

Impact of Government Guidance Funds and Local Financial Environments on Chinese Industrial Enterprises' Performance

Yajing Liu

Abstract

This study examines the effects of government guidance funds (GGFs) and local financial environment on the performance of Chinese industrial enterprises. Using a panel dataset (2001–2020) of Chinese industrial firms, it reveals that receiving GGFs significantly boosts firm sales and profits. Additionally, there is a correlation between GGFs and macroeconomic and financial indicators of the provinces where the enterprises are located. Specifically, for small- and medium-sized enterprises, non-state-owned enterprises, and regions in the central and western parts of China, GGFs complement traditional long-term bank lending as a financing channel. However, a substitutive relationship exists for short-term bank lending.

Keywords

Government Guidance Funds (GGFs), Chinese Industrial Enterprises, Firm Performance, Local Financial Environment, Bank Lending.

JEL classification codes: G31, O25, R38