

수출신용보험이 중소기업의 수출 실적에 미치는 영향에 관한 연구*

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Effectiveness of export credit insurance in export performance of SMEs

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Abstract

Small and medium-sized enterprises (SMEs) account for a large proportion of the total number of enterprises in many countries. The development of SMEs has contributed to job creation and economic benefits. Every government has formulated active diversification strategies to promote the export market of SMEs, but the performance of export capabilities remains insufficient. The primary purpose of this study is to examine the effectiveness of export credit insurance in promoting SME export performance in Canada. Using data from 2008–2017, the augmented Dickey-Fuller (ADF) model to test the stationarity of the concerned variables and the error correction model (ECM) and autoregressive distributed lag (ARDL) cointegration test to empirically investigate the cointegration relationship between the research targets. The results represent the positive and critical impact of export relative price and domestic demand pressure on Canada's export performance, and the negative impact of the export volume index at a significant level. Regrettably, the impact of export credit insurance on the export performance of Canadian SMEs is considered exaggerated overall. In view of this result, it is necessary for the Canadian government to enact policies based on the current market status. And enhance confidence among SMEs to begin exports and diversify their markets rather than focusing only on the domestic or US market, especially given the impact of COVID-19. From the case of Canada, Korean government can attempt to learn from them to conduct more efficient strategies for SMEs.

Keywords: Autoregressive Distributed Lag Model, Error Correction Model, Export Credit Insurance, Small and Medium-sized Enterprises

JEL Classifications: G22,H81,N72,O51,P45

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I. Introduction

Small and medium-sized enterprises (SMEs) are considered the foundation and most important participant in a country's economic development, and the main driving factor for global economic growth (Keynes, 1936; Mullineux, 1995; Dalitso and Peter, 2000; Pansiri and Temtime, 2008; Abbasi et al., 2017). Saba and Blanchette (2020) revealed in the Canadian private sector, 68.8% are micro (less than 20 employees) or small companies (20–99 employees), 19.7% are medium-sized (100–499 employees), and only 11.5% are large enterprises (more than 500 employees). The SMEs labour force accounts for 99.8% of all 1,226,454 employers. Specifically, the contribution of SMEs to employment accounts for 61.2% of Canada's total employment growth (Key Small Business Statistics, 2020). Therefore, there is no doubt about the importance of SMEs to Canada's economic development, forming the backbone of Canada's economy and promoting its economic growth and development.

Although starting a new business creates a higher employment rate, the shortcomings of productivity have caused a long-term problem for Canada's economic productivity (Organisation for Economic Co-operation and Development [OECD], 2017). To solve this problem, the Canadian government believes that the focus should be on developing the export activities of SMEs and has, therefore, introduced a variety of export support policies. These policies focus on two main aspects: export credit support and export promotion services. In addition to support policies such as cover financing, innovation, entrepreneurship education, and management consultancies, the Canadian government offers specific export assistance

measures and internationalisation policies to support the export performance of SMEs. Canada maintains a competitive and highly rated business climate ranking for its effort to create a friendly environment for SMEs.

The Canadian government expected the export performance from SMEs, Canada's export opportunities were ranked 11th, which showed lower export competence compared to other countries (OECD, 2017). The primary trade challenge is that 80% of total exports go to the United States (Allianz, 2019). The Canadian government has signed a series of policies to encourage companies to export to other markets, such as Europe and Asia, but with little effect. Whether it is the global economic crisis in 2008 or COVID-19 in 2020, the impact of changes in the overall global economic environment on SMEs is always greater than that on large enterprises. Skill gaps, labour shortages, and language inconsistencies are considered the biggest challenges (Cocolakis-Wormstall, 2018; Ng and Gagnon, 2020; SABA et al., 2021). For these reasons, and the recent strategy focusing extensively on export markets in Canada, a review of the role that export promotion measures play in Canada is necessary. This study focuses on export credit insurance and examines its effectiveness in promoting export performance in Canada. The results of this study are expected to provide effective advice to help the future development of SMEs and the growth of the Canadian economy and The South Korean government can also learn from their experience to enrich our own SMEs strategies and policies.

This study is divided into five sections. The next section provides a literature review of SMEs, Canada's export status, and research on export credit insurance-related content. The third section describes the data and

methodology. The fourth section presents the empirical evidence of this research, and the final section provides the conclusions, implications, and limitations of this study.

II. Literature review

The importance of the development of SMEs to the national economy has been recognised worldwide. Razak et al. (2018) showed that SMEs in Turkey and Malaysia provide new job opportunities in the market, reduce unemployment, increase competition and productivity, and provide high economic and social benefits. Sana et al. (2020) pointed out that SMEs have significantly contributed to Malaysia's economic growth in terms of productivity, exports, and investment. SMEs are considered to occupy a large share of the market and are the source of national finance, in developed as well as developing countries (Pansiri and Temtime, 2008; Ayunku and Eweke, 2020). Because of the flexible nature of SMEs, it is easy to make timely adjustments when the economic environment changes. However, they are also easily affected and restricted by various macroeconomic changes (interest rates, exchange rates, taxes, etc.). Therefore, SME development depends on their interaction with the environment (Ayunku and Eweke, 2020). Imoughele (2014) and Orogbu et al. (2017) proved that financial decline, exchange rate depreciation, high monetary policy rate, inflation, taxation, government policy inconsistency, infrastructure, and other macroeconomic declines are the main factors affecting the performance of Nigerian SMEs. When the government provides an environment conducive to their development, SMEs develop vigorously and have a long-term

impact on economic growth. However, a development-friendly environment is complicated, including the reasonable and effective allocation of resources, the establishment of certain regulatory agencies, and the formulation of national policies on exchange rates, and inflation (Keynes, 1936; Cao and Leung, 2020).

Although research on SMEs is extensive, most studies focus on how to provide financial support through bank credit, financing, and other policies (Oaya, 2017; Erdogan, 2018; St-Pierre et al., 2018; Qamruzzaman and Jianguo, 2019). Bassey et al. (2014) demonstrated that there is a significant and positive relationship between bank credit and the growth of Nigerian SMEs. Compared with large companies, including resource and risk assessment and other complex reasons, the opportunity to obtain financing from credit banks and export activities for SMEs is even more limited (St-Pierre et al., 2018; Włodarczyk et al., 2018). Because of the small capital industry scale, SMEs must obtain financial support to achieve business expansion. Therefore, the role of the government is becoming increasingly prominent (Aremu and Adeyemi, 2011). Over the past few years, in many countries, support for SMEs has become a development priority, continuously allocating the necessary resources to provide various forms of assistance to SMEs. Loan guarantees, tax subsidies, and stimulating SME entrepreneurship are among the measures that most countries implement. In Romania, the government implemented measures such as demand stimulus and credit restoration to promote SMEs' access to financing (Man and Macris, 2014). Supporting SMEs through financial intermediaries can increase total output and an export-oriented economy (Bouri et al., 2011). In Canada, Global Affairs

Canada takes responsibility for export promotion and assistance programs. Export financing and credit insurance are under the control of Export Development Canada (EDC), and another export promotion service is managed by the Trade Commissioner Service (TCS). EDC accounted for 67.5% of the market share in export insurance, with 85% of total beneficiaries being SMEs (EDC, 2017). Canada is one of the leading countries with a high concentration of export activities compared to other OECD countries.

The trade credit insurance system has been used as a primary promotional measure for exports (Mah and Song, 2001). Export credit insurance offers useful measures to protect exporters from external risks in foreign markets (Funatsu, 1986). Almost all countries are involved, directly or indirectly, in export credit insurance activities (OECD, 2017), and the effectiveness of export support services has attracted scholarly attention (Teshom and Lutz, 2008). In the UK, The Export Credits Guarantee Department (ECGD) helps British businesses work smoothly and broaden their activities not only in exporting goods and services but also in investing overseas (Mah, 2010). Egger and Url (2006) note that seeing export credit insurance as an instrument to adjust the failures of the market would lower trade volume and significantly impact export activity but only with short-term effects. Polat and Yesilyaprak (2017) offered evidence that the use of export credit insurance as an export support program helped develop Turkey's export performance in general. This discussion is quite different from Mah's (2007b, 2010), who argues that export subsidy tools (export insurance and duty drawbacks) did not significantly impact Korea SME export activities, and export credit insurance was not the main factor in Britain's export performance. Meanwhile, export

credit insurance did not play an important role in Japan's export performance from 1961 to 1999, although it helped increase the income of export producers. At the same time, Mah (2006) used indicators such as relative export prices and domestic demand pressure to conduct a co-integration test on whether the export insurance provided by the Japanese government promoted exports. The unit root test of the study shows that all relevant variables are not co-integrated, and export insurance has no significant effect on Japan's exports. In the same test study, Mah (2007a) indicated that there is no significant evidence that export credit insurance and duty drawbacks contribute directly to the rise in SMEs' export performance. Many countries have used export promotion programs to decrease or eliminate biases against export activities and equalise incentives for export and import activities. However, studies which aim to check the effectiveness of export credits in export performance to ensure their actual value are lacking (Fitzgerald and Monson, 1988; Ross and Pike, 1997; Francis and Collins-Dodd, 2004). Therefore, it is necessary to review the effectiveness of export credits as it does not always play a positive role. There has been little to no similar research on Canada.

In South Korea, Lee (2008) used export relative prices, unemployment rate, and foreign exchange risk insurance to conduct an empirical analysis, showed that the foreign exchange risk insurance system does not significantly promote South Korea's exports. Lee (2014) also used empirical analysis to prove that both short-term export insurance and medium- and long-term export insurance did not contribute to the promotion of export development. On the contrary, the study of Head and Mayer (2014) believed that short-term export insurance has

a positive effect on export promotion, and the export insurance system is an effective tool for trade support. Export is one of the most important factors affecting the innovation of SMEs (Jiang, 2017). Mah (2007, b) studied the determinants of the export supply of Korean SMEs and hinted at the Korean government's adjustment of its current export support plan. Their research examined many different determinants of export supply, including relative export prices and exchange rates, economic growth, export insurance, and tariff rebates. It turned out that there is no obvious evidence that export credit insurance and tax rebates directly lead to an increase in the export performance of SMEs. Lee (2019) used relative export prices and domestic demand pressure studies to show that government policy support and promotion of exchange rate fluctuations have policy significance for foreign exchange risk insurance in the impact of South Korean export SMEs. The impulsion to insure against foreign exchange risks has an indefinite positive impact on exports. Lee and Lee (2020) showed that export insurance plays an effective role as part of the trade policy that promotes exports. South Korea's export insurance is still highly dependent on the U.S. and China markets. South Korea and Canada are both OECD member countries, and the SMEs enterprises market accounts for a huge proportion. Due to the wide attention to the strategy of Canada and South Korea's export markets, after drawing the results of this article, Explore the possibility of the future strategic joint development of the two countries.

The huge proportion of SMEs in Canada has aroused widespread concern over its export performance in the global economy, with low export levels relative to high support policies. The Canadian government's

export assistance and other external agencies have improved SMEs competitiveness, reduced market risks, and enhanced the internationalisation capabilities of SMEs in early stages of the export business (Roberts and Muralidharan, 2020). Although Canada was among the countries with high export support services, the performance of Canadian SMEs is estimated to not be as good as that of other OECD countries because of their low direct contribution to the national export volume (Naidu and Rao, 1993). In the latest Canadian study, St-Pierre et al. (2018) proved that bank financing has a large impact on improving the export intensity of SMEs. Cao and Leung (2020) surveyed SMEs to measure the financing possibilities of being restricted by credit as a business develops. The results showed that ignoring credit restrictions can lead to biases in productivity estimates. There was no evidence that credit restrictions affect the development of productivity, but the investment and employment growth of SMEs were negatively affected by credit constraints. A lack of research on the actual export performance of export credit insurance on SMEs will affect the government in the direction of formulating export policies and the confidence of SME owners in expanding the development of export business. To overcome the limitations of existing research, this research is an innovative research that examines the effectiveness of Canadian export credits. This research is expected to provide certain direction and assistance for the future export insurance strategic planning of the Canadian government and SMEs owners, especially the joint utility of overseas markets.

Table 1. Explanation of used data in the current study

Variable	Unit	Description	Source
Export volume of SMEs	Million USD	The standard size of SMEs in OECD will be used	OECD database
Gross domestic product (GDP)	Billion USD	GDP of Canada	IMF
Real GDP growth	USD	Domestic demand pressure	IMF
Export relative price index	USD	Calculated by the formation of export price index/wholesale price index	Calculated
Export price index	USD	The index of export price (unit value) is expressed in terms of USD (2010 = 100)	International Financial Statistics, Yearbook 2017 of the International Monetary Fund, IMF
Wholesale price index	USD	The percentage change (index) is calculated over the previous year	International Monetary Fund, IMF
Insurance subsidy ratio	USD	Insurance subsidy ratio = $\frac{\text{Export insurance claims} - \text{Export insurance premium}}{\text{recovery of claims/export value}}$	Calculated
Export insurance claims	USD	Calculated in term of millions of Canadian dollars. The exchange rate which is used is from UNCTAD's yearly database	Annual report of EDC
Export insurance premium	USD		
Recovery of claim	USD		
Exchange rate	USD	The exchange rate exchange the insurance amount from CAD dollars to USD	UNCTAD stat

III. Data and Methodology

1. Data description

The data are collected from different sources and cover the period from 2008 to 2017. Detailed information about these sources is provided in (Table I). The dependent variable is the export volume index of the Canadian SMEs (Mah, 2006; Mujahid and Noman, 2018; Qamruzzaman and Jianguo, 2019). The right-hand-side variables include the export relative price index, export credit insurance subsidy ratio,

and domestic demand pressure (Mah, 2006; Lee, 2008; Lee, 2019; Lee and Lee, 2020). In addition to the relative price of exports, export subsidies are often studied as another determinant of export supply, because it increases the profits of exporters by reducing production costs and is used to express changes in exports. Incorporate the domestic demand pressure term into the right equation, Denotes the defects of the market and is used to reflect the unemployment rate. Regarding the export credit insurance ratio, there are many disputes about how to define and calculate it. Mah (2006) believes that

when assessing its income, the recovery amount of the claim should be increased. This study followed Mah's (2006) method. For the export credit insurance ratio, this study followed Mah's (2006) method. Almost all the data have been obtained from international organisations such as the OECD and International Monetary Fund, and therefore, the applied currency is USD. Nonetheless, the indexes (export insurance claims and export insurance premium) for Canada's export credit insurance are provided in terms of the Canadian dollar, which is only available on EDC. A suitable exchange rate is used to convert Canadian dollars to USD, or vice versa, to calculate the export credit insurance subsidy ratio. The chosen exchange rate is the yearly average exchange rate, collected from the United Nations Conference on Trade and Development (UNCTAD) stat website.

2. Methodology

Mahajar and Yunus (2006) attempted to use the standard methodology of questionnaires to evaluate Malaysia's export promotion system. Owing to the lack of a reliable database, the findings were general and not sufficiently clear. Arslan and Wijnbergen (1993) tested the effectiveness of export subsidies in promoting exports, but did not consider the issue of non-stationarity, so it was considered to be false. Mah (2007a) examined the impact of export relative price, duty drawback as an export subsidy, and domestic demand pressure on export supply through regression analyses. To avoid the spurious regressions caused by the non-stationary series, the augmented Dicky-Fuller (ADF) method was used to run the unit root test. The unit root test helps verify the stationarity of a data series before

deciding whether to run a direct regression or perform a cointegration test first (Lee, 2019; Lee and Lee, 2020). Mah (2006) argued that the statement made by Chao et al. (2001) that export promotion policy affects export demand which, in turn, influences export performance was not realistic enough. This study follows Mah's methodology. This method assumes an equation for an infinitely elastic export demand. The equations and explanations are as follows:

$$X(t) = a + b * RPI(t) + c * XSUB(t) + d * DDP(t) + e(t) \quad (1)$$

Where, X is the export volume index of SMEs (calculated as the export value of SMEs divided by GDP), b can be interpreted as the relative price elasticity of exports, RPI is the export relative price (evaluated by the export price index (export unit value) divided by the wholesale price index), and XSUB is calculated as 1 - export credit insurance subsidy ratio, DDP is the domestic demand pressure (which is evaluated using the real GDP growth rate), and e denotes the regression error term. All variables were measured on a natural logarithmic scale. The export volume of SMEs, GDP, export price index, and wholesale price index, which are used to calculate X and RP, are expressed in terms of USD.

After running the unit root test, if the result shows that the concerned variables are stationary in levels (I (0)), a cointegration test is unnecessary because all the shocks in the short run quickly adjust to the long run. Only the long-run model needs to be estimated, and ordinary least squares (OLS) is suitable for variables which are not lagged or differenced. Polat and Yesilyaprak (2017) used OLS to compare differences in their research to test the stationarity of variables.

Table 2. Augmented Dickey–Fuller test

Concerned variables	T-statistic	Test critical values (1%)	Test critical values (5%)	Test critical values (10%)	Trend/Constant
X	-22.43***	-4.58	-3.32	-2.80	Constant
RPI	-4.27**	-4.58	-3.32	-2.80	Constant
XSUB	-2.91***	-2.89	-1.10	-1.60	No constant and trending
DDP	-6.25***	-4.58	-3.32	-2.80	Constant

Note: ** $p < 0.05$, *** $p < 0.001$

If the result belonging to the data series is stationary in the first difference (I (1)), a cointegration test should be conducted. The Johansen test and Engle-Granger test are two of the most prominent tests in this case. The cointegration test results influence the choice of the analysis model, whether it is an OLS or vector error correction model (VECM). If the results show that the data series are integrated in different orders, as a mix of I(0) and I(1), a cointegration test should be run. The ARDL model (Pesaran et al., 2001) is acceptable in this case. The cointegration test result is the deciding factor in choosing the analysis model, whether it is OLS (ARDL and error correction model [ECM]) or VECM. In the current study, ECM (Imoughele, 2014), ECM-ARDL (Qamruzzaman and Jianguo, 2019; Sana et al., 2020) and ARDL (Mujahid and Noman, 2018; Ayunku and Eweke, 2020) are often used in related types of research literature. This has been recognised by most scholars.

IV. Empirical analysis

1. Unit root test

Based on Eq. 1, a regression model is run to evaluate the effectiveness of export credit

insurance. To avoid false regression between variables, the ADF test is used in this study to check the stationarity of the variables because of its popularity and ease of application. All tests were conducted using EViews 10. The null hypothesis of the unit root test is the existence of a unit root. It is only possible to reject the null hypothesis when the absolute t-statistic value is higher than the test critical value at a specific level of significance. The results are presented in (Table 2).

The variables' RPI showed stationarity at the first difference level. Variables X, XSUB, and DDP were stationary at a level where the absolute t-statistic values are all larger than the test critical values at the 5% significance level. The null hypothesis is rejected.

2. Cointegration test

According to the ADF test results, cointegration tests are necessary to identify which model should be applied next. Nonetheless, the Johansen or Engle-Granger tests would be ineffective. In the case of small sample amounts and mixed orders (I(0) and I(1)), the ARDL model is favourable. The new equations for the ARDL tests follow an identical pattern, as follows:

Table 3. Autoregressive Distributed Lag Model

Variables	F-Statistic	I(0)	I(1)	Coint.	Methodology
X	61.10	3.23	4.35	Yes	ECM
RPI	1.41	3.23	4.35	No	ARDL
XSUB	9.88	3.23	4.35	Yes	ECM
DDP	7.48	3.23	4.35	Yes	ECM

Note: The values of I(0) and I(1) are at 5% significance level

Table 4. VAR specification

Variable	X	RPI	XSUB	DDP
Calculated lag length	1	0	0	0
Used lag length	1	1	1	1

Note: Lags are automatically generated. If the automated lag is 0, lag 1 is applied

$$\begin{aligned}
 X = & c_{01} + \sum p_{i=1} + a_{1i}X_{t-1} \\
 & + \sum q_{i=1}a_{2i}RPI_{t-1} \\
 & + \sum q_{i=1}a_{3i}XSUB_{t-1} \\
 & + \sum q_{i=1}a_{4i}DDP_{t-1} + e_{1t}
 \end{aligned} \quad (2)$$

Where, Y is a vector and the variables in X are allowed to be purely I(0) or I(1) or cointegrated, a values are coefficients, and c is a constant. The p and q values represent the optimal lag orders that may not necessarily be the same. The p-value lags are conducted for the dependent variables, while the v value lags are applied to the regressors. The value of e is a vector of error terms. This general equation sets the background for building other equations for all subsequent ARDL and ECM tests.

The results of the cointegration tests are shown in (Table 3). Each variable displays the same value at the 1%, 5%, and 10% significance levels, and the value at the 5% significance level is indicated in the table as a representative. As the F-statistic of the RPI variable is lower than the values of I(0) and I(1), we cannot reject the null hypothesis.

Meanwhile, the F-statistic of the X, XSUB, and DDP variables are all higher than the values of I(0) and I(1), indicating that there is cointegration between the series. Before running the ECM test, the term error correction was extracted from the residuals of the long-run model. The ECM mainly studies the short-term modified relationship between variables, which is a supplement to the long-term stable relationship (cointegration relationship). The short-run model has already been included in the ECM model.

To specify the exact equation for each variable, the determination of the proper lag lengths in the vector autoregressive (VAR) specification is comparably significant. The VAR model is an estimation method for the endogenous variables in the model and considers several variables together as a causal relationship. Crucially, a model with a small sample should not have an excessive number of lags. (Table 4) shows the results from determining the proper lag lengths. Because of the small sample size (only 10 years) and the autoregressive model, it is

Table 5. Autoregressive Distributed Lag Model (short-run)

Variables	Coef.	X	RPI	XSUB	DDP	Adj. R ²	D.W.	F
(a)	-0.03	-0.53	-2.47	-1.62	-0.06	-0.63	1.89	0.32

Table 6. Error Correction Model (long-run)

Variables	Coef.	X	RPI	XSUB	DDP	Adj. R ²	D.W.	F
(b)	0.00	-0.42***	0.00	0.01	0.00**	0.90	1.02	13.43
(c)	-0.04	-0.97	-1.71	-0.03	-0.02	0.83	1.45	13.43
(d)	-0.18	-227.65**	1.97***	-13.70	0.17	0.94	1.28	21.59

Note: **p<0.05, ***p<0.001

reasonable to use one lag during estimation.

The model specifications of each variable are built using Eq. (2) for the ARDL test. The long-run model is used only to extract the error correction term for the ECM model. The specific model specifications for each variable are as follows:

Short-run model specifications:

$$\begin{aligned} \Delta RPI = & a_{01} + \sum p_{i=1} a_{a1i} \Delta RPI_{t-1} \\ & + \sum q_{i=1} a_{2i} \Delta X_{t-1} \\ & + \sum q_{i=1} a_{3i} \Delta SXUB_{t-1} \\ & + \sum q_{i=1} a_{4i} \Delta DDP_{t-1} + e_{1t} \end{aligned} \quad (a)$$

Long-run model specifications:

$$\begin{aligned} X = & a_{01} + b_{11} X_{t-1} + b_{21} RPI_{t-1} + b_{31} XSUB_{t-1} \\ & + b_{41} DDP_{t-1} + e_{1t} \\ XSUB = & a_{01} + b_{11} XSUB_{t-1} + b_{21} X_{t-1} + b_{31} RPI_{t-1} \\ & + b_{41} DDP_{t-1} + e_{1t} \\ DDP = & a_{01} + b_{11} DDP_{t-1} + b_{21} X_{t-1} + b_{31} RPI_{t-1} \\ & + b_{41} XSUB_{t-1} + e_{1t} \end{aligned}$$

Error correction model specifications:

$$\begin{aligned} \Delta X = & a_0 + \sum p_{i=1} a_{1i} \Delta X_{t-1} \\ & + \sum q_{i=1} a_{2i} \Delta RPI_{t-1} \\ & + \sum q_{i=1} a_{3i} \Delta XSUB_{t-1} \\ & + q_{i-1} a_{4i} \Delta DDP_{t-1} \\ & + \lambda ECT_{t-1} + e_t \end{aligned} \quad (b)$$

$$\begin{aligned} \Delta XSUB = & a_{01} + \sum p_{i=1} a_{1i} \Delta XSUB_{t-1} \\ & + \sum q_{i=1} a_{2i} \Delta X_{t-1} + \sum q_{i=1} a_{3i} \Delta RPI_{t-1} \\ & + \sum q_{i=1} a_{4i} \Delta DDP_{t-1} + \lambda ECT_{t-1} + e_t \end{aligned} \quad (c)$$

$$\begin{aligned} \Delta DDP = & a_{01} + \sum p_{i=1} a_{1i} \Delta DDP_{t-1} \\ & + \sum q_{i=1} a_{2i} \Delta X_{t-1} + \sum q_{i=1} a_{3i} \Delta RPI_{t-1} \\ & + \sum q_{i=1} a_{4i} \Delta SXUB_{t-1} + \lambda ECT_{t-1} + e_t \end{aligned} \quad (d)$$

As only the RPI variable does not include any cointegration in the series, it is tested using a short-run model ARDL-OLS regression. Additionally, the series of RPIs are non-stationary in level; hence, the first differenced values are calculated before running the OLS. The OLS test results are listed in (Table 5). This model fails to explain the relationship between the left-hand-side and right-hand-side variables because of the high P-values. Therefore, no variables show significant correlation in the short-term.

The ECM model results are shown in (Table 6). The OLS models run based on these three estimates are all suitable for data series analysis. The result of R2 implies that the independent variables explain over 80% of observed variation. All ECM and ARDL models have been verified as having no

Table 7. Breusch–Godfrey Serial Correlation LM Test

	(a)	(b)	(c)	(d)
F–statistic	0.01	19.80	0.16	0.56
Prob. F (1,2)	0.92	0.14	0.76	0.59

serial correlation with the Breusch–Godfrey serial correlation LM test in EViews 10, as shown in (Table 7). Prob. F (1,2) > 5% implies that the regression does not suffer from serial correlation.

Based on the results shown in the previous tables, it is reasonable to state that RPI—the export relative price—has a positive impact on the export performance of Canadian SMEs. At the 1% level, it shows a positive impact of 1.97. This shows that if we want to increase the impact of Canadian export credit insurance on export performance, the government’s policy on relative export prices (export unit prices) is active and effective. This result is different from Mah’s (2007b) findings, which indicates that the export relative price term is not a significant explanatory variable for export supply in South Korea. In addition, although the SME export volume index (X) is between 1% and 5%, showing some level of significance, the impact is negative. This proves that the export volume index and export performance of SMEs are negatively related to one another. That is, if we want to increase the impact of export credit insurance on export performance, we need to control the export index of SMEs. The export volume index is calculated by the export value of SMEs divided by GDP; if we want to maintain the same or even increase GDP, we must reduce the export value. In addition, domestic demand pressure has a positive influence on export performance at

the 5% significance level (DDP), hence increasing domestic GDP is an effective measure. However, judging from the size of the number, the impact of this measure is weak. The insignificant consideration of the XSUB results may be since the insurance premiums, insurance claims, and insurance recovery amounts used in the variables are not entirely supported by SMEs. Insurance of large enterprises is also involved. As a result, a certain amount of error occurs in the results, and the effectiveness of the data results shown by export credit insurance is lower than its actual impact. Although from practical considerations, export insurance subsidies can increase the profits of export owners, a large number of exports may cause pressure on the owners to manage export protection measures and policies of importing countries, thus leading to reduced exports. This is consistent with the findings of Kim (2018). Kim (2018) stated that South Korean government subsidies harm the long-term survival of enterprises and cannot improve their competitiveness and productivity in a short period.

From the overall results, it can be concluded that the relative expectations of export credit insurance in explaining export performance are not sufficiently important. Thus, export credit insurance is not an essential factor in the export performance of Canadian SMEs. As Fitzgerald and Monson (1988) highlighted in their study, the positive effect of export credit insurance is represented

as costly and overstated, and there is no clear evidence about its genuinely significant impact. This statement also applies to the practical utility of Canadian export credit insurance. Similar results have also been confirmed in the United States and Japan (Mah, 2006; 2010). Similarly, Oaya (2017) concluded in a case study that bank credit to SMEs has no significant impact on Nigeria's economic growth, and credit interest rates have no impact on the business expansion of Nigeria's SMEs. Although the governments of various countries have made efforts to provide financial support for SME development, due to poor coordination, supervision, and inconsistent policies, most government interventions are considered to have failed to make an effective and positive impact on social development.

Export insurance is a very useful means to support exports. Most major countries, including South Korea, use export insurance to promote exports. Considering the reality, the reasons for the ineffectiveness of export credit insurance can be insufficient awareness among SMEs regarding the use of export credit insurance and the viciously competitive export credit insurance market in Canada. Many companies in Canada are not aware of the existence of EDC financing services, and many SMEs are unfamiliar with export credit mechanisms. Meanwhile, it is difficult for the EDC to fund and provide credit insurance to certain types of SMEs that offer intangible goods such as software or technology services. Thus, there have been some gaps in meeting the real needs of SMEs (OECD, 2017). The lack of awareness among SMEs regarding the importance of using export insurance is causing difficulty for both the government and private insurance companies. The misunderstanding of exports between SMEs owners and the government is

also an important obstacle to development. The government should work hard to identify and provide what local SMEs need, rather than provide what they think local SMEs need. It is necessary to change the perception of SMEs owners on the export credit system and deepen their trust and understanding of relevant institutions and the government.

Even in the most favorable development environment, trade credit is susceptible to market failures and therefore requires more state intervention (Lee et al., 2018). Canada's imperfect and vicious export competition market is also considered an important factor leading to this result. Although the effectiveness of the EDC has not been maximised, its market share remains extremely high, which is likely to lead to Canadian chaos in the export market. It is claimed that the EDC receives a vast amount of financial and policy support from the government, which may lead to a deterioration in the effectiveness of the work of SMEs and the competitiveness of the market. For example, Euler Herms Canada (2019) claimed that SMEs must ensure their export receivables with EDC to receive loans or financial support from Canadian banks. It is very important to provide a fair and competitive market for all companies (Fitzgerald and Monson, 1988). The actual risks of export credit insurance have been reflected in the market during the long-term development process in Canada. As in other countries, regulation is an obstacle to the development of SMEs. In fact, the supervision of the small business market is more difficult because of the uncertainty, complexity, and difference of market resources. The government needs to establish a market monitoring system, deepen cooperation among participating agencies in the insurance market, and

strengthen reforms such as the transparency of monitoring agencies and monitoring standards. The focus of market supervision should be on SMEs themselves, including the containment of a series of unfair market behaviors.

Internationalization is considered to be an important means to promote the long-term growth and survival of SMEs (Jiang, 2017). Exports provide an opportunity for companies to achieve growth without significant additional resource allocation and risks. In South Korea, exports can supplement the domestic market. Therefore, exports may not be an option, but a necessity (Lee and Namgung, 2019). The South Korean government hopes to promote the development of SMEs' export performance so that SMEs can become the driving force of economic growth and employment. In anticipation of changing South Korea current economic phenomena such as slow growth in exports and restricted employment and income growth (Jone and Lee, 2018). Although the government has provided extensive assistance, low productivity and labor shortages still caused the proportion of SMEs in South Korea total exports to decline year by year. Export subsidy tools (export insurance and tax rebates) have no significant impact on the export activities of Korean SMEs (Mah, 2007b). SMEs have not fully benefited from the rapid growth of emerging economies and the proliferation of free trade agreements (Lee and Lee, 2020). Both Canada and South Korea's SMEs are subject to considerable restrictions in terms of resource availability and capacity, which may become a huge obstacle to exports. In order to overcome this disadvantage and improve international competitiveness, SMEs should strive to cultivate key resources and capabilities. Of course, this also requires

government support, because it is difficult for them to survive international competition. With the support of policies, the export markets of Canada and South Korea have expanded and diversified, but the export markets are still concentrated in the United States (OECD, 2017; Lee and Lee, 2020). In this case, it is necessary to expand the target of the export market and expand the diversification of the export market in order to reduce external risks and maintain social and economic stability. The government should provide various export promotion measures in order to face the rapidly changing trading environment, increase opportunities and guarantees for SMEs to enter the global market. In fact, many SMEs owners are afraid of the globalization of commodities and think that it is unnecessary or unfamiliar and do not know how to conduct international business. South Korea has a unique organization-Korea Trade Investment Promotion Agency (KOTRA) to support the export of SMEs. The Canadian government should establish similar support institutions or organizations to help SMEs business owners train necessary manpower, reduce export costs, and increase export volume. At the same time, the foreign exchange risk insurance system is an important tool to support the policy system to increase exports. During the COVID-19 period when foreign exchange fluctuations continue and drastically change, it is necessary to formulate active guidelines for small and medium-sized export enterprises that are vulnerable to foreign exchange risk management. Provide support (Lee, 2019).

With the emergence of COVID-19, the development of electronic trade, the importance of online export trading platforms has been discovered, the integration effect of SMEs in the global value chain has been paid

attention to, and e-commerce has become a powerful export promoter. South Korea advantages in selling on global online commerce platforms have been discovered. South Korea has great potential in providing digital economies such as information and communication technology products. Two-thirds of South Korean export SMEs report that more than half of their international sales rely on online tools (Jones and Lee, 2018). The South Korean government has established a global network that includes overseas technology and innovation to promote international joint research and development while supporting policies such as reducing trade and investment barriers, helping South Korea connect to the global network, and improving its international competitiveness. The online export performance of Canadian SMEs is considered insufficient. The Canadian government should pay more attention to the development of SMEs in e-commerce exports, seek online sales cooperation with Korean SMEs, connect the information technology of the two countries, and reduce costs. Promote the productivity of SMEs in the two countries, increase the amount of import and export interaction, promote cooperation between multinational companies and institutions, and increase international contacts, so as to look forward to effective help for the income of SMEs and the national economy.

V. Conclusion

1. Summary

SMEs have gradually become the main force of wealth creation and are the main driving force of sustainable economic growth

(Khalique et al., 2011; Qamruzzaman and Jianguo, 2019; Sana et al., 2020). Improving the development of SMEs is considered the best tool to achieve financial, social, and economic goals and reduce poverty (Mujahid and Noman, 2018). Therefore, governments worldwide are striving to improve the social and environmental performance of SMEs and help enterprises recover their economies in various ways (Journeault et al., 2021). The four aspects of monetary policy, taxation, red tape, and financing help SMEs to invest and expand their business scale in Canada. The Canadian government has formulated low interest and inflation rates, reduced tax rates, increased loan approval rates, simplified administrative regulations, reduced the burden of paperwork, provided the integrity of credit market information, and provided a friendly development environment for SMEs. Despite the Canadian government's efforts, the expected positive impact on export performance has not been satisfactory. Given the lack of research on such topics and considering future development in Canada, the analysis of the effectiveness of export credit insurance in export performance is necessary and meaningful.

This study uses data from 2008–2017 to empirically test SMEs' export credit insurance effectiveness in promoting export performance in Canada. This study uses a linear regression model to evaluate the change in export performance when the export credit insurance program increases the value of the currency. When choosing a model, we used a unit root test-ADF model to verify the stationarity of the variables and avoid spurious regression. Meanwhile, the ARDL cointegration test is prominent for checking the cointegration between variables, which are cointegrated at different levels (I(0) and I(1)). Finally, the OLS

approach (ECM and ARDL) is used to test the effects of export credit insurance on SME export performance in Canada after all non-stationary factors and lags are eliminated.

The results show that relative export prices and domestic demand pressures have a positive and significant impact on the export performance of Canadian SMEs. The government's control policies for relative export prices (export unit prices) and domestic demand pressures (GDP) are necessary and effective. Meanwhile, the export index of SMEs is also significant, but the impact is negative. It is necessary to control the export index of SMEs and reduce their export value. Regrettably, the impact of export credit insurance on the export performance of SMEs in Canada, overall, has been exaggerated, and there is no actual evidence to prove that the two are significantly related in all aspects. From the perspective of the actual development of Canadian SMEs and export markets, SMEs have an insufficient understanding of the existence and importance of using export credit insurance. EDC's 67.5% market share creates vicious competition and ineffective markets appear. These factors jointly restrict SME development. Although SMEs are working hard to tap their potential, due to the constraints of the global economic environment and the status quo of the Canadian export market, their economic benefits cannot be reflected in the short term.

2. Suggestion

The main purpose of this research is to analyze the export support policies for Canadian SMEs. Export credit insurance mainly focuses on and inspection to understand its effectiveness in promoting Canadian export performance (export supply).

Its recent strategy has been pointed out that it mainly focuses on the diversification of export markets.

In the current globalization, supporting the internationalization and export of SMEs is the government's primary task. The government uses the SMEs credit guarantee system to guide the optimal allocation of social resources and promote economic growth and development. In order to improve the effectiveness of Canadian credit insurance and make up for the current deficiencies in the development of the export market for SMEs. First of all, should help SMEs to improve their understanding and use of export credit insurance, and increase their trust in the government-regulated market. At the same time, the government should increase the transparency of the regulatory system, create an export credit market with fair competition and development, relax regulatory burdens and controls, and improve the development environment for SMEs. The government should provide the real needs of SMEs, reduce export risks, relax relevant indicators and review systems for credit guarantees for SMEs. The government should help SMEs absorb new technologies, increase their labor force, and increase their participation in international trade to increase productivity. It is considered necessary to establish an export system suitable for Canada's national conditions. The development of the EDC system is considered insufficient and unbalanced in the current environment and should be modified according to national conditions, economy, society, politics, and culture. Within the country, seek the possibility of cooperation between SMEs, such as creating a common brand and generating economies of scale. Relying on their own strength, it is considered impossible for individual SMEs to develop in

the global export economy, nor can they meet the demand for large-scale orders. If you want to obtain effective export earnings, launching a common brand is considered an effective way, because the output of the product needs the support of an entire supply chain. Although there will be some complicated problems in cooperation, it is easier to increase the popularity of the product and generate benefits. Expand overseas export markets, diversify export markets, and reduce external market risks. Obstacles that can be anticipated when SMEs enter the international market, such as cross-border service export procedures and tariffs, should be appropriately changed to reduce transaction costs and reduce trade barriers. The Canadian government still has some gaps to fill to improve its loan system and make new efforts in human resources and subsequent resource allocation to maintain the long-term stable development environment created by SMEs in the export market. This is expected will help promote the recovery and growth of the Canadian economy.

Due to the changes in the labor market and social production structure caused by the new crown pneumonia, some companies have found new business opportunities. But it also led to an economic recession and a reduction in employment opportunities, especially for SMEs. The government should promote the establishment of a global e-commerce export platform and use the digital economy to provide new opportunities, including economic and employment growth. Digital technology can enter the global market at a relatively low cost while maintaining the scale of SMEs, while reducing the gap between large companies and SMEs. Therefore, online sales based on information and communications technology

(ICT) is the best way to promote the internationalization of SMEs. Since the cooperation cost of global e-commerce organizations is expensive and information collection is not easy, the government needs to provide manpower, financial and financial support. At the same time, seek international cooperation. For example, the cooperation with the Korean government's online export sales platform, the combination of the advantages of the information technology of the two countries and the expansion of the sales market, the SMEs will integrate resources and improve international competitiveness, and jointly promote the export performance and economy of the SMEs of the two countries. Increase opportunities for SMEs to join the global economic chain.

While conducting this study and running an empirical test, some limitations were observed. First, the small sample size might make the regression too short to achieve the exact results. The database of the most concerned variables is available, except for the long-term database of SMEs' export volume. When this study was conducted, the OECD offered export volume data for SMEs only from 2008 to 2019. If more samples are available, the regression may provide more exact empirical evidence. Second, the number of insurance premiums, claims, and recovery are not precisely exclusive to supporting SMEs. Large-sized business insurance is also included in this study. Therefore, this inclusion may generate a misleading result in the regression and might lower the effectiveness of export credit insurance compared to its real impact. Working on these limitations may help develop a better empirical test in the future to obtain more accurate results and an overview of export credit insurance in Canada.

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