

The Influence of Financing Constraints on Enterprises' Export Trade Patterns

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Abstract: The party and the government have long regarded the improvement of international competitiveness and the promotion of the transformation and upgrading of export trade as a relatively important goal in economic policy reform. In the work report of the 19th National Congress of the Communist Party of China, it is clearly required to intensify efforts to promote the construction of a trade powerhouse, cultivate new trade formats, and promote the vigorous expansion of foreign trade. With the help of the matching or data from the effective customs trade database and the Chinese industrial enterprise database, this paper studies the possible impact of the quantitative regression financing constraints on the domestic export trade enterprise model. The result is that when domestic enterprises face the pressure of financing constraints, they will choose the processing trade with lower profits and abandon the general trade model with higher profits.

Keywords: Financing constraints, Export trade mode, Customs tariff, Impact, Enterprise export trade.

1. Introduction

For general trade, domestic export enterprises are more inclined to choose the lower-profit trade model of assembly trade. This is mainly due to the underdevelopment of the financial market, difficulties in external financing[1], low corporate credit ratings, and high corporate borrowing costs, which have made corporate financing constraints more influential, and domestic companies are forced to change their export models. Foreign trade constitutes an important part of economic development. Compared with domestic sales enterprises, the behavior of export enterprises will be restricted by more reasons. Due to the existence of export costs, export enterprises have higher capital demands. Traditional trade theories such as the theory of comparative advantage believe that the key factor for trade is productivity, and the reason for the difference in productivity is the difference in technical level and factor endowment. These endowments basically determine the status of a country or region participating in international division of labor and external trade: The new international trade theory refers to the fact that the export of enterprises and the division of labor in the international society are largely affected by the diversification of consumer demand preferences and scale effects. However, many data show that financing constraints will generally accompany the entire development process of enterprises. A relatively low-profit export model. Financing constraints are one of the most important reasons for this situation, and we have conducted in-depth research on this aspect.

2. Mechanism Analysis of The Impact of Financing Constraints on The Export Trade Model of Enterprises

Under normal circumstances, if domestic export enterprises need to import various raw materials, they must pay corresponding fees for imported raw materials on the one hand. On the other hand, so-called import duties must also be paid by customs companies[2]. However, if it is processing trade with imported materials covered by processing trade,

domestic enterprises do not need to pay the so-called import tax, they only need to pay the cost of raw materials to exporters. When exporting, compared to other general trade, they also do not need to pay VAT to customs. In this case, domestic enterprises only need to complete the processing of imported raw materials and export the finished products at the price set with the other party before processing[3]. Processing trade also covers other trade modes, that is, the so-called processing with supplied materials[4]. Under this model, the cost that domestic enterprises need to bear will be lower, mainly because the packaging accessories and raw materials for processing are basically provided by foreign manufacturers. In this case, the import of domestic enterprises also does not need to pay for various fees. In addition, domestic enterprises do not need to pay various tariffs to the customs. In all production links, domestic enterprises only need to provide OEM services for foreign manufacturers[5]. Relatively speaking, processing with supplied materials is a kind of A relatively simple trade model, and at the same time, the risks that domestic enterprises need to take are not very high in this model. However, for domestic enterprises, the profits that can be obtained from processing trade with supplied materials are very limited and fixed. According to the different export modes selected by domestic enterprises, in all production links, there will obviously be a relatively large gap between the costs that domestic enterprises need to bear and the profits they can obtain in trade[6]. In addition, under different export modes, domestic enterprises will play various roles, and these different roles will also affect the different positions of domestic enterprises in the value chain of the world. If domestic enterprises want to improve the profit of export products and the added value of export products, it is obvious that enterprises must change from simple assembly processing to imported processing, that is, import processing, and from processing trade to general trade. However, when the trade mode of domestic enterprises changes, the demand for capital of enterprises will also change[7]. Compared with processing trade, general trade will obviously put forward higher capital demands on enterprises[8]. That is to say, in the production process of general trade, domestic enterprises often need to pay higher

costs in the early stage. It is precisely for this reason that many domestic enterprises have to face the influence of financing constraints, and can only choose the export mode of processing trade. In some cases, even domestic enterprises can only choose the export mode of processing with supplied materials. trading[9].

3. Data Sources and Research Design of The Impact of Financing Constraints on Enterprise Export Trade Patterns

3.1. Setting of The Measurement Model

In this study, the selected basic econometric model can be expressed by the following formula:

$$\text{process}_{idt} = \alpha + \beta \text{loan}_{idt} + \gamma D + \varepsilon_{idt}$$

Among them, process_{idt} represents the export trade mode selected by domestic enterprises, d represents the region where the enterprise is located, loan represents the financing constraints that export enterprises need to face, i represents the enterprise, and D represents the control Variables, ε represents the residual, β represents the coefficient, and α represents the intercept.

3.2. Variable Design

3.2.1. Explained Variables

The export trade mode chosen by domestic enterprises[10]. In the research of this paper, according to the classification method of my country's customs, there are usually three types of export modes of enterprises, that is, three types of processing trade, processing trade with imported materials and general trade. 3. The processing trade with imported materials is 2, and the general trade is 1.

3.2.2. Explanatory Variables

This is represented by financing constraints. In view of the fact that there is no relatively direct statistical data on corporate financing constraints at the current stage in China, in actual corporate business activities, corporate financing constraints can be reflected relatively directly. proportion. In order to ensure that their financing ability is not affected as much as possible, most domestic enterprises usually do not voluntarily provide commercial credit for other enterprises[11]. This commercial credit is a very important content for domestic enterprises to effectively obtain capital guarantee in the imperfect capital market.

3.2.3. Control Variables

Total factor productivity of domestic firms. This control variable can reflect the comprehensive level and strength of domestic enterprises in the production process. This is a very important indicator, which will have an important impact on the choice of export trade models by domestic enterprises. Export enterprises are usually unavoidable to face greater cost constraints[12]. However, domestic enterprises must improve their total factor productivity to ensure that they can obtain as much profit as possible in the increasingly fierce global competition. In our research, we mainly use the relatively reliable estimation method of approximate total factor productivity given by Ries and Head, two industry experts.

The actual size of the business. In the process of domestic export enterprises choosing various trade modes, the scale of the enterprise will also be a relatively important factor. For domestic enterprises of different scales, there will be obvious

differences in the production capacity and production costs they have[13]. In the research of this paper, we mainly use the number of employees to measure the size of the enterprise. The reason for choosing this indicator is that the number of occupations in the enterprise is relatively easy to obtain, and compared with other indicators, it can avoid various unpredictable errors in the process of statistical work to the greatest extent. In this way, the accuracy of the regression results can be effectively guaranteed, and it is also more convenient to take the natural logarithm.

The quality of the products exported by domestic enterprises can be achieved. For the processing and production processes of domestic enterprises, there will be obvious differences in the requirements for different product quality[14]. Therefore, in the process of export and production and processing of enterprises, the quality standards that can be achieved by export products will also affect the decision-making of enterprises, and there will be various differences. In the research of this paper, the calculation of product quality is carried out with the help of demand function.

The type of ownership to which the domestic enterprise belongs. It is mainly based on the proportion of the paid-in capital of domestic enterprises to distinguish their ownership types. It includes 6 types of foreign capital, state-owned capital, Hong Kong, Macao and Taiwan capital, collective capital, privately owned capital and independent legal person capital. In the process of sorting out the domestic industrial enterprise database, we learned that most of the sources of paid-in capital of many domestic enterprises are constantly changing between foreign capital and Hong Kong, Macao and Taiwan capital[15]. The reason why this happens, we believe that the more important reason is not that the actual source of funds has changed, but more because the company has not done a good job in the reporting process of other foreign capital and Hong Kong, Macao and Taiwan funds. False positives caused by differentiation. In this study, we combine foreign capital and Hong Kong, Macao and Taiwan capital into foreign capital, which can minimize the error as much as possible.

3.3. Variable Descriptive Statistics and Data Sources

In this study, the relevant data basically come from the following two sources: one is the domestic industrial enterprise database from 2000 to 2009, and the other is the trade database of China Customs from 2000 to 2009. We can learn about similar export trade records related to enterprises from the China Customs database. In addition, we can learn more detailed characteristic data related to enterprises from the industrial enterprise database. In academia, the latest data available on enterprises above the manufacturing scale can be traced back to 2015. However, the actual situation is that the usage rate in the industry has not been very high since 2009, and the data quality is not ideal, even some research quality. The data used by relatively high projects is not the latest enterprise data most of the time.

When the financing constraints of domestic enterprises increase, their export trade patterns will inevitably change accordingly. That is to say, from the very beginning, the general trade based on metered trade has gradually changed to an export model based on material trade and metered trade.

4. Empirical Test of The Impact of Financing Constraints on The Export Trade Model of Enterprises

4.1. Basic Regression Results

In the process of empirical testing, it can be seen from the preliminary regression results that in the absence of changes in other control variables, as long as the two fixed effects of year and province are controlled, the financing constraint increases by 10%, which will lead to the export of enterprises. The proxy variable of trade pattern increases by 0.424%. Domestic enterprises are affected by financing constraints. When the financing constraints increase, their export trade patterns will change. They use this to reduce the financial pressure they face and choose processing with low cost requirements. trade and abandon the relatively profitable model of the general trade model. Then, after controlling for year and province effects, we study the relationship between firms' export patterns and industry R&D investment, and the regression results are also positive. In the following research, we regressed the proxy variables, single control variables and explanatory variables of the corporate financing constraints previously regressed in this paper, and the results obtained were also significant when not exceeding 5%. The results obtained in the follow-up research are also the proxy variables that the increase of financing constraints will inevitably affect the enterprises to significantly improve their export trade patterns. The reason for such a result is most likely because the increase in financing constraints has limited the initial cost bearing capacity and investment capacity of the enterprise. Therefore, with the help of quantitative analysis method, it can be understood that when enterprises face financing constraints, their choice of export trade model will give up the general trade model with higher profits, and turn to processing trade, which is relatively less profitable. trade model. However, choosing this model, they have to bear relatively low cost pressure and risk.

4.2. Differential Ownership Regression Results

According to the current economic situation in China, the impact of financing constraints on enterprises is in many cases caused by changes in the country's overall economic environment and various economic policy adjustments at the national level. In addition, for the overall economic trend, its impact is relatively large. Therefore, there are not many measures and methods to change the financing difficulties of state-owned enterprises. Due to the influence of various policies, when faced with financing constraints, domestic enterprises are basically difficult to use various financial means to deal with such restrictions, and can only reduce their own cost pressures by changing trade models. However, relatively speaking, foreign-funded enterprises have inherent advantages that domestic enterprises do not have. When they face financing constraints, they often suffer less impact. This is mainly because foreign financial systems are more complete than domestic ones. Many foreign-funded enterprises have relatively high financial reputation, and they have more ways to solve financing difficulties when they are affected by financing needs. Therefore, foreign-funded enterprises can choose trade models more flexibly and obtain more profits from them.

5. Conclusion

The trade model of domestic export enterprises has been upgraded from processing trade to general trade, which has enhanced the global market competitiveness of these enterprises. This is an issue that is widely concerned by academics and political scholars. The financing constraints may affect the choice of domestic export enterprises' trade models and ease the financing constraints of enterprises. For the upgrading of these enterprises' trade models, they are often closely related to economic development and policy formulation. Based on China's customs import and export data and industrial enterprise data, this paper studies the impact of financing constraints on domestic enterprises' choice of trade models. First, financing constraints will have a relatively stable and significant inhibitory effect on the upgrading of enterprises' export models. In addition, compared with other types of enterprises, the restrictions on financing constraints affecting state-owned enterprises will be more obvious, while private enterprises and foreign-funded enterprises are relatively less affected by financing constraints.

This paper mainly proposes the following three policy suggestions: First, try to help ease the financing constraints of export enterprises as much as possible, remove the obstacles brought by the mechanism and system as much as possible for the financing of these enterprises, and ensure that these enterprises can better Realize the upgrade of the trade model. Secondly, the relevant financial industry should increase support for the financing of export enterprises, especially to provide innovations in various aspects such as order financing and shareholder credit guarantee loans, so as to provide more convenience for the financing of export enterprises and allow them to have wider financing. channels, with a variety of financing channels. Finally, domestic export companies need to continuously improve their credibility in order to have the best possible credit rating in the financial evaluation system, so as to ensure that they can more easily apply for financing when there is a shortage of funds. In addition, it is necessary to reduce management costs as much as possible, reduce the demand for working capital, and realize resource sharing among export enterprises as much as possible to relieve financing pressure.

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