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FINANCIAL SECTOR DEVELOPMENT, MICROCREDIT, AND EXPORT PERFORMANCE OF SMALL FIRMS IN THE REPUBLIC OF MOLDOVA

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Abstract: *This article examines the relationship between financial sector development, access to microcredit, and the export performance of small firms in the Republic of Moldova. The study starts from the assumption that limited access to finance remains one of the main barriers preventing small enterprises from expanding production, improving quality, and entering foreign markets. The aim of the article is to assess whether a more developed financial sector can improve export capacity by facilitating microcredit and related financing instruments for small businesses. The analysis is based on secondary data, policy reports, academic literature, and firm-level evidence from the World Bank Enterprise Survey for Moldova (2024). The methodological approach combines descriptive and analytical discussion with a weighted firm-level empirical exercise testing whether access to external finance is associated with export participation. The empirical results provide only partial support for the main hypothesis. In the pooled sample, access to credit does not show a statistically significant positive effect on export participation after controls are included, while firm size remains the strongest predictor of exporting. At the same time, the results in the manufacturing subsample are more consistent with the expected positive relationship, although still statistically imprecise. The article concludes that financial sector development remains an important enabling factor for export performance, but its effect is conditional on firm scale, sector, and broader structural constraints.*

Key words: *financial sector development, microcredit, small firms, export performance, Republic of Moldova*

JEL: G21, F14, L25, O16

Introduction

Small firms play an important role in economic development through employment creation, income generation, innovation, and regional diversification. In small open economies such as the Republic of Moldova, their contribution is especially significant because they can support production flexibility, local entrepreneurship, and integration into external markets. At the same time, the export performance of small firms often remains below potential due to structural and financial constraints that limit their capacity to grow and compete internationally.

Among these constraints, access to finance is one of the most persistent barriers. Small firms usually face greater difficulties than large enterprises in obtaining external funding because they often lack sufficient collateral, stable credit history and the financial resources needed to absorb high borrowing costs. These limitations affect their ability to invest in equipment, improve productivity, adopt new technologies, ensure product quality, and finance working capital. As a result, many firms remain oriented toward the domestic market even when export opportunities exist.

In this context, financial sector development becomes highly relevant for SME internationalization. A more developed and inclusive financial system can improve the allocation of financial resources, expand lending opportunities, and reduce informational and institutional barriers between creditors and borrowers. One of the most important channels through which this process may operate is microcredit. For small firms, microcredit can serve as an accessible financing instrument that supports business expansion, production adjustment, and export readiness, especially in environments where traditional bank lending remains limited.

The relationship between finance and exports is particularly important in the Republic of Moldova. As a small economy exposed to external demand conditions, Moldova depends on export growth for broader economic development and competitiveness. However, the capacity of small firms to participate in foreign trade is still constrained by limited financing opportunities, modest institutional support, and uneven access to financial services. This makes the analysis of financial sector development and microcredit especially relevant from both an academic and a policy perspective.

The aim of this article is to examine the extent to which financial sector development influences the export performance of small firms in the Republic of Moldova through improved access to microcredit. The article assumes that better financial intermediation and broader access to small-scale financing can strengthen export capacity by enabling firms to invest, expand production, and meet the requirements of foreign markets. To complement the conceptual and descriptive analysis, the article also includes a firm-level empirical exercise based on the World Bank Enterprise Survey for Moldova (2024), testing whether access to external finance is associated with a higher likelihood of export participation. The empirical results provide only partial support for the main hypothesis: while the estimated relationship between finance and export participation is not statistically strong in the pooled sample, it is more consistent with the expected direction in manufacturing, and firm size emerges as the most robust predictor of exporting. This suggests that financial access matters, but its role is conditional rather than sufficient on its own. At the same time, the paper also considers the barriers that may reduce the effectiveness of this relationship, including borrowing costs, collateral requirements, and institutional weaknesses.

In Moldova-focused literature, the issues of SME finance, microfinance, and export competitiveness have already been examined, but mainly in separate analytical strands. Țurcanu (2023) analyses access to finance for SMEs from the Republic of Moldova in relation to competitiveness within global value chains, while Erhan and Paladi (2021) discuss traditional and alternative sources of SME financing. Sava, Tîrșu and Apetrii (2023) focus on microfinance organizations under conditions of crisis and uncertainty, and Stratan and Fala (2023) examine international competitiveness from a broader structural perspective. However, the specific relationship between financial sector development, access to microcredit, and the export performance of small firms in the Republic of Moldova remains insufficiently explored. This article seeks to address that gap by linking financial development to small-firm export capacity through the channel of microcredit.

The article is structured as follows. The next section discusses the conceptual relationship between financial sector development, microcredit, and export performance, with reference to the particular conditions of small firms in Moldova. The final section presents the main conclusions and highlights several policy implications for improving SME finance and export competitiveness.

Basic content

Small and medium-sized enterprises occupy a central place in the Moldovan economy and therefore matter directly for the country's production and export potential. According to the National Bureau of Statistics, in 2024 SMEs represented 99.2% of all reporting enterprises, employed 356.0 thousand persons or 65.5% of total enterprise employment, and generated 46.1% of total sales revenues. These figures show that any constraint affecting SME financing also has wider implications for national competitiveness and trade capacity (National Bureau of Statistics of the Republic of Moldova, 2025a).

The first relevant dimension is financial sector development. Recent data from the National Bank of Moldova indicate that the banking sector has continued to strengthen: in 2024 total banking assets reached MDL 170.2 billion, up 10.6% from the previous year, while the volume of new loans in national currency increased by 43.6%. The non-bank lending sector also expanded, with assets rising by 15.3% to MDL 18.8 billion. At the same time, the expansion of assets and lending has not fully removed long-standing constraints in SME access to finance, which remains a key challenge for productive investment and business expansion (National Bank of Moldova, 2025), and export performance inclusively.

These structural weaknesses are also visible at the firm level. The 2024 World Bank Enterprise Survey for Moldova shows that access to finance remains a significant business constraint: 10.6% of firms identified it as their biggest obstacle. The same survey indicates that firms still rely heavily on internal funding, with 84.0% of investment financed internally, while only 12.6% of investment was financed by banks and only 27.0% of firms reported using banks to finance investments. This pattern suggests that many small firms do not expand on the basis of external finance, but rather according to their limited internal liquidity, which slows modernization and reduces readiness for export activity (World Bank Enterprise Surveys, 2024).

In this context, microcredit becomes an important transmission channel between financial sector development and export performance. For small firms, access to relatively small and flexible loans may support the purchase of equipment, product upgrading, certification, packaging, digitalization, and working capital for export orders. This is particularly relevant in Moldova, where external competitiveness depends not only on production capacity but also on firms' ability to meet market standards and integrate into value chains. OECD situational reports on Moldova has explicitly linked SME development policy with internationalization and integration into global value chains, while the World Bank's MSME Competitiveness Project treats access to finance, export readiness, and business expansion as mutually reinforcing objectives. Beneficiary MSMEs are expected to use working-capital and investment lending for business expansion, technology adoption, and export activities (OECD, 2020; World Bank, 2026).

The export dimension makes this relationship even more important. Official trade statistics show that Moldova's goods exports amounted to USD 3.56 billion in 2024, and 67.3% of these exports went to the European Union. This orientation increases the need for financing because small firms entering EU markets must adjust production processes, improve quality, and manage liquidity under more demanding competitive conditions. In other words, export participation is not only a trade issue, but also a financing issue. Firms that cannot access affordable credit are less able to cover the fixed costs of market entry and less prepared to respond to foreign demand (National Bureau of Statistics of the Republic of Moldova, 2025b).

Recent policy initiatives confirm both the importance of SME finance and the persistence of financing gaps. In 2024, EIB Global and the Moldovan Commercial Bank MAIB signed a €50 million loan together with an EU-backed guarantee expected to mobilise an additional €44 million in loans to MSMEs on more favourable terms. In parallel, the World Bank reported in 2026 that 125 matching grants had already been approved for firms in export-oriented sectors, generating business missions and commercial contracts, although the uptake of the Credit Guarantee Fund remained slower than expected. This suggests that Moldova is moving toward a more supportive financial framework, but that institutional design and effective absorption remain just as important as the availability of funds itself (European Investment Bank, 2024; World Bank, 2026).

Overall, the evidence supports the argument that financial sector development can improve the export performance capacity of small firms mainly through easier access to microcredit and related financing instruments. However, the effect is not automatic. A stronger banking and non-bank financial sector creates the possibility of wider lending, but export gains depend on whether finance actually reaches small firms under conditions they can use. Where collateral barriers, borrowing costs, and informational asymmetries remain high, financial development may coexist with underfinanced SMEs and weak export participation. For Moldova, the central policy challenge is therefore not only to expand finance, but to make it more accessible, better targeted, and more compatible with the investment and liquidity needs of small exporting firms (National Bank of Moldova, 2025; World Bank Enterprise Surveys, 2024).

To complement the descriptive analysis, a firm-level empirical exercise was conducted using the World Bank Enterprise Survey for Moldova (2024). This survey covers 152 formal private establishments, was conducted between May and August 2024, and is based on stratified random

sampling with national coverage. In line with the World Bank methodology, the estimates were weighted using the survey's median sampling weights. Because the dataset is cross-sectional and does not isolate microcredit as a separate category, the estimates capture associations between external finance and export participation rather than strict causal effects of microcredit. The dependent variable was defined as an exporter dummy equal to 1 if direct or indirect exports accounted for at least 10% of total sales. Access to finance was approximated through whether the firm had a loan or line of credit and whether it had an overdraft facility, while firm size, age, foreign ownership, certification, and sector were included as controls. Given the modest sample size and the relatively low share of exporters, the most practical specification for the current aims of our paper is a **weighted linear probability model**, with weighted logit or probit used only as a robustness check. This is especially sensible because the Republic of Moldova 2024 profile reports that only **11.9%** of firms export directly at least 10% of sales and **12.4%** export directly or indirectly at least 10% of sales, while **27.0%** of firms use banks to finance investments and **10.6%** identify access to finance as their biggest obstacle. These descriptive patterns already suggest that the finance-export link is empirically relevant, even before estimation (World Bank Group, 2024; World Bank Enterprise Surveys, 2024).
In the available data, export performance can be measured by an exporter dummy equal to 1 if the firm reports direct or indirect exports, using the trade variables for the share of direct exports and indirect exports in total sales. As a stricter robustness check, the dependent variable may be defined as 1 only for firms whose direct or indirect exports account for at least 10% of sales, which is also the threshold used in the World Bank country profile for Moldova. Access to microcredit cannot be observed as a separate variable in the dataset; therefore, the empirical analysis should approximate it through firm-level access to external finance, especially whether the firm has a loan or line of credit, an overdraft facility, the share of working capital financed by banks, the share of working capital financed by non-bank financial institutions, and the reported severity of access to finance as an obstacle. The weighted descriptive evidence confirms that exporting firms remain a relatively small share of the sample, consistent with the official country profile (World Bank Group, 2024).
In this regard, the empirical specification can be written as follows:

$$Export_i = \alpha + \beta_1 Credit_i + \beta_2 Overdraft_i + \gamma X_i + \varepsilon_i \tag{1}$$

where $Export_i$ is the export participation indicator, $Credit_i$ captures access to loans, credit lines, overdrafts, or bank-financed working capital, and X_i is a vector of control variables. Suitable controls available in the survey include firm size measured by employment, firm age derived from the year of formal registration, foreign ownership, top-manager experience, and internationally recognized quality certification.
The first-pass estimates provide only partial support for the article's main hypothesis. In the pooled sample, access to a loan or credit line does not show a statistically significant positive association with export participation after controls are added, while the overdraft variable is positive in sign but also statistically insignificant. By contrast, firm size has a consistently positive and statistically significant effect, suggesting that larger firms are substantially more likely to export. When the sample is restricted to manufacturing firms, the coefficient on credit access becomes positive, which is more consistent with the theoretical argument, although the estimate remains imprecise. Overall, the results suggest that access to external finance may support export activity, but in the Moldovan firm-level data its effect is weaker than the role of firm scale and structural characteristics. Therefore, the empirical findings should be interpreted as suggestive firm-level evidence consistent with the argument, though limited by sample size and cross-sectional data.

Table 1. Weighted estimates of export participation in the Republic of Moldova
Dependent variable: 1 if direct or indirect exports account for at least 10% of sales

Variable	Full sample (Credit access)	Full sample (Overdraft)	Manufacturing only (Credit access)
Credit access	-0.101 (p=0.120)		0.182 (p=0.303)
Overdraft		0.056 (p=0.581)	
Log employment	0.147 (p<0.001)	0.132 (p<0.001)	0.158 (p=0.009)
Firm age	-0.008 (p=0.078)	-0.008 (p=0.081)	0.002 (p=0.699)
Foreign ownership share	0.002 (p=0.028)	0.002 (p=0.145)	0.006 (p=0.006)
Quality certification	-0.081 (p=0.293)	-0.123 (p=0.170)	-0.160 (p=0.368)
Services sector	-0.181 (p=0.047)	-0.183 (p=0.041)	— —
Observations	146	143	73
R^2	0.254	0.242	0.321

Notes: 1) firms with an **overdraft facility** have a higher weighted export-participation rate than firms without one: **16.8% vs 11.3%;** 2) firms with a **loan or credit line** have a slightly higher weighted **any-export** rate: **19.1% vs 15.5%.** *Source: Author's calculations based on World Bank Group (2024), www.enterprisesurveys.org*

In light of our above calculations, we have reached to the point that the empirical estimates provide only limited support for the main hypothesis. In the full sample, access to a loan or credit line does not exhibit a statistically significant positive association with export participation once firm-level controls are introduced. Likewise, the coefficient on the overdraft variable is positive, but not statistically significant. By contrast, firm size appears as the strongest and most consistent determinant of exporting. In the manufacturing subsample, the coefficient on credit access becomes positive, which is more consistent with the theoretical expectations of the study, although the estimate remains statistically imprecise. Taken together, these findings suggest that access to external finance may facilitate export activity, but its effect is weaker than that of firm size and other structural characteristics. Thus, in the Moldovan context, financial access appears to function as a supportive rather than decisive factor in explaining export participation.

Conclusions

This article examined the relationship between financial sector development, access to microcredit, and the export performance of small firms in the Republic of Moldova. The analysis showed that small firms play an important role in the national economy, yet their export potential remains constrained by limited access to finance. In particular, insufficient external funding reduces their capacity to invest in production, improve quality, comply with foreign market requirements, and finance the working capital needed for export activity.
The study combined descriptive analysis with a firm-level empirical exercise based on the World Bank Enterprise Survey for Moldova (2024). The empirical results provide partial rather than

definitive support for the main hypothesis. In the pooled sample, access to a loan or credit line and overdraft facilities does not produce a statistically significant positive effect on export participation once firm characteristics are controlled for. However, the coefficients are more consistent with the expected positive relationship in manufacturing, while firm size remains the strongest and most robust predictor of exporting. These findings suggest that external finance may facilitate export activity, but its effect is conditional and appears weaker than the role of firm scale and other structural characteristics in the Moldovan context. In this sense, microcredit should be viewed not only as a tool for business survival, but also as a mechanism that can support competitiveness and internationalization. Overall, the article supports the view that financial sector development can contribute positively to export performance when it improves access to microcredit and related financing instruments adapted to the needs of small firms. At the same time, the results show that the benefits of financial development are not automatic. Where collateral requirements are high, borrowing costs are restrictive, and institutional support is insufficient, finance alone is unlikely to generate strong export expansion. In the case of the Republic of Moldova, improving access to finance for small firms should therefore be treated as part of a broader export development strategy, combined with measures that address firm capabilities, market readiness, and structural barriers. Better-targeted microcredit, stronger support institutions, and a more accessible financial environment could help increase the export participation and competitiveness of small enterprises. Therefore, the expansion of the financial sector must be accompanied by policies aimed at improving financial inclusion, diversifying SME lending instruments, strengthening guarantee mechanisms, and reducing barriers that prevent small firms from using credit productively. Thus, financial development should be understood as a relevant enabling factor for export competitiveness, although not a sufficient condition on its own.

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