng (2003) also argues that businesses engage in tax avoidance which allows them to survive in an environment where conflicting regulatory environment creates arbitrariness and corruption. The work by Amoako and Lyon (2014) addresses the challenge of institutional deficiency in relation to business development in Ghana. They argue that in the context of dysfunctional legal norms, businesses rely on culturally specific relationships such as chieftaincy and religion to settle business-related disputes rather than through formal court system. Consistent with this strand of the literature, Nistotskaya and Cingolani (2016) suggest that an extremely bureaucratic environment creates incentives for bureaucrats to use the powers of the state and resources associated with regulation for self-dealing. Nevertheless, these arbitrary actions of bureaucrats are partly engineered by entrepreneurial lobbyists who have in-depth knowledge about how bureaucrats misuse their discretionary powers (Klapper, Laeven, & Rajan, 2006; Knott & Miller, 2008). Consequently, rent-seeking and other corrupt activities between public officials and entrepreneurs are mutually reinforcing (Knott & Miller, 2006). Like other developing countries, Ghana is a transitional economy that has not only weak institutions, but a long history of trade supported by a pre-colonial social structure due to the embeddedness of strong trust-based relationships (Perbi, 2004). Therefore, there is a need to explore entrepreneurs’ experiences, perceptions, and responses to weak state-backed institutional environment, and to understand whether such responses trigger corrupt activities.

4. Methodology

The paper adopts an interpretivist approach due to its exploratory nature that afforded an opportunity to capture the diversity and richness of the study context (Welter, 2011). In that regard, a qualitative single-case technique (Creswell, 2014) which intended to explore business leaders' experiences, opinions, and responses to state-backed regulatory institutions and agencies in charge of business registrations and licensing, certification of products, revenue collection, and other regulatory mandates was used. Data for this paper was sourced largely from a formal meeting termed the "safe space forum" organized by Private Sector Anti-Corruption Group (PSACG). The "safe space forum" was meant to provide anonymity to private sector business leaders in Ghana to share their experiences on how corruption impacted their businesses, make recommendations for reform and show what contribution businesses can make to reduce corruption and increase the risk of it. The participants were drawn from the UK-Ghana Chamber of Commerce, Canada-Ghana Chamber of Commerce, European Business Organization, Ghana-Netherlands Business and Culture Council, the American Chamber of Commerce in Ghana, officials from the Private Sector Anti-Corruption Group (PSACG-Ghana), and representatives of some local business associations in Ghana.

The discussion was structured around six key themes Technology, Digitization, Freedom of Information Act, Whistleblower's Act, Transparency of business processes, and Conduct of business rules constitution. Participants were guided by a set of questions including the kind of state institutions they interact with, their perceptions about business registration and licensing regime and the certification of products. Participants were also asked to share their experiences regarding the functions performed by various regulatory and law enforcement agencies, the complex nature of those functions, availability, and access to information on processes and costs of services, the effectiveness of channels for reporting corrupt activities, how these interactions affect business operations as well as how they respond including whether or not they pay some facilitation fees (bribery) to help navigate onerous processes.

In all 30 participants took part in the "safe space forum". In addition, and for purposes of validating some of the information shared, key informant interviews with officials from the Customs, Excise and Preventive Service division of Ghana Revenue Authority (One officer in charge of integrity and anti-corruption), the Ghana Institute of Freight Forwarders (one officer), the Chamber of Pharmacy Ghana (one officer) and an official of an international pharmaceutical company in Ghana were conducted. The transcripts of the safe space forum and the audio-recorded interviews of the key informants were categorized to gain an in-depth understanding of participants' experiences with regulatory institutions and agencies. Thematic analysis based on the suggestion by Braun and Clarke (2006) was adopted. In that regard, the systematic coding ensured that the fundamental concepts were carefully extracted, labeled and defined, and the key patterns and relationships regarding entrepreneurs' experiences and perceptions about regulatory bodies were explored. The thematic headings and analytical rigor were based on codes such as "multiple regulation", "duplicated and overlapping functions", "multiple charges" "duplicated services", "multiple law enforcement agencies" "multiple regulatory functions at the Ports of entry", "inadequate information", multiple payment", "burdensome/onerous processes", "facilitation fees", "inadequate channels for reporting business-

related corruption”, and “political entrepreneurs” emerged and deepened our understanding of how business leaders perceived regulatory bodies in Ghana. Aside the primary data, content analysis of secondary data such as journal articles, Ghana National Anti-corruption Action Plan (NACAP) (2012–2021), reports from the annual Auditor General’s Department, and 2019 report on the World Bank Ease of Doing Business (EDB), 2019 Report of the Transparency International, and the 2019 Global Corruption Barometer Report were used.

4.1 Study context

Ghana’s development progress has stagnated due to the impact of corruption. Perhaps, more than anything else, corruption may be responsible for Ghana’s inability to generate enough tax and non-tax revenue to execute her development. With debt to GDP expected to rise from 63.2% at the end of 2019 to 68.7% at the end of 2020 (International Monetary Fund, 2020, p. 11), Ghana currently spends almost all its tax revenue on public sector salaries, debt servicing, and interest payment, it is imperative that government increases its efforts in tax revenue mobilization (GoG, 2020).¹ For example, wages and salaries were 5.7% of GDP in 2018² Within the same period, Ghana’s tax revenue to GDP was 17%.³ This is among the lowest in Africa with average of 26% and below the sub-Saharan Africa average of 19%, Latin America and the Caribbean average of 22.8%, and the Organization for Economic Co-operation and Development average (OECD) of 34.2% (OECD, 2021).⁴ In addition to the inability of the government to raise adequate revenues due in part to the revenue leakages, the inflated cost of projects and the poor quality of infrastructure projects (which end up most expensive due to remedial costs), are some of the obvious impacts which Ghana suffers as a result of corruption (Government of Ghana, 2012/2021, p. 24).⁵ The excessive waste in government brought to the fore year after year by the Auditor-General’s report which demonstrates how hurtful corruption is to the development of Ghana. In 2018, for instance, the audit report of MDAs revealed cash irregularities of GHS 26,397,410.07, which comprised mainly funds embezzlement, unaccounted revenue, uncollected funds with officials and unsubstantiated payments.⁶ The significant losses of budgeted funds are becoming increasingly unacceptable especially in the context of rising debt levels due to excessive borrowing. As shown in [Figures 1 and 2](#), the nature of corruption makes Ghana the second worst performer on citizens’ assessment of the incidence of corruption in Africa. The level of perceived corruption remains high among ordinary citizens as well as businesses. The 2019 Corruption Perception Index (CPI) rated Ghana below 6 other African countries.

¹..

²Government of Ghana (2020 P. 34)..

³Government of Ghana (2020 P. 32).

⁴

⁵National Anti-corruption Action Plan (2012–2021) identified large-scale leakages public funds including cheating, over-invoicing, procurement and contract irregularities, unsupported payments, etc.

⁶Report of the Auditor-General on the public accounts of District Assemblies for the financial year ended December 31, 2018. Page 9. Accessed file:///C:/Users/HP%20LAPTOP/Downloads/REPORT-OF-THE-AUDITOR-GENERAL-ON-THE-ACCOUNTS-OF-DISTRICT-ASSEMBLIES-FOR-THE-FINANCIAL-YEAR-ENDED-December 31, 2018.pdf.

4 Best Performers		4 Poor Performers	
Percentage of public service users paid a bribe in the last 12 months.		Percentage of public service users paid a bribe in the last 12 months.	
Mauritius	5%	Ghana	33%
Botswana	7%	Nigeria	44%
Namibia	11%	South Africa	18%
Senegal	15%	Cote D'Voire	34%

Figure 1. Best and Worst Performing Nations Citizens’ Assessment of the Incidence of Corruption. *Source: Global Corruption Barometer, 2019.*

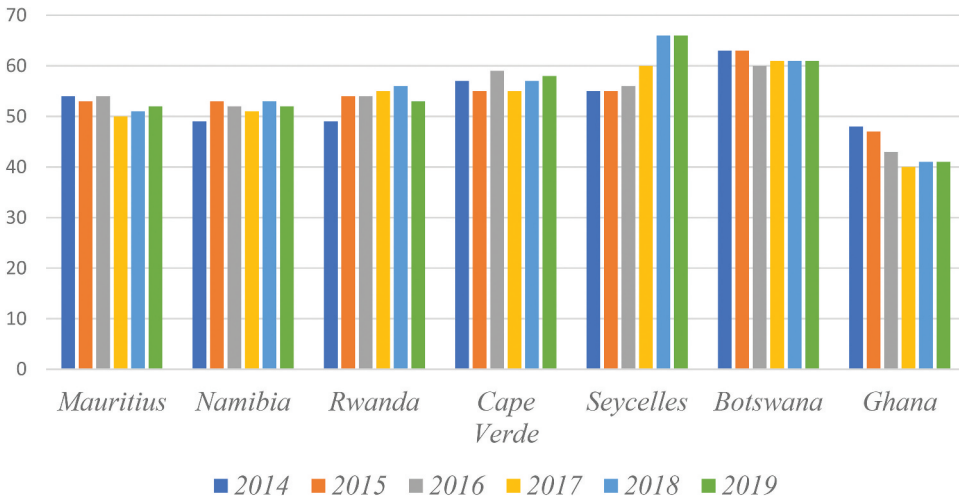


Figure 2. Corruption Perception Index in Africa (Best Performers).*Source: Transparency International, 2019 Update.*

The country was rated 41% (which is 9% below the minimum standard of 50% mark) and the lowest score since 2012. It is instructive to note that since Ghana’s inclusion in the survey in 1998, the country has consistently performed below average; its CPI has never reached 50%.

Evidence from the 2019 World Bank’s Ease of Doing Business report shows that although Ghana seems to be doing well in West Africa (Figure 3), the country is trailing behind countries such as Botswana, Kenya, Mauritius, Rwanda, and South Africa in sub-Saharan Africa (Figure 4). This is supported by evidence from the World Bank (Figure 5) suggesting that Ghana performs poorly on starting a business index compared to its neighbors in West Africa.

5. Findings

5.1. Business leaders’ perceptions of state-backed regulatory institutions and agencies

Though efforts at strengthening institutions and reduce the opportunities as a strategy to improving the business in the past two years have been worthwhile, it is important to examine the value chains of various businesses and to understand how state-backed

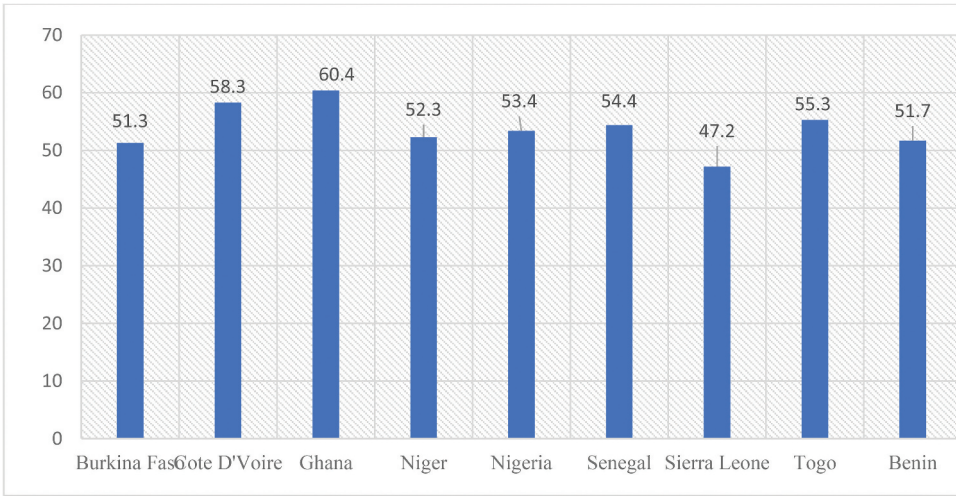


Figure 3. Ghana’s Position on the Ease of Doing Business (West Africa).Source: World Bank Doing Business Database, 2019.

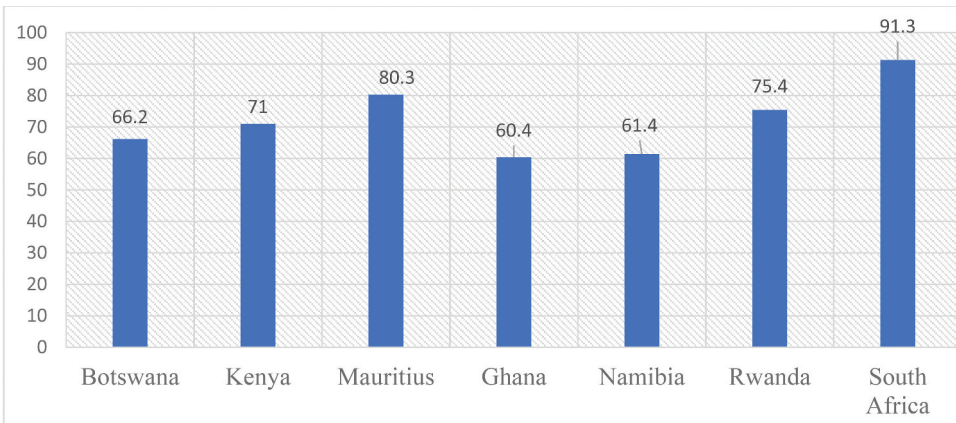


Figure 4. Ghana’s Position on the Ease of Doing Business (Sub-saharan Africa).Source: World Bank Doing Business Database, 2019.

institutions shape business survival. Without a scientific assessment of these impacts, the state may levy charges which may prove to be detrimental to business. In spite of the progress in the fight against corruption, a couple of challenges remain, and business operators still consider the environment hostile. The key issues of concern are: multiple regulatory agencies with duplicated and overlapping functions, multiple charges for virtually the same and duplicated services, multiple law enforcement agencies also performing regulatory functions at the ports, inadequate information on processes and costs of services, inadequate channels for reporting corruption, and political party financing.

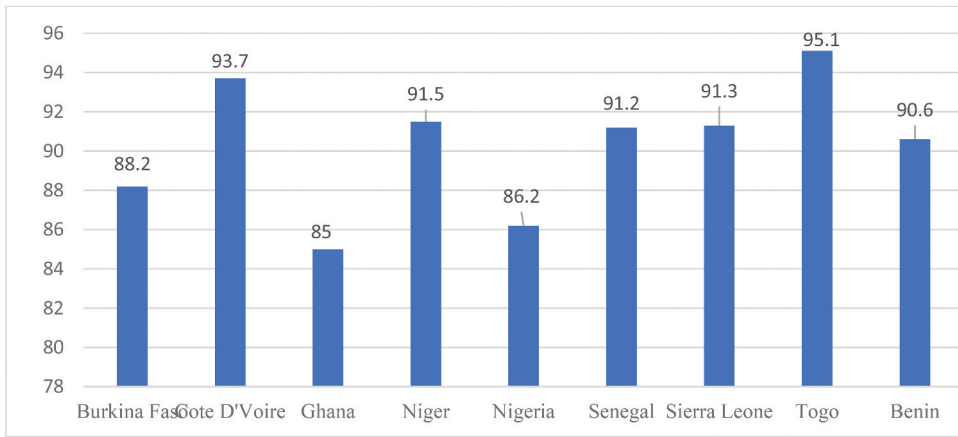


Figure 5. Ghana's Position on the Index of Starting a Business (West Africa). Source: World Bank Doing Business Database, 2019.

5.1.1. Multiple regulatory agencies with duplicated and overlapping functions

There are currently many regulatory agencies operating in almost every business sector with duplicated and functional overlaps. In the health sector, there are agencies such as the Pharmacy Council, the Health Facilities Regulatory Agency, the Food and Drugs Authority, the Ghana Standards Authority, Environmental Protection Agency as well as many sector-specific agencies such as the Veterinary Services. Evidence suggests that many of these agencies have duplicated and overlapping functions and businesses are required by the enabling legislations to register, seek approvals and certifications for all of their activities or some aspects of their functions. Many companies require multiple approvals and certifications from Ghana Standards Authority and Food and Drugs Authority. The participants were unanimous during safe space forum that the bureaucratic inertia and paperwork required to fulfill obligations to these agencies are very unfriendly to businesses. One of the participants from the safe space forum explained:

What is actually killing us in Ghana is the number of regulatory agencies. Businesses are required to get multiple approvals and certifications.

An informant interviewee corroborated that:

Of course, multiple agencies are meant to scrutinize activities of business, but as to whether they are serving the intended purpose is what we need to look at.

Another informant interviewee also disclosed that:

... We realize when talking about the issue of enforcement, the different arms dealing within the system in Ghana didn't know what each was responsible for and who was accountable for what. We actually organized a workshop and brought together the Food and Drugs Authority (FDA), Ghana Standards Authority (GSA), Customs of Ghana Revenue Authority (GRA), and the Ghana Police Service and some legal minds to deliberate about how to deal with such contradictions.

Both common sense and academic literature converge that stressful business environment poses obstacles to industrial development. From this underpinning, although the government of Ghana acted to reduce the number of agencies involved in joint inspection at the ports from 16 to 3, there are still many agencies operating in the ports and even more out of the ports that businesses are required to deal with daily. Key problems with these are that the frustrations entrepreneurs encounter create delays to business processes and opportunities for agency officials to demand bribes. With the lack of grievance and complaints systems that businesses can resort to when confronted with these frustrations, many businesses conform.

5.1.2. Multiple taxes, fees, and charges for virtually the same and duplicated services

In addition to the challenges posed by a preponderance of regulatory agencies, there are equally a plethora of charges and fees that businesses are required to pay when dealing with these agencies. Incidentally, some of these charges are meant for nearly the same or the same types of services. One of the interviewees explained:

Charging for accessing services from regulatory bodies are too much. We pay multiple charges because we are required to go through different processes. It makes doing business in Ghana very expensive

Charges and fees in some sectors such as the pharmaceutical sector are the most expensive in the West African sub-region. Ghana is reported to be the second most expensive country in the world and most expensive in Africa for the cost of medicines, a situation attributed to the excessive and many taxes, charges, and fees businesses are subjected to. For instance, data from the Chamber of Pharmacy Ghana⁷ shows that factory inspection for pharmaceutical companies cost US\$ 20,000 and product registration for each pharmaceutical product cost US\$ 3,600 every three years (in comparison, it costs US\$ 750 for five years in Nigeria, US\$ 1000 for the lifetime of the product in Kenya, US\$ 1,250 for the lifetime of the product in Uganda, US\$ 1000 for five years in Côte d'Ivoire, US\$ 230 for 5 years in Mauritius, and US\$ 2,230 for five years in South Africa).⁸ In addition, there are over 12 taxes, fees, and charges to be paid by these companies at the port of entry. A recent Vice-Presidential Committee on Port Fees and Charges identified not only many institutions but also too many taxes, fees, and charges.⁹ These multiple and high taxes, fees and charges trigger smuggling of unregistered products into the country and forces otherwise genuine businesses to exploit loopholes in the tax systems and pay bribes to outwit the systems. In addition to the above, the business climate in Ghana is already considered extremely unfavorable and businesses are under pressure to survive.

5.1.3. Multiple law enforcement agencies also performing regulatory functions at the ports

It emerged that there are a number of state security agencies operating at Ghana's port of entry where entrepreneurs transact business in the form of imports and exports. For instance, there are Bureau of National Investigation (BNI), National Security, Criminal

⁷As captured in the annual Auditor-General's Report.

⁸Interview with an officer at the Chamber of Pharmacy Ghana.

⁹Revealed during interview with one key informant interviewee.

Investigations Division (CID) of the Police Service, Narcotics Control Board and some ad-hoc committees/bodies all operating from the ports.¹⁰ However, rather than providing security or support, some of these agencies have become regulatory in nature and have now become part of the myriads of agencies importers and exporters have to deal with. Some participants disclosed their experiences with these state institutions during interviews:

We relate with many security agencies at the ports. Most of them have become regulatory agencies instead of strictly providing security service.

They intentionally delay your clearance just to extort money from you. And because you don't want to be subjected to unnecessary delay, you have to pay the money.

In essence, many of these security agencies have become oversight agencies over the state agencies with responsibility for various aspects of the functions in the ports. What is more worrying, and frustrating is that, dealing with these agencies sometimes involve making illegal payments for which businesses do not even get receipts for. It is common knowledge among the actors at the ports that the security agencies have become a major constraint on business processes.

5.1.4. Inadequate information on processes and costs of services

One of the critical elements for reducing corruption is the availability of information on services, the processes involved in accessing services, the timeliness for service delivery and the cost of these services. Therefore, the attempt by government to ensure transparency in administrative processes as well as the cost of assessing services from public institutions is a positive step to reducing corruption. Notable examples include the Judiciary, Ghana Ports and Harbors Authority, Ghana Immigration Service, Ghana Standards Authority, among others. However, there is still significant progress to be made in this area. Currently, only a few agencies display fees and charges for their services on their websites and make them easily accessible. Participants disclosed that there is insufficient information about procedures for accessing services from public agencies. In cases where there are new reforms, state agencies or authorities rarely avail themselves to take feedback and respond to client frustration on a continuous basis. Under circumstances of uncertainty and inadequate information, corruption thrives, and businesses muddle through with bribery. An informant interviewee narrated their susceptibility to bribery in these words:

Actually, the system is not transparent. Information is not available. It is only through the process that officials will ask you to do this and do that. The processes are supposed to be available for us to know beforehand.

A participant at the safe space forum corroborated that:

Why do we pay bribes? Because sometimes people don't know the procedures and the timelines for services to be rendered within public institutions. Capacity building issues must also be addressed. How can we also use some of these reporting tools that we have? I am interested in knowing how we can change Ghana Revenue Authority (GRA) and the Customs Administration.

¹⁰Revealed during interview with one key informant interviewee.

5.1.5. The lack of or inadequate channels for reporting corruption

While the incidents of corruption remain prevalent, there are few channels available to report corrupt practices. Entrepreneurs who are confronted with corruption do not have clearly stated procedures to lodge their complaints especially at the facility level. In instances where these options are available, they are either not widely publicized to customers or fail to evoke public confidence in the process. For instance, with the ongoing reforms to deal with corruption in the judiciary, only two additional complaints units have been established in Ashanti region and Western region to complement the existing complaints office in Greater Accra. Again, for the fear of victimization, people prefer to live with the consequences of corruption without seeking redress. One of the key findings is that many business leaders do not trust the governance systems and will consequently not seek redress from these. In addition, business people fear to speak up about the extent and impact of corruption on their businesses. Some participants shared their perceptions and experiences about the legal system in Ghana.

Even the courts. It is always a burden if I have to send a case to court. After someone defrauds you, the judges and workers too will be asking for monies before they call and judge the case.

The judicial system is highly corrupt . . . In Ghana, if you don't manipulate the system, you will never get fairness so far as a court judgment is concerned . . . I agree that we are aware Customs and Police are engaging in corrupt practices, but the judicial system is highly corrupt, and we need to tackle it otherwise we will have a problem in the country.

5.1.6. Payment of facilitation fees

In the midst of overlapping and duplicated functions of regulatory institutions and agencies, participants were asked to share their responses of such burdensome regulatory environment. It emerged that to avoid unnecessary delays and to skip the processes involved in transacting business with regulatory bodies, businesses resort to payment of unapproved money often christened as 'facilitation fees' (bribe). An interviewee revealed that:

Time is very important to us as businessmen/women and if you want to religiously go through the processes, you risk wasting your time. So, what we do is that we pay facilitation fees. The processes are unnecessarily delayed just to get money from us.

Another participant of the Safe space forum disclosed:

I have been a victim and participant of corruption. The Ghanaian economy is an import driven economy, and the corruption starts at the customs. As soon as the goods are imported and hit the ports you are forced to engage in that bribery space. It's the system and you really can't avoid it because when your competitor is doing it and you are not engaged in it, you are outpriced and there is no level playing field. The level playing field is what all the importers are trying to get and who can smuggle better, or who can be smarter at the ports. The competition is not in the quality of goods and services you provide but rather when you win this contract, how much can we steal at the Ports and that will be our profit. When we came to Ghana 26 years ago, Ghana was clean at that time and that was my main purpose of coming here and setting up my business here. Now, I find that other African countries are becoming better than us, and we are going down year by year.

The participants express the view that when such money is paid to the public officer(s) in charge of a particular service, the period of completing the entire process can be shortened. The data further suggest that whilst some public officials in charge of service delivery demand for such 'facilitation fees', in most cases, entrepreneurs willingly offer the money to get the process through very quickly. The reason being that it is almost an institutionalized practice such that if one refuses to pay, others are ready to pay to get their process through in real time.

5.1.7. Political entrepreneurs

One of the critical issues to deal with if the fight against corruption will make any impact is the challenge of funding for political parties. Although the state has refused to take a serious look at this issue, its impacts on the fight against corruption can no longer be ignored. Through political party funding, businesses and individuals invest in politicians who intend pay back through contract and appointments into positions in government. Some businesses are known to show equity to the two main political parties in Ghana in terms of support during elections as a condition for continuous receipts of government contracts. In effect therefore, the state funds political parties through the backdoor but have no control for how much these funds are.

6. Discussion

Scholars hardly converge with regards to whether corruption suffocates or liberates entrepreneurial activities. The current paper examines how contextual factors shape entrepreneurs' decisions to engage in arbitrary behaviors including corruption. It has specifically analyzed entrepreneurs' experiences and perceptions about their dealings with state institutions and agencies in charge of business registrations, certifications, licensing, revenue collection, and other regulatory bodies. It draws attention to how state-backed anti-corruption institutions and policies rather provide a fertile ground for businesses to engage in corrupt activities. The paper shows that entrepreneurs' experiences and perceptions of multiple regulatory agencies with duplicated and overlapping functions, multiple charges for virtually the same and duplicated services, multiple law enforcement agencies also performing regulatory functions at the ports of entry, inadequate information on processes and costs of services, and lack of or inadequate channels for reporting corrupt activities are widespread in the Ghanaian context. Within this burdensome regulatory environment, participants expressed the view that the option to bribe one's way through in order to access government services comes in handy. This is exemplified in most cases where overlapping government agencies and institutions yield discretionary power over the control of businesses (Smallbone & Welter, 2001; Tonoyan et al., 2010). It should be noted that in most transitional and emerging economies where regulatory environment is weakly institutionalized, bribery, corruption, and other arbitrary behaviors are perpetuated and mutually reinforced by both public officials and businesses (Klapper et al., 2006; Knott & Miller, 2008; Nistotskaya & Cingolani, 2016). This is important because in an environment with strong coercive pressures, for example, those with efficient regulatory regime, one would expect the behavior of entrepreneurs to mainly conform to such institutional pressures. However, in Ghana and in other African countries, perceptions of delays due to long processes and perceptions of corruption tend to deter businesses from accessing the

services from formal institutions (Amoako & Lyon, 2014; Hansen et al., 2018). The practice of paying ‘facilitation fees’ (money meant to navigate burdensome regulatory environment) appears to be practically institutionalized as majority of the participants converged on the view that when one refuses to pay, the others are ready to do it with glee. Nevertheless, the corruption-induced business environment in Ghana undoubtedly echoes “grease the wheels” hypothesis in the corruption-business literature (Leff, 1964). It should be emphasized that an understanding of anti-corruption institutions is specific to particular cultures, hence, extensive research to unearth contextual realities of different geographical settings is required to extract an explanation on the specific parameters based on which corruption may influence business activities. It is, however, expected that different institutional settings would engender different entrepreneurial behaviors even in more similar geographical and economic contexts. The findings reinforce the idea that corruption triggers excessive regulation and empowers officialdom to extract rent from businesses (Aidt, 2016). This paper introduces the dynamics of bureaucratic structures to the repertoire of explanatory factors employed in the corruption-business literature.

7. Conclusion and policy implications

Private sector plays an important role in the growth of every economy. However, the ability of the private businesses in Ghana to play a catalytic growth role is dependent upon the nature of the business environment. Corruption threatens both the state and businesses and conscripts businesses into both willing and unwilling participants in the corruption game – they feel willing if by so doing, they can ensure they meet their bottom line but unwilling if this becomes rather hurtful for their bottom line. The relationship between corruption and the growth of private sector businesses cannot be underestimated. While Ghana is currently putting in place several anti-corruption measures to stem the tide of corruption and spur economic growth and job creation, our analyses of the institutional context suggest the need for additional proactive measures to further reduce opportunities for corrupt practices. Though there is no perfect solution to the problem of moral hazards, no institutional design is a panacea, and there exist only second-best solutions to today’s problems. Policy options that aim at inter-sectoral and cross-sectoral review of agencies and their enabling legislations with the view to harmonizing regulatory redundancies and duplication as well as functional overlaps in regulatory environment which constrain business growth are vehemently encouraged. The sectoral and inter-ministerial technical committees should be given the highest political backing to forestall interagency turf wars. This is important because the paper signals that corruption has become the second-best option for businesses due to institutional redundancy. Nevertheless, the caveat here is that there is a tendency for political elites to use their powers to pursue morally hazardous interests with debilitating consequences on businesses in Ghana. Also, there should be a national requirement to ensure that anytime a new agency is established, the regulation of the agency that hitherto performed the roles should be reviewed to expunge functions related to the new agency and define clearly, the interagency collaborations required. Similarly, a clear governance structure should be established at the country’s ports of entry in a manner that will quarantine organizational silos and spheres of influence. These contextualized policies must take into consideration the subjective meanings that entrepreneurs attach to their social milieu. Future studies

along this line particularly those that explore how entrepreneurs navigate through institutional redundancy when seeking to establish and develop their businesses will provide pointers to how corruption shapes the activities of businesses.

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