

## **Financial Constraints and Exports: Evidence from Portuguese Manufacturing Firms**

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### **Abstract**

*This paper analyses the links between financial constraints and firm export behaviour, at the firm level, by using data on Portuguese manufacturing enterprises. Previous empirical literature has not yet reached a consensus on these subjects and there is a great heterogeneity in measuring financial constraints. In line with a very recent trend, we approximate credit constraints by using a financial score built on eight variables. In order to assess the effects of exports on the financial status of firms we apply, for the first time to these types of studies, a propensity score matching with difference in differences. We find that new exporters show significant improvements in their financial situation.*

**Keywords:** Exports, Propensity-Score-Matching, Financial constraints

**JEL classification:** F10; G32; L25

### **1. Introduction and brief literature revision**

Managers of firms, especially in poor and developing countries, often cite financial constraints as the main impediment to their internationalization and growth. At another level, and in line with a recent trend in international finance literature, we argue that the very fact of starting to export could improve firms' access to external financial funds. In fact, the recent empirical literature has invoked four kinds of reasons to support the argument that exports reduce financial constraints:

(i) some authors (e.g., Campa and Shaver, 2002 or Bridges and Guariglia, 2008) argue that exporting firms should in principle benefit of more stable cash flows, as they are able to enjoy from international diversification of their sales. Thus, by assuming that international business cycles are only imperfectly correlated, exporting reduces vulnerability to demand-side shocks;

(ii) in another perspective, selling in international markets can be considered as a sign of efficiency and competitiveness by domestic investors and creditors; thus, in a context

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