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Borrowing constraints and export decision: the case of Vietnamese exporters

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Abstract

This paper examines the impact of borrowing constraints and productivity on the export decision of Vietnamese firms, where we approximate borrowing constraints by leverage and the tangible asset ratio. Using a large firm-level dataset for the years 2009-2014, we show that borrowing constraints play an important role in the export decision. There is an inverse U-shaped relationship between leverage and the export probability for private manufacturers. The marginal effect of leverage is declining with leverage, but positive up till a leverage ratio of about 47 percent and negative beyond. Borrowing constraints matter both for the decision to start exporting and for the decision to continue exporting, but more so for the latter. Medium and high productive firms are more sensitive to borrowing constraints than low productive firms.