UNIVERSIDAD DE GRANADA

Departamento de
Teoría e Historia
Económica

Working Paper: Working Capital Management, Financial Constraints, and Exports. Evidence from...

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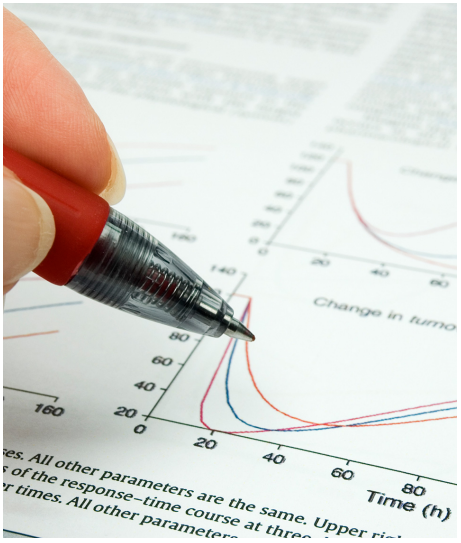
Working Papers



Jose Manuel Mansilla-Fernandez & Juliette Milgram Baleix, 2022. "Working Capital Management, Financial Constraints, and Exports. Evidence from European and US Manufacturers," ThE Papers 22/11, Department of Economic Theory and Economic History of the University of Granada..

Abstract: This paper investigates the effect of firms' working capital management, measured by the cash conversion cycle (CCC) on exports, on both the intensive and extensive margins. By using Heckman's two-stage model for the treatment of sample selection bias, we find that the longer the CCC, the lower firms' likelihood of exporting and the lower the volume of their exports. This phenomenon is economically more relevant for financially constrained firms than for unconstrained firms. The results are robust to the propensity score matching, the transition sample and the placebo analyses. Finally, these results can be extrapolated in the context of the Covid-19 crisis because of the decline in trading conditions and firms' shortage of liquidity.

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