The Impacts of Free Trade Zone Policies on the Financial Constraints of Listed Enterprises in China

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Abstract:

In this study, we investigate the impacts of China's Free Trade Zone (FTZ) policies, which started in 2013, on the financial constraints of China's listed enterprises. We apply the time-varying Difference-in-Difference (DID) method using 2011-2019 financial performance data of A-share market listed enterprises. The Chinese FTZs are regarded as the fresh 'high grounds' for China's institutional reform and innovation and are meant to showcase China's resolve for furthering reform and opening up. The findings suggest that the FTZ policies have significantly alleviated the financial constraints facing Chinese listed enterprises. Also, we found that state-owned enterprises and enterprises with the Chairperson of the Board of Directors and CEO positions held by different persons are more positively exposed to the benefits of the FTZ policies. The study offers new insights to our understanding on how local financial market environments and enterprise operations have evolved under the Chinese FTZ policies.

Keywords:

Free trade zone (FTZ), financial constraints, PSM-DID, time-varying DID, China.