CIFREM SEMINARS

ENTRY ON EXPORT MARKETS, HETEROGENEOUS CREDIT CONSTRAINTS AND FIRM-LEVEL PERFORMANCE GROWTH

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Via Inama, 5 - Trento

Some recent findings show that, after a trade liberalization episode, initially more productive new exporters experience larger productivity gains than less productive ones in some countries, while it is the exact opposite in some others. We build a model that could reconcile both results: When returns to investment decrease with size, conditioning on export decision, less productive firms invest more and grow more than the others. However, if small firms face more severe credit constraints than big ones, this negative relationship could be attenuated or reversed. We test theoretical predictions of the model on French firm-level data, exploiting differences between sectors in terms of relative intensity of credit constraints for small firms. In line with the model, conditioning on export decision, initial size and investment/performance growth are negatively related in sectors where credit constraints are homogeneous across firms. This negative relationship is much weaker in industries where small firms face more severe credit constraints than the others. Moreover, switcher premium seems to be concentrated in the first half of size distribution, especially in sectors where credit constraints are homogeneous.