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Too Much of a Good Thing? The Concave Impact of Corruption on Firm Performance

We investigate whether the impact of corruption on firm-level performance shows a concave pattern. We measure corruption with a continuous variable of firm-level bribe payments from the World Bank Enterprise Surveys. Our dataset includes 23 327 firms from 140 developing and emerging countries from 2006 to 2020. Using four measures of firm performance and instrumental variables estimation, we find that corruption has a negative linear impact on measures directly linked to market performance, but a concave impact on measures focusing on inner processes. Further, larger firms and foreign firms are less negatively impacted by corruption. Importantly, controlling for a concave relation amplifies the differences across different types of firms.