The Productivity of Industrial Firms and Financial Efficiency in China

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This paper examines the efficiency of financial sources by measuring productivity using firm-level panel data. First the effect of ownership and firm size on the productivity of Chinese industrial firms is studied. Then, the relationship between productivity and the financial source is analyzed. There are two financial sources for enterprises in our data, trade credit (TC) and bank loans. Long-term liabilities are used to represent bank loans, and accounts payable, accounts receivable and other relevant variables are used to represent trade credit. It is found that enterprises experienced productivity increases as a result of using more trade credit, but less bank loans. The ownership and size of firms in the industry were also measured, but there was no particularly powerful evidence that a firm's ownership will affect the enterprise's productivity based on the financial source.