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Selling to the People's Republic of China: Privately-Owned Enterprise Generally Pay Suppliers Faster than State-Owned Enterprises

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Abstract

Many international businesses view Chinese (Note 1) companies as potential customers to expand exports and reach a large, emerging market. Unlike most developed nations, a significant portion of Chinese businesses are majority government-owned. Consequently, international businesses face a choice between partnering with state-owned enterprises (SOEs) or privately-owned enterprises (POEs) in China. This study analyzes financial data from Chinese firms to examine whether SOEs or POEs generally pay suppliers more quickly, a crucial factor to consider before exporting goods or services to China. We find that POEs, overall, exhibit significantly smaller days payables outstanding, indicating quicker payments to suppliers by those companies.

Keywords: China, state-owned enterprises (SOEs), privately-owned enterprises (POEs), trade credit, days payable outstanding (DPO)

1. Introduction

China has emerged as one of the largest and most non-Chinese businesses have viewed Chinese co increasing profits through expanding exports to be most countries in the developed world, a substa majority government/state-owned enterprises (SOE enterprises (POEs). This study examines Chinese co suppliers with information about whether Chinese S faster.

The following section discusses the motivation for t section describes our methodology and sample used analyses are presented and discussed, including man a discussion of the study's limitations and opportuni

2. Motivation and Literature Review

China has long been one of the most populous cou billion people in 2024, comprising a potentially l 2025a). Trade with China has increased dramatica value of US exports of trade goods to China rose billion in 2023 (statista.com 2025b). Many busine viewed China's economic growth as a tremendous Customers' financial practices and stability are impo of transacting with Chinese companies includes Chinese companies, SOEs, or POEs. SOEs and behavior in relations with suppliers and customers.

Yao and Yu (2022) find that an increased risk tha crash leads to decreased entrepreneurial performance stock prices in China provide information about futu US. They note that the increase in informativeness l for POEs, though less so for SOEs. Peng et al. liberalization improved corporate investment effi mainly in POEs. Carpenter et al. (2021) also companies still experience a higher cost of equit Information on potential Chinese customers beyond can be of direct interest to their operations.

Prior research provides limited evidence about whet Chinese firms' working-capital behavior toward su and POEs actually pay their suppliers. This study literature.

2.1 Previous literature related to Chinese SOEs and