

An Examination of the Relationship Between Firm Size, Growth, and Liquidity in the Neuer Markt

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Abstract

With the increasing competitive importance of scientific innovations associated with the new economy it has become critical to understand the dynamics of its' firm growth during this early and potentially critical stage of development. This study analyses the relationship between firm size and growth for Neuer Markt firms from its inception in 1997 until 2000. Evidence strongly supports the hypothesis that smaller firms on the Neuer Markt grew faster than larger firms. Further, by using an alternative specification for growth, this study provides evidence that liquidity constraints impact firm growth, even when controlling for firm size and age. Results further indicate that while smaller firms grew faster in the new economy, larger firms grew faster in the old economy, supporting the notion that smaller German firms may be playing a larger role than previously in bringing new technologies to the market place.