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Greasing, rent-seeking bribes and firm growth: evidence from garment and textile firms in Vietnam

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Abstract

Empirical studies on firm bribery do not distinguish different types of bribes. This obscures the complexity of bribes and contributes to the inconclusive findings on firm bribe–performance relationships. This study examines how greasing and rent-seeking bribes relate to firm growth in Vietnam. Based on data from a sample of garment and textile firms, the research shows that greasing bribes have a positive relationship with firm growth. By contrast, the relationship between rent-seeking bribes and firm growth is positive for state-owned firms, but not clear for private firms. The results suggest that anti-corruption strategies need to address the multifaceted nature of corruption.

Introduction

What types of bribes do firms pay? How do these types of bribes relate to firm growth? Despites theoretical recognition that bribes (and corruption) can come in different forms [1–8], empirical research on corruption at the firm level often aggregates all types of bribes into one category. This approach overlooks the varied dynamics inherent to different types of bribes. This also obscures the complexity of bribe–

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performance relationships and, arguably, contributes to the inconclusive findings in the literature regarding these relationships [9–11].

This paper addresses this problem by distinguishing greasing and rent-seeking bribes and examining how these types of bribes relate to firm growth. In the first type, a firm pays bribes to public officials to access standard administrative and public services that they are entitled to by law [1]. This type of payment acts as an additional cost to the firm, but does not exclude other firms from accessing the same services. In rent-seeking bribes, a firm pays bribes specifically to win a competition for access to an exclusive service, such as government contracts or business licenses in restricted areas. This type of payment, if successful, excludes potential competitors from the activity, and is aimed at generating net benefits for the firm in the form of rents. These two basic forms of corruption have different purposes, follow different logics, and yet are often merged together into a single metric by analysts of corruption.

We ask two questions in this research, including 1) How do greasing and rent-seeking bribes relate to firm growth? and 2) Are these relationships moderated by firm ownership? We develop a model linking firm ownership, greasing and rent-seeking bribes with firm growth. The hypotheses were tested using a unique dataset from a sample of garment and textile firms in Vietnam that contained self-reported bribe payment frequency and objective performance data. Vietnam is a highly relevant context for studying this topic since the country suffers from a high level of corruption [2, 12]. In the 2018 Corruption Perceptions Index (CPI) by Transparency International, Vietnam ranked 117th amongst 180 countries and territories [13]. Similar to firms in other developing countries, firms in Vietnam are paying different types of bribes to get through administrative procedure, to access land and capital, and/or to get government contracts [14], yet, the benefits of these bribes are not clear (T. V. [15]). To our knowledge, no empirical attempt has been made to address the impacts of these bribes on firm growth.

This paper is organized as follows. The next section briefly describes corruption in Vietnam to establish the context of the study. The paper then distinguishes rent-seeking and greasing bribes and discusses how these bribes relate to firm growth. Next, research methodologies and results are presented. The study concludes with the theoretical and managerial implications of the findings.

Corruption in Vietnam

The rapid economic growth in Vietnam in recent decades has been accompanied by a significant rise in corruption. Government reports, media and scholarly studies have agreed that corruption continues to be pervasive in Vietnam ([3]; T. V. [12, 15]). From 2010 to 2017, Vietnam was consistently ranked low (below 100 of 180 countries) in the Transparency International corruption indices [13]. This ranking has been supported by data from other in-country surveys, such as the World Bank's survey on corruption [2], the World Bank's survey on conflict of interest [4], the Vietnam Chamber of Commerce and Industry's annual firm-survey on Provincial Competitiveness Index (PCI) since 2005, and UNDP's annual citizen-survey on the Vietnam Provincial Government and Public Administration Performance Index (PAPI) since 2012. In these surveys, different

stakeholders, such as government officials, firms and citizens, agreed that corruption in Vietnam is both prevalent and serious.

For the business sector, high corruption manifests as frequent and costly bribe payments. The PCI survey in 2016 reported that 66% of domestic private firms in the survey paid informal fees, and about 46% of foreign firms believed corruption is one of the most serious problems in the business environment [16]. Companies are likely to experience bribery and facilitation payments in all sectors, and they pay informal fees most frequently when using services provided by taxation, sector administration agencies, banking and customs. T. V. Nguyen et al. [15] matched firm informal payment data from PCI and financial data from the General Statistics Office to estimate firm informal payments. The authors found that in order to make one dollar of profit, a domestic private firm has to pay about one dollar's worth of informal fees to public officials.

The last decade has seen some changes in the forms of firm bribery. Firstly, bribery tends to increase in size. Firms not only encountered more corrupt practices, but also had to pay more for each case of corruption [17]. Secondly, greasing bribes—i.e. bribes to facilitate administrative procedures—tend to be controlled or even reduced as a result of public administration reform. By contrast, rent-seeking bribes—i.e. bribes to compete for government contracts or licenses in restricted sectors—tend to increase [12, 14, 17]. These rent-seeking bribes require some sort of collusion between government officials and firms. High-profile corruption cases from 2015 to 2017 illustrated this trend. In these cases, some highly ranked government and/or party officials were prosecuted for corrupt practices during their tenure as leaders of state-owned firms. Corruption represents one of the most serious obstacles for the country in overcoming the middle-income trap in the coming years.

Literature review and hypotheses development

Rent-seeking and greasing bribes

Scholars have categorized corruption in many different ways [18]. In this paper, we rely on the extant literature [18–20] to categorize corruption as greasing and rent-seeking corruption.

Greasing corruption refers to the type of informal payments made to public officials to facilitate government activities. This is similar to the concept of facilitation bribes [1, 18] or low-level corruption [20] discussed in several previous studies. Examples include informal payments to expedite administrative procedures, obtain permits and licenses, access legitimate services, or avoid harassment. This type of corruption may facilitate the business goals of firms by saving time or reducing paperwork, but, critically, does not directly exclude other firms (especially competitors) from accessing the procedures or services.

Greasing bribery has two important features. First, it is done to obtain something to which the payer is legally entitled, and second, the payment for each transaction tends to be known to the paying firms and does not vary significantly among them [18]. Scholars have argued that greasing corruption tends to be widespread in emerging markets [9, 12, 21–24]. While common and predictable, greasing corruption is by no

means harmless. The total payments a firm must pay each year may be significant, despite each transaction being relatively small [25].

By contrast, rent-seeking corruption is used to directly gain a competitive edge over a competitor [26, 27]. Others have referred to this behavior as "real bribes" [19] (pp.293), "real corruption" [18] (pp. 254), or "grand corruption" [20]. Rent-seeking corruption can take the form of giving bribes to gain business licenses in natural monopolies and restricted areas [3] or to access government contracts or natural resources [9, 28]. In these situations, the number of competitors is either naturally or artificially limited, and by paying a bribe, firms may be able to access opportunities to accrue monopoly rents [29]. In this sense, the bribe payment allows the firm to share the rents with the bureaucratic gatekeeper who controls access to the restricted license or resource [26, 30]. Rent-seeking corruption also can take the form of bribery to avoid the firm's responsibilities to the state, such as to avoid taxes or regulatory fines [31], or to avoid investment in pollution control measures required by the state [32]. In this way, the firm gains some competitive edge over its competitors or enhances its profits by illegally reducing its costs. In practice, rent-seeking corruption operates through the behavior of powerful interest groups [9], the exploitation of personal connections between the firm and elite officials with decision-making power [28], or kickbacks that allow the firm to directly share the subsequent rents with an official [33].

In contrast to greasing bribes, rent-seeking bribes could be made to obtain something to which the payer is not entitled *by default*. Rent-seeking bribes could either directly exclude other firms from fair competition (e.g., for business opportunities) or put other firms at a disadvantage in terms of business costs. Importantly for our theory, unlike greasing corruption, the "price" or "bribe schedule" [34] of the rent-seeking payment cannot be known before the transaction, as it depends on the size of the rents available, which itself is a function of the profit that can be made from the business opportunity, "cost saving," and the number of payers who are willing to enter 'bids' for these limited opportunities. Due to the competitive and secret nature of this transaction, neither the amount nor the result of rent-seeking bribes can be known in advance. These parameters can shift during the process, following the dynamics of the "bids".

Greasing bribes with firm growth

Greasing bribes are defined as informal payments made to public servants to facilitate administrative procedures. Firms may volunteer or be suggested to pay by the public servants. Greasing bribes, while influencing the process of service delivery, do not distort firms' access to services. Payment of greasing bribes tends to be standard for firms in similar contexts and a firm could reference their peers for such amounts. These payments could then be added up to the prices of firms' offerings in the market (T. V. [15]). Thus, in the short term, greasing bribes could be recovered and the firms do not suffer losses from paid bribery.

Scholars argued that in the absence of an effective administrative system and capable public servants, greasing bribes can positively influence firm performance ([9, 18]; T. V. [15, 28]). Méon and Sekkat [35] provided several arguments supporting this hypothesis. First, bribes can speed up bureaucratic procedures since they serve as incentives for officials to respond more quickly to firms' requests. Second, resources and licenses can be allocated more efficiently as the most efficient firms can pay the

highest bribes. T. V. Nguyen et al. [15] added another reason: bribes could be paid to help firms avoid some costs of following formal regulations, such as environmental protection or fire prevention.

Recent empirical evidence for "greasing the wheels" does exist at the firm level. Dreher and Gassebner [36] looked at whether bribes reduce the negative impact of regulation on entrepreneurship in highly regulated economies of 43 countries over the 2003–2005 period. The authors found that bribe payments facilitate firm entry in highly regulated economies. Similarly, Vial and Hanoteau [37] assessed the impact of corruption on output and productivity growth, using panel data from the Indonesian manufacturing industry during the Suharto era (1975–1995). The authors found that bribes and indirect tax payments had a positive effect on individual plant growth.

Almost all empirical evidence supporting the "greasing the wheels" hypothesis was found in the context of underdeveloped institutions and highly bureaucratic systems. The positive effects of bribes were found at the firm level in terms of short-term economic efficiency. More importantly, most of the discussion on corruption in these studies relate to greasing bribes. Therefore, we hypothesize:

- *H1: In the context of emerging economies, a firm's payment of greasing bribes has a positive relationship with its growth.*

Rent-seeking bribes with firm growth

Rent-seeking bribes are paid when a firm wants to have an unfair advantage in accessing government resources, contracts or licenses to do business in restricted areas. Rent-seeking corruption is enabled by barriers to entry. The barriers can be created by natural monopolies, regulations or licensing procedures that restrict entry, or public officials' actual implementation of regulations. The last two barriers, i.e., regulation restriction and implementation, are highly pertinent in emerging markets where new regulations are being developed and officials have the ability to shape them in ways that restrict entry [3, 30, 38]. Rent-seeking corruption can also take the form of paying for discrimination in the implementation of regulations [11], which is important because such discrimination limits competition and generates rents even in business arenas that are not characterized by restricted entry. Consequently, the results of rent-seeking corruption are far more uncertain than that of greasing corruption.

In emerging economies, many firms use rent-seeking bribes as a way to compete in the market ([9]; T. V. [11, 15, 28]). On the one hand, rent-seeking bribes aim at capturing business opportunities for growth. On the other hand, engaging in rent-seeking bribes could be detrimental to firm performance, even in the short run. Different from greasing bribes, each transaction of rent-seeking bribes has a limited number of winners, and the rest are losers. Due to the secrecy of the bribes, the possibility of being a winner is often uncertain, even for the most powerful players. This induces firms to bid up bribe amounts to enhance their chances of winning. For losing firms, these costs are enormous and would negatively affect firm financial performance. For winning firms, the gain is sustainable only if entry barriers are

high to block new firms joining the bribe contest [39]. The garment and textile sector is a non-restricted area, and thus may not satisfy this restricted entry condition. Therefore, we do not expect rent-seeking bribes to have a clear relationship with firm growth.

The benefits of rent-seeking bribes would depend on the focal firms' possibility winning in the bribery games. Several factors may influence that possibility and, in this paper, we examine the moderating effect of firm ownership on rent-seeking bribe and firm growth performance. Scholars have found that the effect of bribes on firm performance is contingent on firm ownership; i.e., corruptions and/or bribes benefit state-owned firms (SOEs) much more than private firms (T. T. [11, 40]). Firstly, SOEs normally have stronger political networks with the government since they used to be or still are part of the government system. In transition economies like Vietnam or China, leaders of SOEs are likely members of the party and are appointed by state supervisory agencies [41]. These political connections help SOEs to approach and make the deals with bribe takers (T. T. [40]). Secondly, SOEs are tools of the government to steer the development of sectors or economies. As such, SOEs are perceived to have stronger alignment with government interests. This position gives SOEs a leverage to capture government policies [9, 11]. As a result, SOEs are in a better position to earn returns from the bribes they pay.

Foreign directed invested (FDI) firms, by contrast, do not have a clear position in the bribery game. FDI firms suffer from "liability of foreignness" [42], which puts them at a disadvantage in building political connections with government officials and other local networks. Compared to local firms, FDI firms' knowledge of local regulations and business practices may be weaker. This opens up more opportunities for bribe requests from public officials. However, FDI firms often bring in strong financial and technical capacity [43] and this strength could be used to bargain against bribery. With these contradicting arguments, we do not offer a formal hypothesis about FDI firms, but will explore these components in the analysis. Therefore, we hypothesize:

- *H2: The relationship between rent-seeking bribes and firm growth is contingent on firm ownership. Specifically, the relationship between rent-seeking bribes and firm growth is positive for SOEs and negative for domestic and FDI firms.*

Methods

The textile and garment sector in Vietnam

The garment industry is one of the largest exporting industries in Vietnam, accounting for about 15% of the country's GDP and 21% of its total exports in 2014 [5]. The sector contains almost 6000 firms and most are small-scale (fewer than 300 workers). The sector employs about 2.5 million people, accounting for nearly 5% of the country's labor force [44, 45]. Garment firms could be classified into domestic- versus foreign-market orientation. Those supplying for global markets are normally large firms in terms of capital and number of workers. They are also more advanced in production processes and technology. Firms in this group are mostly SOEs, FDI firms and some

large domestic firms. On the other hand, those who mainly supply to the domestic market are primarily small domestic private firms.

The majority of the garment production in Vietnam is under a cut-make-trim (CMT) contractual arrangement [45]. This arrangement involves only the labor-intensive assembly processes that have low added value. There are also chains of sub-contractual arrangement among garment firms, such that bigger firms receive orders and then subcontract low value added tasks to smaller domestic private firms (T. V. [6, 45]). Most materials are imported and a big proportion of products are exported to global contractors. Recently, Vietnamese firms have started paying attention to the domestic market and have tried to cover more value-added stages, including design and distribution. However, even in the domestic market, Vietnamese firms are facing strong competition from other garment manufacturing countries, such as China and Cambodia [45].

The industry structure has several implications for firms' bribery. Firstly, the import-export intensity places firms at high risk of having to pay greasing bribes to get through custom procedures. The complex sub-contractual arrangement and low added value induce firms to negotiate with tax officials, which often involves bribes. Secondly, garments and textiles is a non-restricted sector, and the export quota system was abolished in 2005. These conditions have created open competition with zero benefit to be drawn from rent-seeking bribes. The final possible source of rents is from government contracts where SOEs enjoy more advantages than FDI and domestic private firms.

Data

Data from two sources was used for this research. The first source is the firm survey conducted by the National General Statistics Office of Vietnam (GSO) since 2000. This is an official database that provides key indicators of firms' characteristics (e.g., years in operation, sectors of operation, number of employees, total assets, etc.) and financial performance (e.g., profit). Since 2011, data from more than 300,000 firms has been collected annually.

The second source is our own survey with textile and garment firms in 2013. This survey was conducted in three cities in Vietnam, including Hanoi, Da Nang and Ho Chi Minh City. The three cities have 4400 textile and garment firms, accounting for 60% of the firms in this sector in Vietnam. Five hundred firms were randomly selected for the survey, based on the GSO list of the garment and textile firms. Local statistics offices were hired to personally contact these firms and administer the survey. Each firm was given one questionnaire. Eligible respondents included members of Boards of Directors, Heads or Vice Heads of Business Development, Accounting/Finance, Sales/Marketing, or Purchasing Departments. Firms were ensured of their anonymity and had privacy in completing the survey. A total of 259 firms agreed to participate with a response rate of 52%. This survey provided information on firms' engagement in bribes, ownership structure and export performance, among others.

The two data sources were matched by tax code. For confidentiality of the firms, the tax code from the data file was deleted after matching the two data sources. The matched data provided indicators of firm engagement in bribes, performance and growth during 2011–2014 and firm characteristics.

Measures

Bribes This is most sensitive information that requires considerable care in the data collection. We followed Venard [7] procedure in measuring firm bribes to pubic officials. Firstly, individuals' and firms' confidentiality was ensured. Secondly, firms were asked about the frequency that "firms like yours" made informal payments to public officials for garnering various services or other advantages. The subjective measure of corruption (and bribes) was found to be quite consistent with actual corruption reports [46]. The scale was from 1 (very infrequent) to 7 (very frequent).

- *Greasing bribes*: Six questions were used to measure greasing bribes. Managers were asked to indicate their frequency of making informal payments for standard public services, such as tax, customs or court (See Table 1). The respondents evaluated the item on a 1–7 scale with higher numbers indicating more frequent payment of bribes. The six-item measure had a Cronbach's alpha of 0.91. A composite measure of greasing bribes from these items was then generated by taking the average of these six items.
- *Rent-seeking bribes*: This type of bribe refers to informal fees a firm pays public officials to obtain scarce resources or contracts from the government. Managers were asked to indicate the frequency they paid informal fees to public officials to obtain contracts and resources from the government (Table 1). The same scale of 1–7 was used as in the case of greasing bribes.

Firm ownership Two dummy variables were generated for ownership.

- *Ownership 1* compares state-owned enterprises (SOEs) with domestic private and FDI firms. SOEs were coded as 1, and all other firms were coded as 0.
- *Ownership 2* compares domestic firms with all other firms. Private domestic firms were coded 1, all other firms were coded 0.

Table 1 Measures of greasing and Rent-seeking bribes

Type of bribe	Questions in the survey
Greasing bribes	How often do firms like yours need to make extra, unofficial payments to public officials to:
	- To get connected to public services nowadays?
	- To get licenses and permits nowadays?
	- To deal with taxes and tax collection nowadays?
	- When dealing with customers/imports nowadays?
	- When dealing with courts nowadays?
	- To access to and influence the content of new laws, decrees or regulations nowadays?
Rent-seeking bribe	How often do firms like yours need to make extra, unofficial payments to public officials to gain government contracts nowadays?

Firm growth The natural logarithm of firm growth in assets between 2014 and 2011 was used to measure growth. In the context of emerging economies, this measure is arguably more reliable than growth in revenue or profit, which are quite sensitive to tax (T. V. [47]).

Control variables Several control variables were used in the analyses. These included:

- Location: Institutional development varies across provinces (T. V. [48]), influencing the levels of bribes. Two dummy variables were created for three cities. The first one is Da Nang where firms in Da Nang were coded as 1, and all others were coded as 0. The second one is HCMC where firms in Ho Chi Minh City = 1, and all others = 0.
- Firm age: We control for firm age because time of operation influences a firm's understanding of government actors and institutions, and therefore its ability to manipulate the costs and benefits of bribery. Firm age was measured by number of years a firm had been in operation in Vietnam up until the time of the survey (2013).
- Firm size: We control for the employment size of the firm, as that variable has been found to be influential in determining bribe size and type [49]. Number of employees in 2011 was used as proxy for firm size. This is appropriate especially for the labor-intensive textile and garment sector.
- Export: Direct exporting business reflects advanced levels of business operation. A dummy variable was created where firms with direct export revenue was coded 1, and others was coded 0.
- Asset: Firm total assets in 2011 was added as a baseline control variable.

Analysis

The dependent variable for all models was firm growth in asset between 2011 and 2014 (natural logarithm), which is a continuous variable. Thus, linear regressions were used to test the hypotheses. First, control and main variables were entered in Model 1 to test the main effect (Hypothesis 1). In Model 2 and Model 3, interaction terms between bribes and ownerships were entered, and changes in the F model and coefficients of the interactions were used to interpret the results (Hypotheses 2).

To examine the effect of bribery on firms' asset growth, we suggest the following model specification:

$$Asset\ growth_i = \alpha Greasing\ bribes_i + \beta Rent{-}seeking\ bribes_i + \gamma Ownership_i + \delta Rent{-}seeking\ bribes_i{*}Ownership_i + \boldsymbol{Z\theta} + \omega_i$$

In which, $Asset\ growth_i$ is the growth rate of firm i's total assets over the period 2011 – 2014. $Greasing\ bribes_i$ is defined as the frequency of paying bribery by firm i in the particular form of 'greasing the wheel'. $Rent-seeking\ bribes_i$ is defined as the frequency of paying bribery by firm i in the particular form of rent seeking. $Rent-seeking\ bribes_i * Ownership_i$ is the interactive term between rent-seeking bribes and

ownership, where ownership could be either State-owned enterprises (SOEs) or domestic privately-owned firms. **Z** is a vector of other control covariates, including location dummies (Da Nang and HCMC in reference to Hanoi), firms' years of operation, firm size (both in employees and in total assets in the base year 2011). α, β, γ, δ are the main coefficients to be estimated, and $\boldsymbol{\theta}$ is a vector of other estimated coefficients for other control variables. ω_i is the usual random error that is independently and identically distributed.

Results

Descriptive statistics

We collected 259 surveys from our direct personal interviews (response rate of 52%). The collected surveys came mostly from HCMC (51%) and Hanoi (44%). On average, the businesses were in operation for 12.8 years, have total assets of 73.22 BVND, and have 292 employees. The average growth in assets between 2014 and 2011 was 4.6 times. The correlation matrix (Table 2) shows that bribes were lower in Da Nang, and lower for SOEs. Rent-seeking Bribes and Greasing Bribes are highly correlated (.88, $p < .01$), suggesting a potential multicollinearity problem.

Compared to SOEs and FDI counterparts, domestic private firms were much smaller in terms of number of employees and assets. The average age of FDI and domestic private firms was less than 12 years, much younger than SOEs with an average of more than 23 years in operation (Table 3).

Hypothesis testing

To address the potential multicollinearity problem creating by a high correlation between Rent-seeking and Greasing Bribes (.88, $p < .01$), we regressed original Greasing Bribes on Rent-seeking Bribes and saved residuals. The residuals were then used as a new measure of Greasing Bribes that are uncorrelated with Rent-seeking Bribes [50]. To test Hypothesis 1, we ran a regression with greasing and rent-seeking bribes as independent variables. The highest VIF was 2.7, much lower than the cut-off value of 10. This suggests that the multicollinearity problem, if it exists, is negligible [51]. Table 4 summarizes the results.

Only 252 firms were included in the regression due to missing values in the other seven firms. Model 1 is statistically significant with adjusted $R^2 = .043$ and $F = 2.120$, $p < .05$. The low adjusted R^2 suggests a limited explanatory power of the model, which calls for further development of the model in future research. However, the statistical significance of the model allows us to interpret the relationships between variables [50]. Of control variables, number of employees (−.25, $p < .05$) and exports (−.18, $p < .05$) are negatively related to growth, while firm total assets is positively associated with growth (.29, $p < .01$). Greasing bribes have a positive relationship with growth (.13, $p < .05$), supporting Hypothesis 1. Rent-seeking bribes have a nonsignificant relationship with growth as we expected.

Hypothesis 2 suggests that the relationship between rent-seeking bribes and growth is moderated by firm ownership (state capital). This hypothesis was tested by looking at

Table 2 Correlation matrix

	Mean	SD.	1	2	3	4	5	6	7	8	9	10
1. Da Nang	0.05	0.21										
2. HCM	0.51	0.50	−.23**									
3. Firm size (employee)	292	690	−0.02	.134*								
4. Asset (BVND)	73.22	213	−0.05	.17**	.79**							
5. Years in operation	12.8	8.06	−0.05	−.25**	−0.10	−0.11						
6. Export (Yes)	.56	14.6	−0.09	.52**	0.10	.12*	0.07					
7. Ownership1 (SOE)	.09		−0.02	−0.06	0.06	0.02	.42**	0.02				
8. Ownership2 (Private)	.65		0.03	−.13*	−.13*	−0.09	−.17**	−.28**	−.44**			
9. Rent-seeking bribes	4.75	1.74	−.34**	0.09	0.04	0.09	0.09	0.08	−.13*	−0.02		
10. Greasing bribes	4.31	1.28	−.43**	0.10	0.01	0.06	0.10	.12*	−.12*	−0.04	.88**	
11. Growth	4.6	14.0	−.03	−0.01	−0.04	0.11	0.04	−.14*	0.03	0.06	0.07	0.06

Table 3 Firms characteristics by ownership

	*N**	Number of employees	Asset (M VND)**	Years in operations
SOE	25	448.3	90,255.04	23.3
Domestic private	166	240.6	61,450.7	11.6
FDI	66	338.6	100,652.4	11.8

*) Two missing values on ownership structure

**) USD 1 = 22.6 thousand VND;

the interactions between bribes and ownership in Model 2 (SOEs). In Model 2, the interaction between rent-seeking bribes and SOEs is positive and significant (.38, $p < .05$), suggesting that SOEs benefit more from rent-seeking bribes than their private counterparts. A combination of the rent-seeking main effect coefficient (−.011) and the interaction between rent-seeking and SOEs (.38) suggests that the effect of rent-seeking on SOE performance is positive (.37). This indicates that while rent-seeking is not related to performance in general, for SOEs, this type of bribe is positive. Hypothesis 2 can therefore be supported. In Model 3, the interaction between rent-seeking bribes and domestic ownership is negative but not significant, suggesting that domestic private firms do not clearly gain from rent-seeking bribes.

Figure 1 illustrates the moderating effect of ownership on rent-seeking bribes and firm growth. The figure shows a clear positive relationship between rent-seeking bribes and growth for SOEs. The trend is slightly negative for FDI firms, and unchanged for

Table 4 Regression results of bribes and short-term growth

	Model 1 (Growth)	Model 2 (Growth)	Model 2 (Growth)
Greasing bribes *(a)*	.13*	.10	.14*
Rent-seeking bribes	−.011	.10	.09
Rent-seeking bribes * SOEs		.38*	
Rent-seeking bribes * Domestic private			−.27
Ownership1 (SOE)	.06	−.27	.08
Ownership1 (Private)	.10	.10	.35
Da Nang	.08	.07	.09
HCMC	.05	.08	.07
Years in operation	−.01	−.05	−.02
Firm size (employees)	−.25*	−.25*	−.25*
Asset (2011)	.29**	.29*	.29*
Export	−.18*	−.17*	−.18*
Adjusted R^2	.043	.062	.045
F model	2.120*	2.501**	2.075*
F change		5.873*	1.568
N	252	252	252

*) $p < .05$; **) $p < .01$; ***) $p < .001$

(a) Residuals after being regressed on Rent-Seeking Bribes

domestic firms, but this difference is not statistically significant. Taken together, we found evidence that rent-seeking bribes bring in a clear benefit for SOEs, while that benefit is not clear for either domestic private or FDI firms.

Discussions

In this paper, we shift the question from "Do bribes help or harm firms?" into "How do different types of bribes help or harm firms?" This shift from aggregated to decomposed bribes is important because it reflects the multifaceted nature of bribes. The results show that different forms of bribery influence firm performance in different ways. Our distinction of greasing and rent-seeking bribes complements current literature on firm bribery. Firstly, bribes have been seen either as a type of tax a firm has to pay [39] or a way for the firm to gain competitive edge [9, 20]. Our study suggests that these different views are applicable to different types of bribes. Greasing bribes work more like a special type of tax where a firm pay bribes to get through administrative procedure [18, 19], to stay in the market [21], or to avoid compliance costs, such as formal tax or environmental protection fee (T. V. [15]). Both the firm and corrupted officials generally benefit from greasing bribes, but the payment does not end up as public revenues. Rent-seeking bribes, on the other hand, work more as a competitive weapon. Rent-seeking bribes are expected to produce abnormal gains from government contracts, access to lucrative business opportunities, or restricted business licenses. Our results support Malesky et al. [3] argument that rent-seeking bribes may not be beneficial to firms in open-competition fields, such as garments and textiles industry, since the potential gains would be driven to zero by competition. Whether bribes help or harm firm performance may be the wrong question. Instead, scholars should focus on the effects of different types of bribes. Secondly, our study also enriches the bargaining power perspective of bribery [34, 52, 53]. A firm's bargaining power has

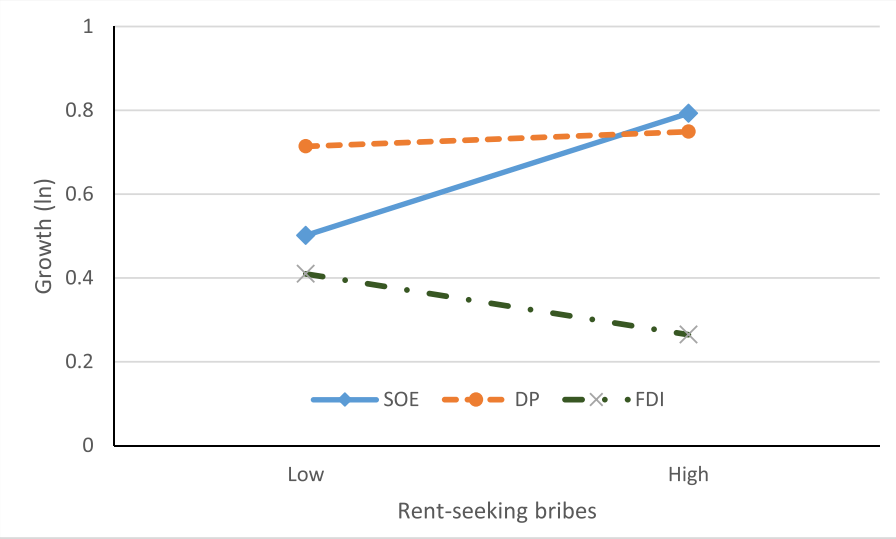

Fig. 1 Moderating effect of ownership on the relationships between rent-seeking bribes and firm growth

been conceptualized as the firm's threat point in negotiations with public officials [34, 53], the firm's willingness to pay [52], or the firm's ability to find alternatives to bribes. Previous studies argue that a firm's bribe payment depends on its bargaining power over public officials [52, 53]. This study shows that the bargaining framework is helpful not only in predicting the amount of bribes a firm may have to pay [53] but also in examining how bribes influence firm growth, especially for rent-seeking bribes. As we found, SOEs have stronger bargaining power than private and FDIs firms in the bribery games and thus enjoy better benefits from rent-seeking bribes they paid.

Consistent with previous findings (T. T. [11, 40]), this research suggests that it may take a long time to create a level playing field for all firms in transition economies, such as Vietnam. While formal institutions are increasingly reformed to be more market supportive, informal institutions in these countries continue to discourage private firms [54]. This research demonstrates the advantages SOEs enjoy, even in bribery. Due to their given legitimacy, SOEs' rent-seeking bribes tended to produce better results than those of FDI and private firms. Future research could examine how formal and informal institutions interact to drive firms' behaviors, especially in bribery.

This research also contributes to the debate regarding the bribe–performance connection at the firm level. In an open competition environment, such as garments and textiles, bribes appear to have an ambiguous effect on firms' short-term performance. While greasing bribes tend to bring in some benefit, the effect of rent-seeking bribes is ambiguous. Future research could also investigate the impact of rent-seeking bribes on performance in restricted business sectors, such as mining or real estate. In these sectors, entry is heavily restricted by regulations, and thus abnormal rents from bribes may be sustained. In such context, rent-seeking bribes may be positively related to firm performance. This research is unable to examine long-term impacts of bribes on firm performance, and this should be another topic for future research. Scholars have suggested that engagement in bribery would destroy a firm's critical resources and competencies, such as innovation and integrity values and reputation [55]. Therefore, it is reasonable to expect that bribery would have a negative impact on firm long-term development.

Readers should be cautious of several limitations of this research. Firstly, our cross-sectional design does not allow us to confirm causal relationships between variables. Secondly, our measurements of bribery rely on self-report, raising a concern on their reliability. One possible way to overcome this limitation in future research is to follow Olken and Barron [56] procedure by 'shadowing' business managers in their interactions with public officials and record bribe payments for a certain period of time. Alternatively, future research could employ experimental briery games to examine how bribery influence people's behavior [57, 58]. Previous studies have used experimental designs not only to manipulate the characteristics [57, 58] but also the evolution of bribes [59]. This methodological approach is a feasible way to model how different types of bribes, such as greasing and rent-seeking bribes, influence people's behaviors. The experimental design is also effective in detecting causal relationships between variables.

Conclusions

This paper examines whether greasing and rent-seeking bribes, which normally are aggregated in empirical research, have different relationships with firm growth. Based

on data from a sample of garment and textile firms in Vietnam, the research shows that greasing bribes have a positive relationship while rent-seeking bribes have a unclear relationship with firm growth. The research also shows that when engaging in the rent-seeking bribery game, SOEs enjoyed more benefit than their FDI and domestic private peers. Thus, firms in general, and FDI and domestic firms in particular, should shy away from rent-seeking bribes and focus on building their innovation capacity.

The distinction of greasing and rent-seeking is likely to be particularly important for policy makers in Vietnam. To address greasing bribes, the current implementation of administrative reform and promotion of transparency needs to be combined with a promotion of collective action among firms, an encouragement of firms to develop codes of conduct, and/or establishment of joint projects between government agencies and businesses. To prevent rent-seeking bribes, official-business connections that facilitate rent-seeking bribes need to be strictly regulated. In addition, a strong monitoring system that involves non-government agencies and citizen participation is strongly recommended. It is critical to promote the genuine participation of the business and general public as method for disrupting rent-seeking bribery.

Addressing firm bribery issue is critically important for all countries around the world. We have demonstrated that different types of bribes have different purposes, follow different logics, and have different dynamics. It becomes imperative for an anti-corruption agenda to develop appropriate measures that are tailored to each type of bribes.

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Compliance with ethical standards

Conflict of interest The author states that there is no conflict of interest.

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