

Determinants of survival and growth of Listed SMEs in China

Jia Liu^a and Dong Pang^b

^a The University of Salford, ^b The University of Manchester, UK

Abstract

This paper investigates the factors in determining the survival and growth of Chinese listed SMEs for the period of 1990-2004. Our results are in line with the previous findings of the literature, confirming that size positively affects firm survival, and firm growth tends to decrease with firm age but increase with firm size. Firm growth rate and operation stability also appear to be important in explaining survival. The type of activity in which the firm engages is found to determine its growth, but no evidence shows that it affects firm survival. State-ownership appears to increase the probability of survival of large firms but not their growth, indicating that it provides no aid to enhance firm's competitiveness to grow in the market. SMEs in inner and remote areas are more likely to survive, while the firms in coastal areas are more likely to grow. R&D activities also influence the conditions for firm survival but not growth, indicating the overwhelming problem of intellectual property protections in China. Finally and most importantly, seasoned equity offering (SEO) plays a crucial role in shaping the post-listing performance, and a lack of it was shown to have become a major constraint on the growth of the Chinese listed SMEs, confirming that public listing has not yet generated facilitating effects on their survival and growth. The paper's findings carry policy implications that are related to the state-ownership reform, development of SME Board and enforcement of intellectual property protections in China.

JEL Classification: C33; C34; P34;G32; O53;

Keywords: SMEs; survival; growth; SEO; infrastructure; China;