Internationalization and financial constraints: opportunities or barriers? An empirical investigation of the Italian manufacturing industry.

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This manuscript investigates the relation between financial constraints and internationalization, testing whether the restricted access to the capital market is a barrier or an opportunity to this process. In detail, focusing on the Italian manufacturing industry between 2013 and 2019, we examine this relation disentangling the effect between export and import dynamics. According to results, we observe that firms under high financial constraints have the lowest intensity of import and export flows (i), firms under moderate financial constraints have the highest intensity of export flows (ii), and firms under low financial constraints have the highest intensity of import flows (iii). An interpretation of these results concerns the heterogeneity of business-to-business payment dynamics across the EU supply chain, with the Italian market characterized by the longest delay. Hence, internationalization through export flows represents an opportunity for those companies with the most aggressive business strategies, raising quickly their internal liquidity, and complementing local financial debts with international trade credits. On the other hand, only firms with no restrictions to the capital market can afford prompt payments of foreign suppliers, collecting easily the necessary liquidity to support import flows.