

Do Government Subsidies Increase the Enterprise Value of Agribusinesses? — Based on the Mediating Effect of Financing Constraints

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Introduction

With the implementation of the national rural revitalization strategy, agricultural government subsidies continue to increase. Taking China's A-share agricultural listed companies from 2013 to 2022 as research samples, this paper discusses the relationship between government subsidies and enterprise value, and whether financing constraints can play an intermediary role in the relationship between government subsidies and enterprise value.

Mathematical Formulas

$$ROA = \alpha_0 + \alpha_1 Gov + \alpha_2 Controls + \sum \alpha_3 Year + \varepsilon \quad (1)$$

$$SA = \alpha_0 + \alpha_1 Gov + \alpha_2 Controls + \sum \alpha_3 Year + \varepsilon \quad (2)$$

$$ROA = \alpha_0 + \alpha_1 SA + \alpha_2 Controls + \sum \alpha_3 Year + \varepsilon \quad (3)$$

$$ROA = \alpha_0 + \alpha_1 Gov + \alpha_2 SA + \alpha_3 Controls + \sum \alpha_4 Year + \varepsilon \quad (4)$$

Research Questions

Whether government subsidies can promote the improvement of corporate value of agricultural listed companies, and whether financing constraints can play an intermediary role in the relationship between government subsidies and corporate value.

Methodologies

This paper uses the literature research method and the empirical research method to study the relationship between government subsidies and enterprise value and the role of financing constraints in the relationship.

Tables

Table 1. Baseline regression results

	Model1 ROA	Model2 SA	Model3 ROA
GOV	0.014*** (6.931)	0.025*** (3.660)	
SA			0.029** (2.730)
cons	-0.109* (-2.570)	-4.179*** (-29.228)	0.226*** (4.568)
Controls	YES	YES	YES
Year	Yes	Yes	Yes
N	630	630	630
R ²	0.238	0.054	0.183

Conclusion

This paper selects the panel data of 251 agricultural listed companies in China from 2013 to 2022, and studies the impact of government subsidies on the value of agricultural listed companies and the mediating role of financing constraints. First, government subsidies have a significant positive impact on corporate value; second, there is a significant positive correlation between government subsidies and financing constraints. Thirdly, financing constraints have significantly promoted the improvement of the value of agricultural enterprises; fourth, financing constraints show a significant mediating effect between government subsidies and the value of agricultural enterprises.