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A long-term mortality analysis of subsidized firms in rural areas: an empirical study in the Portuguese Alentejo region

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Abstract

Studies have demonstrated that public policies to support private firms' investment have the ability to promote entrepreneurship, but the sustainability of subsidized firms has not often been analysed. This paper aims to examine this dimension specifically through evaluating the mortality of subsidized firms in the long-term. The analysis focuses on a case study of the LEADER+ Programme in the Alentejo region of Portugal. With this purpose, the paper examines the activity status (active or not active) of 154 private, rural, for-profit firms in Alentejo that had received a subsidy to support investment between 2002 and 2008 under the LEADER+ Programme. The methodology is based on binary choice models in order to study the probability of these firms still being active. The explanatory variables used are the following: (1) the characteristics of entrepreneurs and managers' strategic decisions, (2) firm profile and characteristics, (3) regional economic environment. Data assessment showed that the cumulative mortality rate of firms on 31st December 2013 is over 20 %. Interpretation of the regression model revealed that the probability of firms' survival increases with higher investment, firm age and regional business concentration, whereas the number of applications made

by firms has a negative impact on their survival. So it seems that for subsidized firms the amount of investment is as important as its frequency.

Keywords

Public policy Subsidized firms Firms' sustainability Long-term mortality analysis Binary choice models

JELClassification

R58 D21 C25

Concepts found in this article

[What is this?](#)

Leader Programme	Subsidized Firm	Firm Survival
Funded Firm	Business Density	Business Concentration
Binary Choice Model	Business Demography	Private Firm
Firm Age	Cumulative Mortality Rate	Incumbent Firm
Competitive Intensity	Active Firm	

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