

[Home](#) > [Small Business Economics](#) > [Article](#)

Lack of access to external finance and SME labor productivity: does project quality matter?

Published: 04 August 2018

Volume 54, pages 119–134, (2020) [Cite this article](#)[Save article](#) [View saved research](#) >


[Small Business Economics](#)

[Aims and scope](#) →[Submit manuscript](#) →Victor Motta [✉](mailto:vmotta@springer.com) orcid.org/0000-0002-9305-9663¹[2984](#) Accesses [72](#) Citations [3](#) Altmetric [Explore all metrics](#) →

Abstract

Small and medium-sized enterprises (SMEs) are the main engine of local economic development. However, SME growth remains an issue as labor productivity is low in emerging economies. Due to information asymmetries, constraints in access to external finance prevent a larger participation in the economy, hindering SMEs from expanding their business operations. In the absence of collateral requirements, small and medium-sized firms may rely on exporting activities to signal lenders project quality since this may indicate that firms have good projects to invest. The main purpose of this study was to investigate the impact of project quality on both SME labor productivity and on the relationship between lack of adequate access to external finance and labor productivity. Our results indicate a

positive relationship between project quality and labor productivity. We also found that SMEs that applied for bank loans but were rejected have lower levels of labor productivity than SMEs that obtained financing. In addition, constrained SMEs that export internationally were found to have higher labor productivity than constrained firms with lower access to export markets, although the role of project quality in explaining labor productivity for constrained SMEs may be due to direct export sales in most part.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

[Log in via an institution](#) →

Subscribe and save

Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

[View plans](#) →

Buy Now

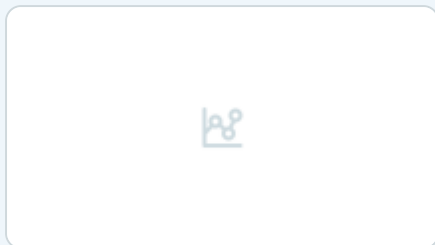
[Buy article PDF 39,95 €](#)

Price includes VAT (Poland)

Instant access to the full article PDF.

[Institutional subscriptions](#) →

Similar content being viewed by others



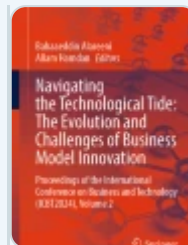
Mapping SME productivity research: a systematic review of empirical evidence and future research agenda

Article | 27 January 2021



The Relationship Between Financing Decision of SMES and Their Performance

Chapter | © 2022



Macroeconomic Variables on the Performance of Small Medium Enterprises; The Financing Decision in Nigeria

Chapter | © 2024

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Business Ethics](#)

[Development Economics](#)

[Labor Economics](#)

[Production](#)

[Project Management](#)

[Small Business](#)

[Small and Medium Enterprises Development and Economic Impacts](#)

References

Abadie, A., & Imbens, G. W. (2011). Bias-corrected matching estimators for average treatment effects. *Journal of Business and Economic Statistics*, 29(1), 1–11. <https://doi.org/10.1198/jbes.2009.07333>.

[Article](#) [Google Scholar](#)

Abadie, A., & Imbens, G. W. (2016). Matching on the estimated propensity score. *Econometrica*, 84(2), 781–807. <https://doi.org/10.3982/ECTA11293>.

[Article](#) [Google Scholar](#)

Amin, M. (2010). *Labor productivity in the informal sector: necessity vs.*

opportunity firms. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1539168.

Aterido, R., & Hallward-Driemeier, M. (2011). Whose business is it anyway?: closing the gender gap in entrepreneurship in sub-Saharan Africa. *Small Business Economics*, 37, 443-464. <https://doi.org/10.1007/s11187-011-9375-y>.

[Article](#) [Google Scholar](#)

Ayyagari, M., Beck, T., & Demirguc-Kunt, A. (2007). Small and medium enterprises across the globe. *Small Business Economics*, 29(4), 415-434. <https://doi.org/10.1007/s11187-006-9002-5>.

[Article](#) [Google Scholar](#)

Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. (2008). How important are financing constraints? The role of finance in the business environment. *The World Bank Economic Review*, 22(3), 483-516. <https://doi.org/10.1093/wber/lhn018>.

[Article](#) [Google Scholar](#)

Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. (2014). Who creates jobs in developing countries? *Small Business Economics*. <https://doi.org/10.1007/s11187-014-9549-5>.

[Article](#) [Google Scholar](#)

Becchetti, L., & Trovato, G. (2002). The determinants of growth for small and medium sized firms. The role of the availability of external finance. *Small Business Economics*, 19(4), 291-306.

[Article](#) [Google Scholar](#)

Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: access to finance as a growth constraint. *Journal of Banking & Finance*, 30(11), 2931-

2943. <https://doi.org/10.1016/j.jbankfin.2006.05.009>.

[Article](#) [Google Scholar](#)

Beck, T., Demirgüçkunt, A., & Maksimovic, V. (2008). Financing patterns around the world: are small firms different? *Journal of Financial Economics*, 89(3), 467–487. <https://doi.org/10.1016/j.jfineco.2007.10.005>.

[Article](#) [Google Scholar](#)

Berger, A., & Udell, G. (1998). The economics of small business finance: the roles of private equity and debt markets in the financial growth cycle. *Journal of Banking & Finance*, 22. Retrieved from <http://www.sciencedirect.com/science/article/pii/S0378426698000387>.

Berger, A. N., Klapper, L. F., & Udell, G. F. (2001). The ability of banks to lend to informationally opaque small businesses. *Journal of Banking and Finance*, 25(12), 2127–2167. [https://doi.org/10.1016/S0378-4266\(01\)00189-3](https://doi.org/10.1016/S0378-4266(01)00189-3).

[Article](#) [Google Scholar](#)

Blair, J. P., & Carroll, M. C. (2008). *Local economic development: analysis, practices, and globalization*. Sage.

Busso, M., Madrigal, L., & Pages, C. (2013). Productivity and resource misallocation in Latin America. *The B.E. Journal of Macroeconomics*, 13(1), 903–932. <https://doi.org/10.1515/bejm-2012-0087>.

[Article](#) [Google Scholar](#)

Caliendo, M., & Kopeinig, S. (2008). Some practical guidance for the implementation of propensity score matching. *Journal of Economic Surveys*, 22(1), 31–72. <https://doi.org/10.1111/j.1467-6419.2007.00527.x>.

[Article](#) [Google Scholar](#)

Campa, J. M., & Shaver, J. M. (2002). *Exporting and capital investment: on the strategic behavior of exporters* (No. 469).

[Article](#) [Google Scholar](#)

Chan, Y.-S., & Kanatas, G. (1985). Asymmetric valuations and the role of collateral in loan agreements. *Journal of Money, Credit and Banking*, 17(1), 84–95.

Chavis, L. W., Klapper, L. F., & Love, I. (2011). The impact of the business environment on young firm financing. *World Bank Economic Review*, 25, 486–507. <https://doi.org/10.1093/wber/lhr045>.

[Article](#) [Google Scholar](#)

Commander, S., & Svejnar, J. (2011). Business environment, exports, ownership, and firm performance. *Review of Economics and Statistics*, 93(February), 309–337. https://doi.org/10.1162/REST_a_00135.

[Article](#) [Google Scholar](#)

Daskalakis, N., Jarvis, R., & Schizas, E. (2013). Financing practices and preferences for micro and small firms. *Journal of Small Business and Enterprise Development*, 20(1), 80–101. <https://doi.org/10.1108/14626001311298420>.

[Article](#) [Google Scholar](#)

David, P., Yoshikawa, T., Chari, M. D. R., & Rasheed, A. A. (2006). Strategic investments in Japanese corporations: do foreign portfolio owners foster underinvestment or appropriate investment? *Strategic Management Journal*, 27(6), 591–600. <https://doi.org/10.1002/smj.523>.

[Article](#) [Google Scholar](#)

de la Torre, A., Martínez Pería, M. S., & Schmukler, S. L. (2010). Bank involvement with SMEs: beyond relationship lending. *Journal of Banking and Finance*, 34(9), 2280–2293. <https://doi.org/10.1016/j.jbankfin.2010.02.014>.

[Article](#) [Google Scholar](#)

Demombynes, G., & Özler, B. (2005). Crime and local inequality in South Africa. *Journal of Development Economics*, 76, 265–292. <https://doi.org/10.1016/j.jdeveco.2003.12.015>.

[Article](#) [Google Scholar](#)

Diamond, D. W. (1984). Financial Intermediation and delegated monitoring. *Review of Economic Studies*, LI(3), 393–414.

[Article](#) [Google Scholar](#)

Drucker, S., & Puri, M. (2005). On the benefits of concurrent lending and underwriting. *The Journal of Finance*, 60(6), 2763–2799. <https://doi.org/10.1215/00295132-3150541>.

[Article](#) [Google Scholar](#)

Eliasson, K., Hansson, P., & Lindvert, M. (2012). Do firms learn by exporting or learn to export? Evidence from small and medium-sized enterprises. *Small Business Economics*, 39(2), 453–472. <https://doi.org/10.1007/s11187-010-9314-3>.

[Article](#) [Google Scholar](#)

Frazer, G. (2005). Which firms die? A look at manufacturing firm exit in Ghana. *Economic Development and Cultural Change*, (March). Retrieved from <http://www.jstor.org/stable/10.1086/427246>.

Fujita, M. (1995). Small and medium-sized transnational corporations: trends and patterns of foreign direct investment. *Small Business Economics*, 7(3), 183–204.

<https://doi.org/10.1007/BF01135364>.

[Article](#) [Google Scholar](#)

Ganotakis, P., & Love, J. H. (2012). Export propensity, export intensity and firm performance: the role of the entrepreneurial founding team. *Journal of International Business Studies*, 43(8), 693–718.

<https://doi.org/10.1057/jibs.2012.16>.

[Article](#) [Google Scholar](#)

Golovko, E., & Valentini, G. (2011). Exploring the complementarity between innovation and export for SMEs' growth. *Journal of International Business Studies*, 42(3), 362–380. <https://doi.org/10.1057/jibs.2011.2>.

[Article](#) [Google Scholar](#)

Greenaway, D., Guariglia, A., & Kneller, R. (2007). Financial factors and exporting decisions. *Journal of International Economics*, 73(2), 377–395.

<https://doi.org/10.1016/j.jinteco.2007.04.002>.

[Article](#) [Google Scholar](#)

Hall, B. H., Lotti, F., & Mairesse, J. (2009). Innovation and productivity in SMEs: empirical evidence for Italy. *Small Business Economics*, 33(1), 13–33.

<https://doi.org/10.1007/s11187-009-9184-8>.

[Article](#) [Google Scholar](#)

Harrison, A. E., Lin, J. Y., & Xu, L. C. (2014). Explaining Africa's (dis)advantage. *World Development*, 63, 59–77. <https://doi.org/10.1016/j.worlddev.2013.10.011>.

[Article](#) [Google Scholar](#)

Helpman, E., Melitz, M. J., & Yeaple, S. R. (2004). Export versus FDI with

heterogeneous firms. *American Economic Review*, 94(1), 300–316.

[Article](#) [Google Scholar](#)

Hollenstein, H. (2005). Determinants of international activities: are SMEs different? *Small Business Economics*, 24(5), 431–450.

<https://doi.org/10.1007/s11187-005-6455-x>.

[Article](#) [Google Scholar](#)

Hottenrott, H., & Lopes-Bento, C. (2014). (international) R&D collaboration and SMEs: the effectiveness of targeted public R&D support schemes. *Research Policy*, 43(6), 1055–1066. <https://doi.org/10.1016/j.respol.2014.01.004>.

[Article](#) [Google Scholar](#)

IBGE. (2003). *As micro e pequenas empresas comerciais e de servicos no Brasil*. Rio de Janeiro.

Imbens, G. W., & Wooldridge, J. M. (2009). Recent developments in the econometrics of program evaluation. *Journal of Economic Literature*.

<https://doi.org/10.1257/jel.47.1.5>.

[Article](#) [Google Scholar](#)

Karhunen, H., & Huovari, J. (2015). R&D subsidies and productivity in SMEs. *Small Business Economics*, 45(4), 805–823. <https://doi.org/10.1007/s11187-015-9658-9>.

[Article](#) [Google Scholar](#)

Kobayashi, Y. (2014). Effect of R&D tax credits for SMEs in Japan: a microeconomic analysis focused on liquidity constraints. *Small Business Economics*, 42(2), 311–327. <https://doi.org/10.1007/s11187-013-9477-9>.

[Article](#) [Google Scholar](#)

Kumarasamy, D., & Singh, P. (2016). *Does access to finance facilitate the firm's ability to export? Experience from Asia-Pacific countries* (ARTNet working paper paper series no. 159).

Leon, F. (2015). Does bank competition alleviate credit constraints in developing countries? *Journal of Banking and Finance*, 57, 130–142.

<https://doi.org/10.1016/j.jbankfin.2015.04.005>.

[Article](#) [Google Scholar](#)

Leonidou, L. C., Katsikeas, C. S., Palihawadana, D., & Spyropoulou, S. (2007). An analytical review of the factors stimulating smaller firms to export: Implications for policy-makers. *International Marketing Review*, 24(6), 735–770.

<https://doi.org/10.1108/02651330710832685>.

[Article](#) [Google Scholar](#)

Love, J. H., & Roper, S. (2015). SME innovation, exporting and growth: a review of existing evidence. *International Small Business Journal*, 33(1), 28–48.

<https://doi.org/10.1177/0266242614550190>.

[Article](#) [Google Scholar](#)

Mateut, S. (2018). *Subsidies, financial constraints and firm innovative activities in emerging economies*. *Small Business Economics* (Vol. 50). Small business economics. <https://doi.org/10.1007/s11187-017-9877-3>.

[Article](#) [Google Scholar](#)

Muuls, M. (2015). Exporters, importers and credit constraints. *Journal of International Economics*, 95(2), 333–343.

<https://doi.org/10.1016/j.jinteco.2014.12.003>.

[Article](#) [Google Scholar](#)

Nichter, S., & Goldmark, L. (2009). Small firm growth in developing countries. *World Development*, 37(9), 1453-1464.

<https://doi.org/10.1016/j.worlddev.2009.01.013>.

[Article](#) [Google Scholar](#)

Oh, I., Lee, J.-D., Heshmati, A., & Choi, G.-G. (2009). Evaluation of credit guarantee policy using propensity score matching. *Small Business Economics*, 33(3), 335-351. <https://doi.org/10.1007/s11187-008-9102-5>.

[Article](#) [Google Scholar](#)

Peluffo, A. (2016). The role of investments in export growth. *Small Business Economics*, 47(1), 115-137. <https://doi.org/10.1007/s11187-016-9714-0>.

[Article](#) [Google Scholar](#)

Peng, M. W., & Ilinitich, A. Y. (1998). Export intermediary export firms: on export development research. *Journal of International Business Studies*, 29(3), 609-620. <https://doi.org/10.1057/palgrave.jibs.8490010>.

[Article](#) [Google Scholar](#)

Peng, M. W., & York, A. S. (2001). Behind intermediary performance in export trade: transactions, agents, and resources. *Journal of International Business Studies*, 32(2), 327-346. <https://doi.org/10.1057/palgrave.jibs.8490955>.

[Article](#) [Google Scholar](#)

Pissarides, F. (1999). Is lack of funds the main obstacle to growth? ebrd's experience with small- and medium-sized businesses in central and eastern europe. *Journal of Business Venturing*, 14(5-6), 519-539.

[https://doi.org/10.1016/S0883-9026\(98\)00027-5](https://doi.org/10.1016/S0883-9026(98)00027-5).

[Article](#) [Google Scholar](#)

Reynolds, P. D. (1997). New and small firms in expanding markets. *Small Business Economics*, 9(1), 79-84. <https://doi.org/10.1023/A:1007916217140>.

[Article](#) [Google Scholar](#)

Rosenbaum, P. R., & Rubin, D. B. (1983). The central role of the propensity score in observational studies for causal effects. *Biometrika*, 70(1), 41-55. <https://doi.org/10.1093/biomet/70.1.41>.

[Article](#) [Google Scholar](#)

Rosenbaum, P. R., & Rubin, D. B. (1984). Reducing bias in observational studies using subclassification on the propensity score. *Journal of the American Statistical Association*, 79(387), 516-524. <https://doi.org/10.1080/01621459.1984.10478078>.

[Article](#) [Google Scholar](#)

Rosenbaum, P. R., & Rubin, D. B. (1985). Constructing a control group using multivariate matched sampling methods that incorporate the propensity score. *The American Statistician*, 39(1), 33. <https://doi.org/10.2307/2683903>.

[Article](#) [Google Scholar](#)

Soares, R. R. (2004). Development, crime and punishment: accounting for the international differences in crime rates. *Journal of Development Economics*, 73(1), 155-184. <https://doi.org/10.1016/j.jdeveco.2002.12.001>.

[Article](#) [Google Scholar](#)

Söderbom, M., & Teal, F. (2001). *Firm size and human capital as determinants of productivity and earnings* (WPS 2001 no. 09). Retrieved from <http://core.kmi.open.ac.uk/download/pdf/6280477.pdf>.

Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with rationing credit information imperfect. *The American Economic Review*, 71(3), 393–410.

[Google Scholar](#)

Van Biesebroeck, J. (2005). Firm size matters: growth and productivity growth in African manufacturing. *Economic Development and Cultural Change*, 53(3), 545–583 Retrieved from <http://www.jstor.org/stable/10.1086/426407>.

[Article](#) [Google Scholar](#)

Author information

Authors and Affiliations

**Business Administration School of São Paulo, Getulio Vargas Foundation,
Av. 9 de Julho, 2029, São Paulo, SP, 01313-902, Brazil**

Victor Motta

Corresponding author

Correspondence to [Victor Motta](#).

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Motta, V. Lack of access to external finance and SME labor productivity: does project quality matter?. *Small Bus Econ* 54, 119–134 (2020). <https://doi.org/10.1007/s11187-018-0082-9>

Accepted

25 July 2018

Published

04 August 2018

Version of record

04 August 2018

Keywords

[Project quality](#)

[Sales exports](#)

[Access to capital](#)

[Labor productivity](#)

[SMEs](#)

JEL classification

[G20](#)

[L25](#)

[M21](#)

[L26](#)

Profiles

1. Victor Motta



[View author profile](#)

Search

Search by keyword or author



Navigation

[Find a journal](#)

[Publish with us](#)

[Track your research](#)

