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## **ANALYZING THE PROBLEMS OF INTERNATIONAL TRADE ACTIVITY OF EUROPEAN SMES**

### **Abstract:**

According to the 2nd Conference of Ministers Responsible for Small and Medium-sized Firms (SMEs), globalization can impact on SMEs providing important opportunities to firms but also might be a threat for SMEs which are unable to compete. While, in most national economies, SMEs represent 95% of market participants, previous evidence shows that manufactured exports of SMEs account for a small share: SMEs contribute approximately to one third of manufactured export. In order to shed additional light, the aim of this paper is to analyze how common problems faced by SMEs affect their exporting activities. The problems analyzed can be classified in two categories according to previous literature: environmental barriers such as competition and regulation; and internal barriers such as obtaining financing, finding customers, cost of production or labour, and availability of skilled managers. To do that, we use data obtained from the latest waves of Survey on the Access to Finance of Enterprises (SAFE) carried out by the European Central Bank and the European Commission during the period 2014-2016 for 38 European countries. Using a logistic model, the results show that the likelihood of exporting increases (decreases) for firms which state that finding customers and getting financing (competition and labour cost) are more pressing problems. Analyzing the subgroup of exporting SMEs, our findings show that finding customers and competition problems might decrease the exporting activity of European SMEs. To control for the heterogeneity of our sample, we include firm-specific characteristics such as size, age, industry, firm growth and the use of venture capital financing. The evidence presented in this paper has clear implications for firms and policy makers. Our results suggest that there is an important problem in the export activity of SMEs which should be taken into account because of the core contribution of SMEs to economic growth and employment generation in many countries.

### **Keywords:**

SMEs, exporting activity, developed and developing European countries, globalization, barriers to international trade activity.

**JEL Classification:** F60