Tackling the Scale-Up Gap: Lessons from China

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Fig. 12: Aggregate Value of Venture Capital Deals in Greater China by Stage, 2015 - Q1 2021

- **Aggregate Deal Value ($bn)**
- **No. of Deals**

Legend:
- Angel/Seed
- Series C/Round 3
- Grant
- Series A/Round 1
- Series D/Round 4 and Later
- Series B/Round 2
- Add-on & Other
- PIPE
- Venture Debt

Source: Preqin Pro
What did China’s policymakers do to encourage financing to SMEs?

**Social support for entrepreneurship**: destigmatizing risk-taking and failure

**The state assumes infrastructure burden**: e-commerce, payments, ICT sectors grew as physical connectivity and digital infrastructure expanded rapidly

**The government cuts red tape**: KPI for officials in tech parks like Zhongguancun (中关村) in Beijing aimed to drastically cut wait time and paperwork for new ventures and financing

**Talent attraction**: lowering living cost for returnees and foreign talent (e.g. Shenzhen talent housing)

**Strategic approach to intellectual property**: weak protection at first, after 2012 favorable IP law for SMEs

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**Global, structural factors**

**China’s unique place in global equity markets**: China is globally connected, but with many local idiosyncrasies, policies, and regulations encouraging localization

**China as a tech late-comer**: opportunities for rapid growth, familiar technology, requiring business model innovation aimed at localization

**Living standards and population dividend**: growing middle class and migration/urbanization creating opportunities for rapid growth in consumer internet, e-commerce, payments sector

**Growth in industries lacking market concentration**: competition in consumer internet, e-commerce, payments looked very different in early-mid 2000s than it does today
Thank You !