# The Effect of Corruption on Chinese Firms: A Combination of Econometric Analysis and Fuzzy-Set Qualitative Comparative Analysis

**ABSTRACT**

This study addresses the influence of corruption on firm innovation in Chinese market. Using both the logit model and a fuzzy-set analytical approaches based on a new official sample of 2700 privately-owned and 148 state-owned firms over the period of 2011 to 2013, the study add further evidence to growing methodological consideration regarding complexity theory. The results show a significant negative effect of corruption on firm innovation, additional, firm sale and education and market have a positive bearing on innovation activity. However, the government ownership firms have a negative and significant effect on innovation. The findings have important implication for theory, practitioners and policy-making and shed light on a new perspective to focus on the long run effect of corruption.

***Keywords:*** Corruption; Firm innovation; China; Fuzzy-set methods; quantitative/qualitative comparisons