

## The impacts of government R&D expenditure on innovation in chinese provinces: whats the role of corruption

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Abstrak

<b>ABSTRACT</b><br>

This study aims to investigate the moderating role of corruption on the effect of government R&D expenditure on enterprise innovation in China, using the annually data over the period 2002-2013 in a panel of 30 provinces. A dynamic panel system GMM model was used to explore the relationship among government R&D expenditure, corruption, and innovation. Our finding shows that though government R&D expenditure has no significant effects on patent applications, it does exhibit significantly positive effects on patents granted. However, when considering official corruption, the interaction term of government R&D expenditure and corruption has a statistically significantly positive effect on patent applications and patents granted, with corruption presenting significantly positive effects on the ratio of the number of patents granted to patent applications. It demonstrates that corruption is still a shortcut for overcoming red tapes and administrative intervention, especially in an economy in transition with lower institution quality and anti-corruption.