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SME financing in the UK and in China: a comparative perspective

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Abstract

Purpose

The purpose of this research is to outline the preliminary results of an empirical investigation into access to finance and related issues, as experienced by SME owner/managers in the UK and in China.

Design/methodology/approach

The authors employed a telephone survey involving a sample of SME owner/managers operating in the UK and in China. A detailed, semi-structured questionnaire was administered to a selected sample of 32 matched SMEs. The survey requested quantitative and qualitative information on sources of finance, both preferred and actually used by owner/managers, during three stages in their firm's business cycle: at start up, after two years and over the next five years.

Findings

Evidence suggests that there are similarities as well as differences between SME financing in the UK and in China. In terms of initial (start-up) funding, a large proportion of respondents relied exclusively on financial support from their immediate family. After two years in business, respondents exhibited a higher reliance on own savings and the financial support of bank and other financial institutions. At the end of five years of uninterrupted economic activity, most of the owner/managers in the UK sample relied for

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Research limitations/implications

The sample for this research study is both small and selective. It is not meant to represent a random or statistically significant selection of either the UK or Chinese SME sectors.

Originality/value

The financing preferences of owner/managers in the sample have been influenced by their perception of the relative strength and weaknesses of domestic finance infrastructures. The results of this research study is indicative of SME owner/managers' financing needs, attitudes and perception. Future developments and the strengthening of the legal and financial infrastructure in China could significantly reduce the comparative gap between owner/manager preferences in these two countries.

Keywords

Entrepreneurs | Finance | Owner-managers | Small to medium-sized enterprises | United Kingdom | China

Citation

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