

Link between firm characteristics, bribery, and illegal logging in Indonesian Plywood and Sawwood Firms

Nina Indriati Lestari Subiman, author

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Abstrak

Significant amount of the investment in the wood-processing sector in Indonesia was in the form of debts. Even before the 1997 rupiah collapse, for many firms, paying back those debts is one of the highest burdens that a wood-processing firm has had. Having this burden, firms must seek some ways to reduce operational costs. One of the options that a firm can do is receiving illegal logs. On the other hand, illegal logging has been one of the most important issues in Indonesian forest management. It often goes hand in hand with bribery and corruption.

This research finds out whether or not over debt burden is one of the important reasons that wood-processing firms received illegal logs. It also tests the significance of bribery amount spent by the firms and their other characteristics to the illegal logs received. Due to the limitation of data, this research can only observe plywood and sawwood firms.

The results show that debt is significant in determining the amount of illegal logs received in both industries, while bribery is only significant in indebted plywood firms. Both plywood and sawwood firms consider the significance of other firm characteristics in different ways. Plywood firms acknowledge debt and size as significant variables while the sawwoods accept debt, operational costs, and size.