

Evidence on Access to Markets for SMEs

Evidence Dialogue on SME Development in Kenya

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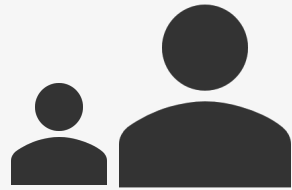
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Challenges

Entering local and international markets is a formidable challenge for SMEs.



Bargaining power



Information



Infrastructure



Access to credit and skills



Regulations

Lessons Learned

Appropriate interventions are context-specific:
cooperation can lead to positive effects



Firm
networking



Demand-side interventions can have positive and persistent effects on business performance



Export matching

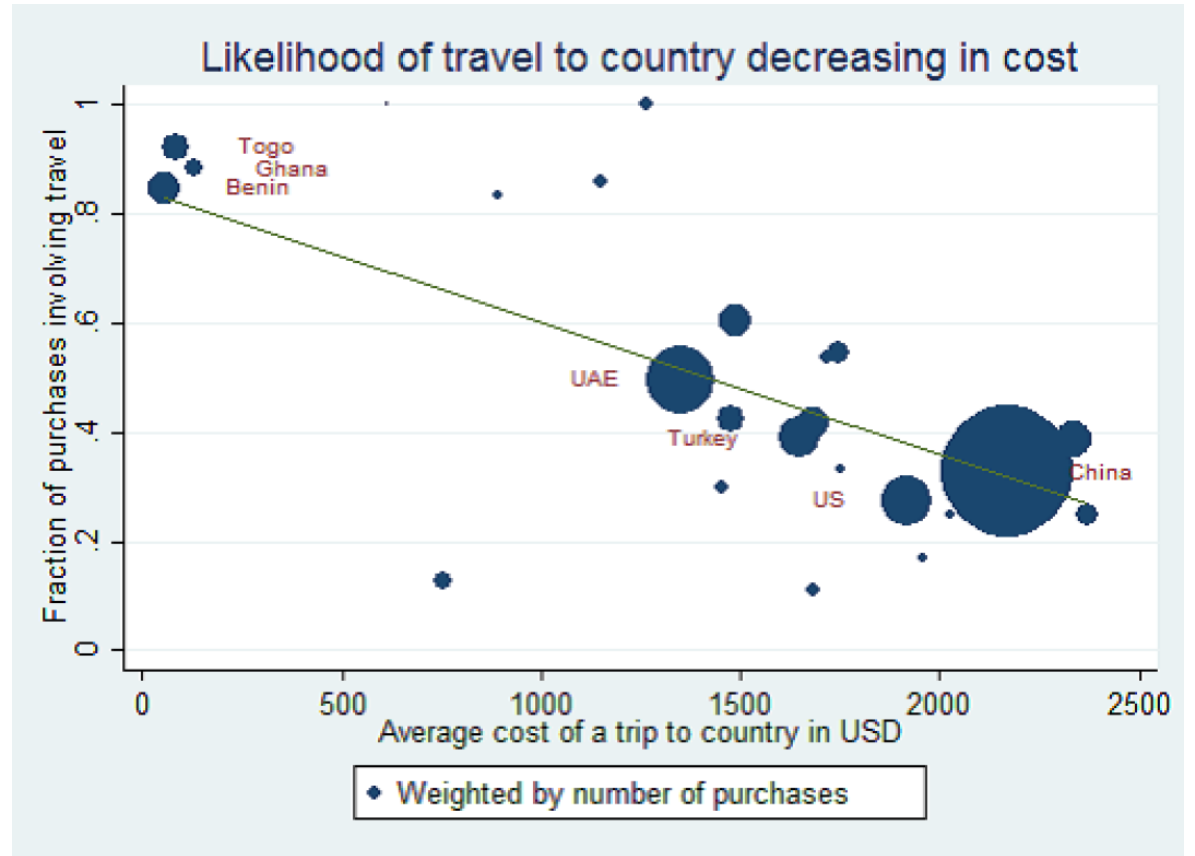


Public Auctions



Example: The value of face-to-face: Search and contracting problems in Nigerian trade

- Distance between buyers and sellers can create search and contracting problems
- How to find out what goods are available in far away places, and ensure they are actually delivered?
- Travelling to do business in person is a common solution, but it's expensive



Results

- Profits and welfare would be higher without search problems
- Need more than transportation and tariffs could have large welfare effects, particularly in developing countries



29%

Higher welfare from making search easier



What is the best way to accomplish this?

Example: The Impact of Exporting for Rug Producers in Egypt

Small producers in developing countries can't reach international buyers

**Carpet
producers
with <5
employees**



**Connected to buyers
in high-income
markets**



**Subsequent orders
depended on
performance**



Results

When SMEs began exporting their products, they became more efficient, skilled, and earned more money



16-26%
higher profits



**Learning by
exporting**

Example: Government Procurement with Local SMEs in Brazil

SMEs lack the ability to reach new markets or customers

Public auctions



Results

Firms that won government contract bids experienced more growth and hired more workers



2.2

Percentage point increase
in the quarter of a
successful contract



93%

New hires from
unemployment
or informal



Enter more auctions



Lessons Learned

1) Demand-side interventions can have positive and persistent effects on business performance

- a) Government procurement can increase SME growth and employment, even beyond the contract period
- b) Facilitating access to international markets can lead to lasting gains in product quality, profits and welfare

2) Appropriate interventions are context-specific

- a) While increased competition can improve business performance, facilitating cooperation can also lead to positive effects, depending on the context
- b) More evidence is needed!

Topics for future research

- **Firm bargaining power:** How much does this matter? How can it be improved?
- **Making information easier:** What programs can be done to improve information for businesses? How to decrease transaction costs?
- **Missing infrastructure:** What are the most important pieces of infrastructure to improve business and trade?
- **Access to credit:** How can we get finance to SMEs?
- **Regulations:** What is the right level?
- **Context:** Programs may work in some places but not others. When can we be sure a program will work well?

Thank you

