Economics of Innovation and New Technology ›
Volume 17, 2008 - Issue 6

Original Articles

IMPACT OF FINANCIAL CONSTRAINTS ON INNOVATION: WHAT CAN BE LEARNED FROM A DIRECT MEASURE?

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Pages 553-569 | Received 26 Apr 2006, Published online: 15 Aug 2008

Cite this article https://doi.org/10.1080/10438590701538432

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Keywords:

Innovation | Financing constraints | Recursive bivariate probit

JEL Classification :

G31 | C35 | 031

Acknowledgements

I thank P. Sevestre for his helpful suggestions and advice. I am grateful to the referees for their constructive comments and suggestions as well as to E. Avenel, D. Czarnitzki, J. Mairesse, P. Mohnen and to the participants at various conferences (AFSE annual congress, 2nd ZEW conference on Innovation and Patenting and REPERES, EUREQua, ERUDITE, INRA-GAEL seminars). A previous version circulated under the title “The Impact of Financial Constraints on Innovation: Evidence from French Manufacturing Firms”. I also thank the Sessi (French Ministry of Industry) for providing the data of the survey “Le financement de l'innovation technologique”. This paper reflects the opinions of the author and does not necessarily express the views of the Banque de France.

Notes

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[2]This qu ... Generale
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direct indicator of financing constraints taken from a survey. They consider that firms are financially constrained when they applied to bank credit but failed to obtain it.

[3] Our dataset is presented in the appendix.

[4] See the details of the identification of innovative, non-innovative firms in the appendix.

[5] Firms were allowed to provide multiple answers.

[6] More recently, Aghion et al. (2005) proposed a model with an inverted U-shape relationship between innovation and competition. In this model, competition may increase innovation profit margin but strong competition may also reduce incentives to innovate for laggards.

[7] The importance of technological opportunities is given by a qualitative measure issued from the FIT survey. The same indicator was used in previous works such as Crépon et al. (1998) or Barlet et al. (1998). In the survey, the firms are asked:“Do You consider that Your market is technologically: not innovative? weakly innovative? moderately innovative? or strongly innovative?”. We take the first level “not innovative” as reference and include in the regression three dummies TP2, TP3, and TP4 for the other levels.

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222). He… f there is no
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(2000) s… k, where x_{2i}

and x_{1i} are both constants. Wilde shows that identification in the simultaneous probit case is achieved as soon as both equations of the model contain a varying exogenous regressor. However, as examined by Monfardini and Radice (2004), without instruments, the identification of the parameters of the first equation strongly relies on the functional form of the distribution of errors and in practice, availability of instruments help to obtain results which are more robust to distributional misspecification.

[11]See the details of these definitions in the Appendix.

[12]The univariate probit regression on the subsample of 'potentially innovative' firms is given in the Appendix (Table I).

[13]Such a test have been made with cash flow or profit margins and the results can be obtained from the author.

[14]We have also checked for nonlinear effects by introducing the square of firm size but it does not change the results.

[15]The 'Centrale de bilans' dataset.

[16]The manufacture of coke, refined petroleum products and nuclear fuel has been deleted because only two firms were present in the merged dataset. In addition, the firms wit ... have been excluded

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