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Local Response to Global Crisis
- The effect of COVID-19 pandemic on SMEs and government export assistance programs in Central California

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Abstract

This study focuses on the effectiveness of export assistance programs (EAPs) perceived by the SMEs in Central California before and during the Covid-19 pandemic. Through the survey data and semi-structured interviews conducted with representatives from community banks and related government agencies, we find that EAPs were perceived less effective in financial support, information services, export facilitating, and education and training-related programs during the pandemic. Meanwhile, SMEs engaged in international trade more actively sought government assistance benefits, including the Paycheck Protection Program and Economic Injury Disaster Loan during the pandemic, besides EAPs such as Export Credit Insurance.

Keywords: Export assistance programs, export, Covid-19 pandemic, SME, international trade, government assistance benefits

JEL classification: F18, H12, H81

1. Introduction

It has been reported that U.S. companies that export grow faster and are nearly 8.5% less likely to go out of business than non-exporting ones. In addition, about 26% of companies that trade internationally significantly outperform their peers. However, interestingly, only 1% of small and medium-sized enterprises (SMEs) in the U.S. export (U.S. Department of Commerce, 2018).

Most governments worldwide, including the U.S., have an incentive to support national exports to improve international competitiveness and enhance their trade balance. According to Gençtürk (2010), export assistance programs (EAPs) refer to all public measures designed to encourage and assist exporting activities of individual firms and/or specific domestic industries. EAPs are regulated by the World Trade Organization (WTO) as the provision of both indirect and direct government support to encourage and assist exporting activities (Gençtürk, 2010). To encourage SMEs to participate in global markets actively and benefit from exporting, the government has introduced numerous EAPs targeting SMEs.

The outbreak of the COVID-19 pandemic in December of 2019 had a significant impact on the global and local economies. Various entities have been tracking the health and economic effects the COVID-19 pandemic has had on the world (World Health Organization, 2020; International Monetary Fund, 2020). The economic fallout of the pandemic has been enormous. Large parts of the economy have been locked down to halt the spread of the virus, which led to skyrocketing unemployment. In May 2020, the U.S. Bureau of Labor Statistics announced that 49.8 million people reported that they had been unable to work at some point in the last four weeks because their employer closed or lost business due to the pandemic. This figure remained at a high level of 40.4 million in June and 31.3 million in July (U.S. Bureau of Labor Statistics, 2020).

The pandemic has hit SMEs in the U.S. hard. A Census Bureau survey conducted in April 2020 focusing on SMEs, with receipts greater than or equal to \$1,000 but 500 employees or fewer, showed that 90% of SMEs experienced a negative effect on operations due to the COVID-19, with 51% seeing a large negative effect and 39% a moderate negative effect (Buffington et al., 2020). Another survey held by the National Federation of Independent Business (NFIB) around the same time reported that 72% of small business owners are “very” concerned about its potential impact on their business compared to 16% in March 2020 (NFIB, 2020).

The impact of the pandemic on Central California, famous for its agricultural businesses, was severe and unprecedented. California’s fresh, frozen, and processed agricultural products are exported around the world. For some commodities, such as tree nuts, more than 70 percent of annual production is exported (ERA Economics LLC, 2020). Shipping costs have increased during the pandemic since some ports have effectively shut down for extended periods, and vessels have been left at the ports waiting for entry due to health and testing requirements. For example, India, a major export market for California almonds, has been struck by the pandemic, and its ports have received limited traffic (ERA Economics LLC, 2020).

The economic costs of the pandemic with further disruptions of the global supply chains and production networks have yet to fully materialize but are nonetheless anticipated with colossal uncertainty (Dietrich et al., 2020). Therefore, governments have enacted various policies to

support their economies. These policies mainly focus on the financial aspects of running a business, such as instituting more accessible loan/credit applications and providing direct monetary stimulus and tax deferrals (Dhewanto et al., 2020). The goal of these government assistance benefits (GABs) is to assist the affected businesses so that these SMEs can endure the COVID-19 pandemic.

As an exogenous crisis, the pandemic offers a unique opportunity to observe and compare the perception of SMEs regarding the effectiveness of EAPs before and during the pandemic. Scholars have also started to examine the impact of COVID-19 pandemic specific GABs and how their support impacts the survivability of SMEs during this unprecedented global crisis (Dhewanto et al., 2020). It is always helpful to explore such a broad topic from a local perspective, which led us to examine the challenges SMEs in Central California faced and the effectiveness of EAPs offered by the U.S. government agencies before and during the pandemic. Moreover, this study also investigates the impact of the pandemic specific GABs and how they were perceived by the SMEs.

Our study analyzed data collected from July through November 2020 by surveying 1,401 participants subscribed to the U.S. Department of Commerce online newsletter. Furthermore, nine semi-structured interviews were conducted with representatives from community banks, Small Business Administration (SBA), the International Trade Administration (ITA), and U.S. Export Assistance Center (USEAC). The results of our study indicate that SMEs faced several challenges, particularly difficulties in exporting, importing inputs from abroad, and increased employee absences due to sickness or lack of available childcare. To overcome these challenges, SMEs adopted teleworking, increased marketing efforts and online sales, and offered customized or new products during the pandemic. Regarding the effectiveness of various EAPs, no significant differences were identified from one to another. However, by comparing the survey results before and during the pandemic, it is observed that EAPs were perceived less effective when it came to financial support in terms of credit insurance and guarantees; information services in terms of specific export opportunities, information on aggregate transactions, procedures and means including customs clearance; export facilitating activities in terms of trade-related offices or embassies or consulates abroad; as well as education and training-related programs in terms of counseling advice on export business. This study demonstrates that SMEs engaged in international trade, in addition to receiving EAPs such as Export Credit Insurance administered by Export-Import Bank of the United States (EXIM), were more active in seeking GABs, particularly the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) managed by the SBA during the pandemic.

Our findings contribute to the literature in several ways. First, compared to entrepreneurial and organizational characteristics, the effect of external environmental factors such as EAPs and GABs, including government loan incentives, on the performance of SMEs, especially in the exceptional case of the COVID-19 pandemic, has received minimal scholarly attention. Given the advantages that import/export SMEs can benefit the domestic economy in employment, innovation, and other areas, it is critical to investigate the effect of public policies on SMEs (Knight & Liesch, 2016). Since there remains a lack of knowledge on the role of such EAPs and GABs in influencing the sustainability and resilience of SMEs in times of exogenous crisis, this study offers insights from both primary and secondary data. Hence, it can be considered as a novel contribution to both streams of knowledge. Second, this study, through the interviews with community bankers, highlights the critical role and its future potential that community banks play in the process of

implementing EAPs and GABs, based on their existing business relationship with SME clients, capability to process and monitor SME-related data, and unique advantage to serve as an information hub. In addition, our findings and discussion shed light on the directions that could potentially be leveraged for more effective deployment of current and future EAPs and GABs.

This study will benefit the policymakers along with various agencies developing and implementing SMEs specific assistance programs. The implication of the results for policy development and action is not to discontinue programs that are found less useful but to emphasize those most frequently used ones to maximize the effectiveness of the government support efforts.

Community banks may find our results helpful in developing platforms to streamline and improve the information collection and approval process using digital and internet-based technology. Such improvement could potentially be leveraged to better deploy current and future export financing programs for their SME clients.

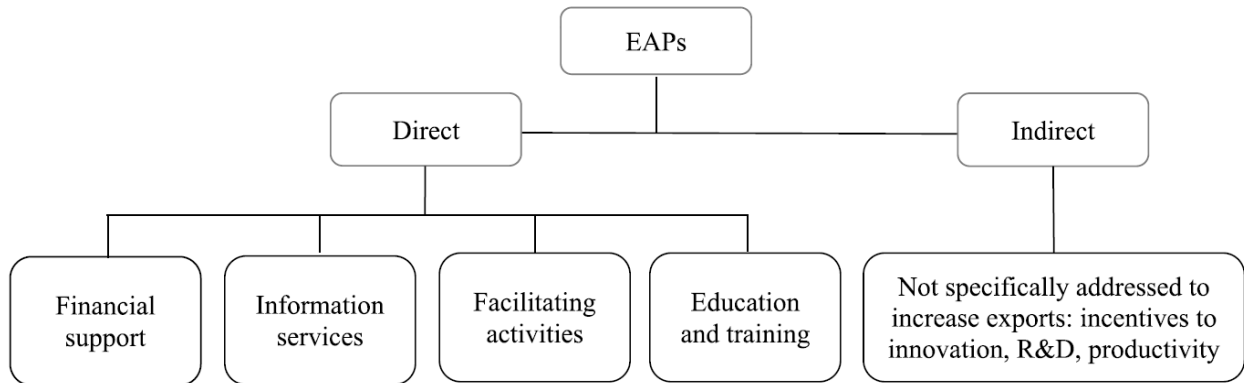
Our findings also have several implications for decision-makers within SMEs, as it demonstrates that SMEs do benefit from EAPs and GABs, particularly from guarantee-related ones. There were complaints about the difficulty in accessing the related information due to the bureaucratic nature of government programs. SMEs should be aware of it, examine and exploit such programs more diligently as a strategic mechanism to sustain crises and increase their resilience. Better and more proactive communication with export promotion government agencies, responsible government officials, and their community bankers can help in this regard. Engagement with export promotion agencies and/or government officials can also help managers make recommendations about offering other beneficial government incentives that may not be readily available (Leonidou et al., 2011). Such a proactive approach will help SMEs embark on the post-pandemic recovery and be better prepared for the next global crisis.

The remaining sections of this study are organized as follows. Section 2 provides a brief overview of the extant literature and the development of our research questions. Section 3 focuses on research methods and data collection. Finally, analysis and findings are presented in Section 4, while Section 5 provides the discussion, implications, and suggestions for future research.

2. Literature Review and Research Questions

Literature on EAPs was first published over five decades ago and has focused on many topics, including EAPs' impact on firms' performance, their usefulness, and implementation together with other initiatives (Ribeiro & Forte, 2019). As indicated in Figure 1, EAPs can be classified as direct or indirect services.

Direct services include all programs whose objective is to enhance exports and competitiveness (Gençtürk, 2010) directly. According to Hollensen (2007), direct services can be divided into financial support, information services, and export facilitating activities. Subsequently, Leonidou et al. (2011) added education and training-related programs as the fourth type of direct EAPs.



Source: Designed by Ribeiro and Forte (2019) based on Hollensen (2007) and Leonidou et al. (2011).

Figure 1. Types of EAPs.

Financial support includes grants or subsidies, tax benefits (such as low export profit rates, long term tax holidays for profits, deferred taxes on earnings), incentives regarding credit policy and insurance programs to cover capital needs, credit insurance, and guarantees cover commercial and political risks associated with exports, export financing, and working capital financing (Gençtürk, 2010).

Information services are defined as knowledge of foreign markets; specific export opportunities; information on aggregate transactions; lists of potential foreign buyers, agents, and distributors; foreign credit information; foreign government policies/regulations; foreign import control laws, regulatory compliance, inspections, tariffs; procedures and means, including customs clearance; U.S. export control laws, regulatory compliance, inspections, and tariffs (Albaum & Duerr, 2008).

Export facilitating activities are the type of activities including trade-related offices or embassies or consulates abroad, government-sponsored trade fairs and exhibitions, trade missions, and the operation of permanent trade centers abroad (Albaum & Duerr, 2008).

Education and training-related programs cover export seminars and conferences, training programs specializing in exporting, training on export documentation, provision of counseling advice on export business, and foreign language support (Leonidou et al., 2011).

Indirect services include support from the government that is not explicitly addressed to increasing exports. Instead, they are provided to stimulate positive spillovers for the general export environment, such as innovation, research and development (R&D), and productivity assistance programs (Ribeiro & Forte, 2019).

The extant literature on EAPs delivers mixed conclusions. One stream demonstrates the positive effects of EAPs on firms and countries. Alvarez (2004) and Cull et al. (2017) find a direct positive relationship between EAPs and increased exports. Others report that positive effects exist but are not directly related to increased exports. Sraha (2015) indicates that EAPs provide knowledge as a source of competitive advantage in implementing better marketing strategies. Jalali (2012) finds an indirect impact on strategy, knowledge, and commitment towards export activity. Leonidou et

al. (2011) argue that the export-related resources, capabilities, and firms' export financial performance are positively affected by EAPs. Martincus and Carballo (2008) claim that EAPs are used mainly by small firms. Similarly, Freixanet (2012) finds that companies in the initial exporting stages benefit the most from EAPs. Firms that use EAPs have more significant participation in the private sector, are better adapted, and segmented (Serinhaus & Rosson, 1998).

On the contrary, Kinnucan and Cai (2011) and Brewer (2009) argue that EAPs do not positively impact firms or countries. In some countries, the effects of EAPs are not sustainable (Cadot et al., 2015), and awareness and usage of EAPs are low (Ahmed et al., 2002; Kanda, Mejía-Dugand, & Hjelm, 2015). In addition, Crick (1997) finds that the more internationalized companies are, the less they perceive EAPs as useful.

The extant literature provides inconclusive evidence regarding the effectiveness of EAPs and their impact on SMEs (i.e., Alvarez (2004); Brewer (2009); Cull et al. (2017); Kinnucan & Cai (2011)). Although the COVID-19 pandemic has disastrously impacted the global and local economies, it provides an opportunity to observe and compare firms' reactions, especially SMEs', to EAPs during this global crisis. Therefore, our first and second research questions are:

1. What were the impacts of COVID-19 on SMEs engaged in international trade?
2. How effective were various EAPs to SMEs engaged in international trade before and during the COVID-19 pandemic?

During the pandemic, in addition to existing EAPs, the governments around the world introduced new initiatives to assist businesses, especially SMEs, struggling for their survival. In the U.S., government assistance responses to the COVID-19 pandemic included various GABs, mainly two loan programs which are PPP created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and EIDL that was expanded and funded through the Coronavirus Preparedness and Response Supplemental Appropriations Act (NFIB Research Center, 2020). Scholars have started examining the impact of COVID-19 pandemic specific GABs and how their support affects SMEs' survivability during this unprecedented global crisis (Dhewanto et al., 2020). However, the effectiveness of these programs has yet to be examined thoroughly. Therefore, we develop the third research question to this continued evaluation by examining:

3. How did SMEs perceive and receive the COVID-19 pandemic specific GABs?

To answer the above research questions, we use a mixed-methods approach, including primary and secondary data through quantitative and qualitative analysis, to generate research findings and draw conclusions.

3. Research Methods and Data Collection

3.1. Research Setting

This study focused on the state of California due to the significant number of SMEs operating there and the size of its economy. According to the U.S. Small Business Administration Office of

Advocacy's 2019 report, there are 30.7 million small businesses which account for 99.9% of all U.S. businesses in the U.S., employing about 59.9 million employees (U.S. Small Business Administration, 2020). The state of California plays a significant role in the U.S. economy. If California were an independent country in 2017, it would have been the fifth-largest economy in the world, surpassing the United Kingdom (Segarra, 2018). With an annual GDP of around \$3 trillion, California's economy sits only behind the U.S., China, Japan, and Germany, and it has historically derived significant revenue from international trade and tourism. California has been the state with the largest exporting share within the U.S. (Segarra, 2018). According to the information obtained from the U.S. Department of Commerce (2018), a total of 73,528 companies exported from California locations in 2015. Of those companies, 96% (70,350) were SMEs with fewer than 500 employees, generating 43% of California's total merchandise exports in 2015 (U.S. Department of Commerce, 2018). In 2014, California had both the most exporters (75,722) and the most SME exporters (72,591) of any other state in the U.S. (U.S. Department of Commerce, 2018).

For data collection, we purposely target SMEs in Central California, where a significant number of firms engage in international trade, mainly exporting their agricultural products. The main reason for us to plan our study this way was that the COVID-19 pandemic was an abrupt disruption to the agricultural supply chain in California and its key markets around the world. At the beginning of the pandemic, in January and February of 2020, California agricultural export values dropped between 0.8 percent and 1.5 percent. March 2020 export data showed a steeper decline of 3.5 percent. The downward trend in exports was consistent with increasing disruptions to the global food trade resulted from the pandemic. The average decrease in exports was approximately 2 percent, or around \$700 million, from January to March 2020 (ERA Economics LLC, 2020). To support the local export business, EAPs have been offered to Central California SMEs through the joint efforts of multiple government agencies before and during the pandemic. In addition, since April 2020, the newly introduced pandemic specific GABs, such as PPP and EIDL, have delivered additional help during these challenging and unprecedented times, which provide this study a suitable source for primary data collection.

This study used multiple approaches to collect primary data with a local focus on Central California to address the research questions. Survey data were collected from 1,401 firms in the region for quantitative analysis. To validate the findings and gather meaningful insights, nine semi-structured interviews were conducted with the local community bankers, SBA, International Trade Association (ITA), and U.S. Department of Commerce Export Assistance Center (USEAC) representatives. The information gathered from these interviews was analyzed qualitatively and used to generate more meaningful findings.

3.2. Quantitative Approach

3.2.1. Sample and Data Collection

An online survey was conducted with participants who were subscribed to the U.S. Department of Commerce newsletter. The responses were collected using Qualtrics from July through November 2020. Invitations to complete the survey were sent via email to 1,401 individuals. A total of 191 survey responses were received, providing a 14% response rate, which is in line with other studies

in international business (Chidlow et al., 2015). After the responses were checked for completeness, 72 were used for the analysis. Our survey's usable response rate was relatively higher than the similar ones conducted by the National Federation of Independent Business (NFIB), which used a random sample of NFIB's membership database of about 300,000 small business owners. NFIB survey conducted by email on March 30, 2020, resulted in 1,172 usable responses, all small employers with 1 to 465 employees (NFIB, 2020). Another survey on April 6 and 7, 2020, received 884 usable responses (NFIB Research Center, 2020)

3.2.2. Questionnaire and Measures

The survey questions were developed based on a literature review composed of a detailed classification of EAPs proposed by Ribeiro and Forte (2019) and the International Trade Centre Online Survey conducted at the beginning of the pandemic in the U.S. (International Trade Centre, 2020). The survey questions and structure were tested with export assistance professionals and SME executives for flow and clarity. The survey participants were asked to rank the effectiveness of various EAPs before and during the COVID-19 pandemic. Based on previous research, the EAPs are categorized into two main categories, direct and indirect services. The direct services are further broken down into export assistance programs, information services, export facilitating activities, and education and training with detailed subitems (Hollensen, 2007; Leonidou et al., 2011; Ribeiro & Forte, 2019). Participants were asked to rank the effectiveness of each identified EAPs' subitem before and during the COVID-19 pandemic using a five-point Likert scale. For Research Question One regarding the impact of the pandemic and Research Question Three regarding the effectiveness of GABs during the pandemic, we used the International Trade Centre Online Survey questionnaire as a reference to collect the related information.

3.2.3. Quantitative Analysis Method

In order to compare the level of effectiveness with various EAPs before and during the COVID-19 pandemic, multiple analyses were conducted, including the descriptive analysis and non-parametric tests to analyze the survey responses before and during the pandemic. IBM SPSS Statistics 27 was used for quantitative analysis in this study.

3.3. Qualitative Approach

Besides quantitative analysis, this study also adopted a qualitative method with an exploratory and reflexive nature (Alvesson & Sköldbberg, 2017), which allows for deeper understanding (Arber, 2006; Marschan-Piekkari & Welch 2004). The qualitative analysis is descriptive and explicative in an attempt to better understand the processes and efforts of EAPs and GABs in response to the COVID-19 pandemic. Descriptive as it attempts to identify and describe the main strategies adopted by SMEs and other stakeholders during the pandemic as they responded to the challenges brought by the pandemic, and explicative as it attempts to understand the process and opportunity areas in providing effective assistance to SMEs through EAPs and GABs during these unprecedented times.

3.3.1. Semi-Structured Interviews

This study adopted the method of in-depth, phenomenological interviewing (Seidman, 2006), focusing analysis on the language, data, and stories of the surveyed senior management at community banks and representatives from related government agencies, as ways of knowing and understanding the EAPs and GABs.

Due to restrictions imposed by the pandemic during the course of data collection for this study, all interviews were conducted virtually for about one hour each. The interviewees included six community bankers and three representatives from SBA, ITA, and USEAC. The interviews were based on a list of prepared questions, and the interview notes were then compiled for qualitative analysis.

4. Analysis and Findings

4.1. Survey Results

4.1.1. Descriptive Statistics

The survey results prove the importance of international trade to SMEs in Central California. Table 1 indicates that 26 firms or 36% of respondents were engaged in exporting. Another 9 or 13% were involved in importing. 45 companies, or 63%, were not involved in international trade. Out of 27 firms engaged in international trade, ten firms or 37% of the respondents engaged in international trade belonged to the manufacturing sector. Another 7 or 26% were part of the agricultural industry, while the remaining ten respondents were divided equally between trade and service with 19% each. This distribution is indicative of the current situation in Central California, where manufacturing and agricultural-related industries are playing a critical role in the local economy.

For the primary overseas markets targeted by SMEs participating in the survey, Canada and China/Hong Kong were the most significant individual markets, followed by Mexico, Japan/Korea, and European Union (E.U.). By area, East Asia was the largest with 36% (represented by China/Hong Kong, Japan/Korea, and India) market share, while North America (Canada and Mexico) was the second with 30% market share.

Table 2 shows that almost all the responses we received were from SMEs with less than 500 employees and receipts greater than or equal to \$1,000. Although SMEs engaged in international trade hired fewer employees (146 per firm on average), their annual sales (with a mean of \$33 million) were much higher than their counterparts not engaged in international trade (average of 296 employees and \$17 million sales per firm). This echoes the U.S. Department of Commerce's statement that companies that trade internationally significantly outperform their peers. In terms of the sales mix, the SMEs engaged in international trade, on average, generated 34% of their total annual sales from international receivables. The contribution of the international receivables grew to more than half (53%) for the top quartile of SMEs engaged in international trade.

Table 1. Number of companies engaged in international trade

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Exporting	18	25.0	25.0	25.0
Importing	1	1.4	1.4	26.4
Both	8	11.1	11.1	37.5
Neither	45	62.5	62.5	100.0
Total	72	100.0	100.0	

Table 2. Comparison between companies engaged in international trade or not

	How many employees does your business currently have? - Full-time equivalent		What are your total annual sales/receipts in U.S. dollars (USD \$)?		What percentage of your total annual sales comes from your international receivables (%)?
	International Trade Related	Non-international Trade Related	International Trade Related	Non-international Trade Related	International Trade Related
N Valid	26	38	26	40	26
Mean	146	296	33,055,081	16,737,429	33.9
Median	23	12	1,500,000	1,000,000	25.0
Std. Deviation	319	523	142,364,150	54,012,440	29.9
Percentiles					
25	6	2	82,000	60,750	10.0
50	23	12	1,500,000	1,000,000	25.0
75	154	459	10,000,000	2,942,397	52.5

4.1.2. Research Question One

Table 3 compares the responses between SMEs engaged in international trade and their counterparts during the COVID-19 pandemic. The results indicate that SMEs not involved in international trade tended to be more strongly affected by the pandemic than those engaged in international trade (41% vs. 33%). We benchmark our results against the Small Business Pulse Survey conducted by the U.S. Census Bureau in the middle of September 2020 and notice that 33% of SMEs nationwide claimed a large negative effect caused by the pandemic (U.S. Census Bureau, 2021).

Table 3. Comparison between SMEs engaged and not engaged in international trade

How have your business operations been affected by the COVID-19 pandemic?

		Firms involved in international Business		Firms NOT involved in international Business	
		Frequency	Valid Percent	Frequency	Valid Percent
Valid	Not affected	2	7	4	9
	Slightly affected	8	30	13	30
	Moderately affected	8	30	9	20
	Strongly affected	9	33	18	41
Missing	System	0		1	
Total		27	100	45	100

How soon do you anticipate that your international trade/domestic receipts (sales) will be back to the levels before the COVID-19?

		Firms involved in international Business		Firms NOT involved in international Business	
		Frequency	Valid Percent	Frequency	Valid Percent
Valid	Within 1 month or less	3	11	4	9
	Within 1 to 3 months	4	15	3	7
	Within 3 to 6 months	3	11	10	22
	Within 6 to 12 months	5	19	10	22
	More than 12 months from now	4	15	6	13
	Not sure at this time	8	30	12	27
Total		27	100	45	100

How easy is it to access information and benefits from government's (Federal/State/Local) COVID-19 related small business assistance programs?

		Firms involved in international Business		Firms NOT involved in international Business	
		Frequency	Valid Percent	Frequency	Valid Percent
Valid	Very easy	2	7	6	14
	Easy	3	11	10	23
	Standard	10	37	21	48
	Difficult	9	33	5	11
	Very difficult	3	11	2	5
Missing	System			1	
Total		27	100	45	100

SMEs engaged in international trade also tended to be more optimistic in anticipating when sales would return to normal. About 26% of them believed that it would take less than three months compared to only 16% of those not involved in international trade. Nationwide, only 5% of SMEs felt the same way in the middle of September 2020 (U.S. Census Bureau, 2021), which seems to indicate that SMEs with access to the international markets might have more confidence in sales recovery than those focusing on domestic business only.

Table 4 highlights the major challenges SMEs engaged in international trade faced during the COVID-19 pandemic, including difficulties in importing inputs from abroad (33%), exporting (33%), and employee absences due to sickness or lack of available childcare (33%). The most widely adopted strategies to cope with the pandemic-related challenges were increasing marketing efforts (48%) and teleworking (41%), followed by online sales (37%), and customization and introduction of new products (37%).

Table 4. Challenges caused by the COVID-19 pandemic and strategies adopted

		Challenges caused by the pandemic			Strategies adopted to cope with the challenges			
		Difficulty importing inputs from abroad	Difficulty exporting	Employee absences due to sickness or lack of childcare	Teleworking	Increase marketing efforts	Online sales	Customized / new products
N	Valid	9	9	9	11	13	10	10
	Sample Size	27	27	27	27	27	27	27
	Percent	33%	33%	33%	41%	48%	37%	37%

Therefore, from the survey results and analysis listed above, we can address our Research Question One regarding the impacts of COVID-19 on SMEs engaged in international trade as

- SMEs engaged in international trade were less strongly affected by the pandemic than their counterparts and were more optimistic about sales recovery.
- SMEs engaged in international trade also had a relatively similar degree of difficulties and managed to actively adopt strategies to cope with the challenges caused by the pandemic.

4.1.3. Research Question Two

Following Ribeiro and Forte (2019), we divided EAPs into five categories in the survey, namely, financial support, information services, export facilitating activities, education and training-related programs, and indirect services. Kendall's Coefficient of Concordance and Friedman Test Statistics were applied to compare the SMEs' responses. No significant differences among various EAPs and detailed subitems under these five categories were detected, neither pre- nor during the COVID-19 pandemic. By pairing the responses of each subitem pre-and during the pandemic using the Wilcoxon Signed Ranks Test, six subitems were identified as less effective during the pandemic in the areas of financial support in terms of credit insurance and guarantees; information services, in terms of specific export opportunities, information on aggregate transactions, and procedures and means including customs clearance; export facilitating activities in terms of trade-related offices or embassies or consulates abroad, as well as education and training-related programs in terms of counseling advice on export business, as shown in Table 5.

Table 5. Comparison of EAPs before and during the COVID-19 pandemic

Test Statistics ^a						
	Financial Support - Credit insurance and guarantees.	Information services - Specific export opportunities.	Information services - Information on aggregate transactions	Information services - Procedures and means, including customs clearance	Export facilitating activities - Trade- related offices or embassies or consulates abroad	Education and training-related programs - Counseling advice on export business.
Z	-2.070 ^b	-2.000 ^b	-2.000 ^b	-2.000 ^b	-2.309 ^b	-2.121 ^b
Asymp. Sig. (2-tailed)	.038	.046	.046	.046	.021	.034

a. Wilcoxon Signed Ranks Test

b. Based on negative ranks.

The results in Table 5 demonstrate six subitems of EAPs that were perceived less effective with statistical significance during the pandemic to address our Research Question Two regarding the comparison of EAPs effectiveness before and during the COVID-19 pandemic.

As argued earlier in this study, increasing export activities is a goal of most modern governments, which along with other agencies, make available to exporting SMEs a variety of services designed to promote and increase their export profile. Through these programs, SMEs can gain customers, identify prospects, gather intelligence, and disseminate information, among other benefits. Exporting SMEs, to effectively compete, rely on their ability to obtain valid foreign market information, training in export documentation, finding agents/distributors, and so on. The findings from Central California SMEs indicate that, besides exporting financial support, three information services subitems, one education and training subitem, and one export facilitating activity related to overseas marketing became less effective, partially due to the lockdown and travel restrictions, during the pandemic. We argue, however, that the U.S. governments must ensure that exporters receive the assistance that helps them become more effective exporters, in addition to covering payroll through GABs during a crisis. The government needs to research how to target these EAPs more effectively and efficiently. SMEs can also achieve better results by supplementing their own resources and capabilities with government EAPs. Consequently, public policy officials should focus more on improving the EAPs that exporters find less effective during the pandemic.

4.1.4. Research Question Three

Table 6 summarizes the response from SMEs engaged in international trade to various GABs, especially PPP with a 52% participation rate and EIDL with 26%. The SBA administered both programs to provide timely support to SMEs during the pandemic. Meanwhile, The Export Credit Insurance provided by the EXIM also plays a vital role in supporting 11% of SMEs during the pandemic. Another finding worth highlighting is that SMEs engaged in international trade were far more active in seeking GABs. Out of 45 SMEs not involved in international trade, the untabulated results show that only 38% received PPP, and 11% received EIDL. Both were much lower than the ones engaged in international trade. However, comparing our results against the Small Business Pulse Survey conducted by the U.S. Census Bureau in the middle of September 2020, there were 73% of SMEs nationwide that received PPP, and 22% received EIDL (U.S. Census Bureau, 2021).

Table 6. GAB & EAPs participation and expectation

Have you participated in obtaining any of these U.S. government assistance benefits?					If you are having a challenge collecting your foreign receivables, are you planning to contact any of the following?				
Paycheck Protection Program (SBA PPP)	Economic Injury Disaster Loan (SBA EIDL)	Export-Import Bank of the United States (EXIM) Export Credit Insurance	Other	Not participated	U.S. Commercial Service	Export-Import Bank of the United States (EXIM) Export Credit Insurance	Private sector collection services	Other	
14	7	3	1	2	3	4	3	7	
27	27	27	27	27	27	27	27	27	
52%	26%	11%	4%	7%	11%	15%	11%	26%	

The last part of Table 3 also reflects how easy it was for SMEs engaged in international trade to access information and benefit from the government’s (Federal/State/Local) COVID-19 related GABs. 18% of SMEs engaged in international trade think it was “easy” or “very easy” to get GABs information, while 44% of them felt that it was “difficult” or “very difficult.” Again, these results suggest that this is an opportunity area to enhance and improve the awareness and access to GABs.

Notably, although their participation rate of obtaining GABs was relatively low, SMEs not involved in international trade felt that it was relatively easy to access GABs information, with 37% stating that it was “easy” or “very easy” to get GABs information, while only 18% of SMEs engaged in international trade felt the same way. Furthermore, only 16% of SMEs not involved in international trade stated that it was “difficult” or “very difficult” to obtain GAB information compared to 44% of SMEs engaged in international trade. Such a contradiction between the actual receipt of GABs and the easiness of accessing GABs information is worth further research.

Nonetheless, contrary to our expectations, benchmarking against the national survey result, PPP was a less significant driver among eligible SMEs in Central California. Our finding related to the direct impact (or lack of) of PPP may be explained from a consideration of the weak institutional context. Evidence suggests that, although the U.S. Government supplied multiple GABs, SMEs experienced many challenges, including difficulties accessing such benefits from the banks, a high level of program bureaucracy, and a low level of research and development expenditure to make this process more streamlined for SMEs. Such challenges were argued to hinder SMEs’ resilience and competitiveness in other government assistance programs (Islam et al., 2011), which may explain our finding concerning the not so impactful effect of PPP locally. Alternatively, such inconsistent results may be related to the extant literature that some SMEs benefited most from intangible resources rather than tangible/financial ones (Knight & Liesch, 2016).

To further understand the cause of such a significant gap, in our follow-up interviews, we discussed the process of GABs application and the possible challenges with local community banks and related government agencies to seek their insights.

When asked about EAPs in collecting a firm’s foreign receivables, 15% of SMEs would contact EXIM for Export Credit Insurance, and 11% choose to seek assistance from the U.S. Commercial Service. Another 11% of respondents reached out to private-sector collection services, while 26% percent of SMEs selected to explore other resources. The results indicate that EXIM and its Export

Credit Insurance were the most popular choice for SMEs engaged in international trade in Central California.

In summary, for Research Question Three, we find evidence that SMEs engaged in international trade were more active in seeking GABs but had more challenges accessing the related information. Our research findings revealed a positive impact on SMEs engaged in international trade with relatively higher success in receiving GABs, particularly PPP and EIDL, than their counterparts locally to enhance the firm's ability to maintain operations and employment during the pandemic.

4.2 Semi-Structured Interview Results

4.2.1. Community Banks and EAPs & GABs Implementation

From our interviews, it became apparent that banks, especially community banks, played a critical and more active role in government stimulus initiatives and GABs such as PPP. The \$2 trillion U.S. stimulus package approved by the Senate in March 2020 encompassed a \$367 billion reserve for SME assistance with fewer than 500 employees. In January 2021, the U.S. government rolled out a second PPP designed primarily to help businesses, large and small, keep employees on their payrolls. The U.S. government relied on banks to implement these initiatives.

The semi-structured interviews conducted with these bankers show that most of them invested a significant amount of time, including late nights and weekends, to understand how these GABs, particularly PPP, worked. They often had to educate their SME clients, who were, for the most part, at a loss on how to approach these programs and benefit from them.

During the COVID-19 pandemic, the community banks were focused on PPP and did not venture into other types of EAPs designed to support SMEs' export activities. Started from April 2020, most community banks were overwhelmed with the PPP applications, and their processing volumes were at full capacity. These banks had very limited resources to handle other types of government assistance programs. Also, several cases show that SME loans ended up going to more prominent, higher-profile businesses than expected (Hinchberger, 2021).

Our interview notes also indicate that there were many EAPs opportunities available for SMEs. The challenge, however, was that some of the programs might be too burdensome for community banks with limited resources and expertise to administer. For example, one of the interviewees said that international trade is like a "black box" for some smaller banks with limited expertise in international trade financing. The interviewee further stated: *"Smaller banks also don't know how to take advantage of available trade financing EAPs offered by various government agencies, which would help minimize their institutions' credit risk."*

This comment resonated even more when put in the context of our survey findings, which show that financial support in terms of credit insurance assistance was not as highly rated as prior to the COVID-19 pandemic by SMEs (see Table 5). However, for SMEs engaged in international trade, on average, 34% of annual sales are generated by international receivables (see Table 2). Given these results, it would be prudent for community banks to identify opportunities to support their

SME clients participating in international trade and leverage the various government programs to support international trade finance.

Due to the U.S. government efforts in streamlining GABs through the banks and supplying a road map for SMEs to access such assistance, a clutch of innovative technologies for community banks, in particular, seemed to have doubled down on these SMEs and looked to build out a value proposition. Often overwhelmed by the sheer volume of funds and requests during the pandemic, banks tried to set up platforms to streamline and improve the approval process. This process was usually undertaken alone or with the help of fintech (Hinchberger, 2021), as the entire process took place digitally and over the internet. Such improvement could potentially be leveraged for better deployment of current and future export financing programs.

Besides EAPs and GABs, SMEs from the import/export sector have long relied on traditional loans typically obtained through conventional, if not antiquated, application procedures. Most of these companies still rely on community banks and credit unions for financing, but repeatedly their applications tend to be rejected, often on account of poor credit ratings (Altin, Kizildag, & Bufquin, 2018; Han, Fraser, & Storey, 2009). Bankers, meanwhile, have frequently lacked reliable tools to predict creditworthiness among SMEs.

Community banks need to be better equipped with digital applications to assist them in delivering such loan assistance to small business owners similar to what they have done during crises such as the COVID-19 pandemic. Applications such as electronic notary and signature and other workflow tools to handle the volumes community bankers were operating could have been very helpful in streamlining these loan applications and monitoring them more efficiently. Such digital resources would have allowed community bankers to proactively earmark funds to SME applicants, including working capital loans and various EAPs financial support.

4.2.2. Community banks' role as the information hub

Through the study, we also found some significant impacts external events have on SMEs' ability to succeed in international trade. For instance, informational support has a positive effect on the relational capital of SMEs, which in turn affects their export activities' performance. Informational support includes training, expert conferences, information sessions on target countries, and information resources on exportation. In this process, government actors must find the expertise, correct information and share them with SMEs. These are useful in connecting the SME with experts (e.g., SBA, business mentors such as SCORE, bank-sponsored webinars/seminars, etc.), involving other players and stakeholders, and supplying access to different contacts. Nevertheless, such public actors tend to be generalists and may thus be limited in their knowledge about specific markets and new technologies. Accordingly, government offers of prospecting missions and networking may not be suitable for all SMEs. Thus, additional research is necessary to better understand these dynamics.

Through the interviews, we identified the opportunity of leveraging community bankers as the information hub to assist SMEs since they were able to collect and aggregate timely information from their clients in various sectors. In the interviews, we learned about issues with the shortage of shipping containers and delays in the supply chain, which echoed the report of *Economic*

Impacts of the COVID-19 Pandemic on California Agriculture prepared by ERA Economics LLC (2020) and the findings from our survey indicating that one of the challenges during the pandemic was importing inputs as well as shipping goods to other countries (see Table 4).

While SMEs participating in the survey found EAPs less effective during the pandemic for any of the reasons presented in this study, extant reports suggest that trade and capital flows have significantly slowed down due to the pandemic's effect. Not only the U.S., as a significant international trading partner, is facing a sharp decline in trade flows, many others, including Europe, Japan, South Korea, Vietnam, India, and Singapore, are experiencing it as well. Whalen and Bhattarai (2020) argue that China is experiencing a significant decline in shipments of almost all categories of goods, including electrical equipment, machinery, furniture, lighting, plastic items, vehicles, knit, clothing, accessories, optical, technical, medical appliances, and organic chemicals. Similarly, the U.S. economy has also been concerned about heightened macroeconomic uncertainty while facing lower demand for U.S. exports to China (Petro, 2020). In addition to the reduced trade flows back in 2020 and 2021, the U.S. government is concerned about problems associated with importing Chinese goods and services for the next two years, as further complications, such as health and biosafety, may occur due to the origin of COVID-19 coronavirus. Therefore, an argument can be made that, potentially, at the time of the survey, SMEs engaged in international business were still not fully aware of the macroeconomic impact the pandemic would bring. Much as in the case of a tsunami, once it hits the shores, the result is undeniable and must be dealt with swiftly, but the long-term effects are not felt until later. Nonetheless, by aggregating the information in real-time, the community banks can provide very useful information to their SME clients to better facilitate their international trade business during these unprecedented times.

4.2.3. Synergy between community bankers and related government agencies

During the interviews, information obtained from SBA, ITA, and USEAC representatives indicated that the government agencies were streamlining some of the application processes for supporting export financing. Since community bankers were very familiar with various SBA loan products, the revised application form would also ask applicants to indicate if they were engaged in international trade to provide more adequate support and assistance. One of the interviewees stated: *“Most U.S. exporters prefer to be paid in advance (cash). With COVID, credit payments for foreign buyers could become more important. This would also allow U.S. SMEs to become more competitive with European and Asian firms.”* The results from a recent study suggest that SMEs that receive SBA loans did improve the four-year survival rate over the general population of small firms providing additional impetus for EAPs administrators to strengthen further their efforts in supporting SMEs engaged in international trade (Galli-Debicella, 2020).

When it came to education and training assistance available to SMEs interested in or already participating in international trade, in 2001, the General Accounting Office (GAO) recommended that the Trade Promotion Coordinating Committee (TPCC) eliminated duplication of export training services by determining the best way to combine the SBA and U.S. Department of Commerce export-training programs delivered by USEACs (Yager, 2001). Based on interviews conducted during this study, it seems that these efforts have been thriving given that some USEAC offices are now co-located with the SBA District Offices. Similarly, one of the interviewees

suggested that community banks should create strong partnerships with SBA, ITA, EXIM, and USEAC to better serve their SME clients engaged in international trade.

Furthermore, the findings from the interviews, particularly how local community banks prioritized their resources focusing on PPP and the related capacity bottlenecks, also help understand the survey results related to our research questions, especially the possible cause of why SMEs engaged in international trade felt EAPs were less effective during the pandemic, and the gap between SMEs received PPP and EIDL in Central California compared to the national average.

5. Discussion, Implications, and Future Research

5.1. Discussion

The United Nations dubbed the COVID-19 pandemic as the most significant event since the advent of the Second World War. Things may never be the same again. However, it affords both challenges and opportunities.

The literature reviewed has long confirmed that SMEs taking part in government EAPs tend to benefit from a better export performance (Francis & Collins-Dodd, 2004; Wang et al., 2016). In addition to financial support, our study shows that EAPs in information and export facilitating activities, though both were perceived less effective during the pandemic, can substantially aid in SME's success when traversing challenges such as the one brought by COVID-19. The role of marketing implementation capabilities development and assistance is also instrumental. For instance, assistance in marketing implementation capabilities tends to mediate information-related programs and export performance. Hence, policymakers should develop and promote EAPs with a more specific emphasis on such initiatives in addition to financial support or a general goal of improving export performance.

The presumed effect of EAPs and distributor support on the export performance of SMEs, though intuitively rational, has not been reasonably tested or validated in any systematic fashion in the export literature. Although an increased number of studies in recent years have been concerned with export performance and its determinants, little empirical attention has been paid to the effects of export assistance and distributor support on the export performance of SMEs. While not fully generalizable, this research provides some empirical evidence, confirming the rationale for using EAPs and distributor support, which is in line with the export assistance literature. The dynamic capabilities perspective, which emphasizes the role of EAPs and distributor support, still needs to be developed and examined, due to inter-firm performance variations.

While many of these SMEs engaged in international business had activities curtailed to some extent during the pandemic in 2020, the U.S. government responded that GABs had some positive effects in mitigating the hardships of many SMEs and made it at least less daunting. After all, surveyed SMEs took advantage of these GABs at various degrees with the assistance of the community banks. Nonetheless, we believe the opportunity developed among the community bankers and SMEs has significant implications for their long-term and mutually beneficial relationship.

Community bankers will continue to play a vital role in the SME's implementation of post-pandemic strategies. These banks could shift their support from liquidity to structural support, assist in digitizing business processes, and even boost consumer demand. However, not all SME owners are familiar with bank lending or export-related financial support. To streamline this type of assistance program, and many others, should it ever be needed in the future, banks need to develop a path for SMEs to access EAPs when available. One opportunity moving forward is for the U.S. government and community bankers to collaborate more efficiently and share their resources, intellectual and physical, more broadly. The collaboration will require defining best practice parameters for managing EAPs and distributing funds through the banks to the SMEs.

5.2. Implications

This study has highlighted the character of the U.S. government's EAPs and GABs in response to the effects of the COVID-19 pandemic on SMEs engaged in international trade in Central California. While significant uncertainties remain, a few conjectures about possible long-term implications are worth discussing.

First, the pandemic as a historical shock to SMEs engaged in international trade will influence business strategy and planning, in addition to social policy across the U.S. economy for many years to come. The international business and trade sector, not only in Central California but also across the country and the globe, has been deeply affected, but it seems to be also adjusting quickly based on our survey results. The impact of the COVID-19 pandemic on the global supply chain and distribution channels is already undergoing significant shifts. In general, companies are making sure their supply chains and networks are more resilient (Shih, 2020). According to Shih (2020), the U.S. - China trade war, the supply and demand shocks brought on by the COVID-19 crisis are forcing manufacturers everywhere to reassess their supply chains. That is especially true for SMEs in this study, as their most significant target market is in East Asia, particularly China and Hong Kong. The survey results also show substantial challenges SMEs faced during the pandemic: importing inputs from abroad and exporting, which were impacted by logistics and transportation. Moreover, these SMEs will continue to face pressure to increase business output, productivity, grow employment in California, and reduce dependence on risky sources and markets for the foreseeable future. SMEs will also need to rethink strategies of lean inventories, just-in-time, and just-in-case replenishment, which can be crippling if material shortages arise.

Secondly, although some of the interviews conducted during this study suggest risk management will likely receive more attention, more fault-tolerant and resilient improvements should be prompted throughout the business operations, networks, and market actors up the supply chain and down the distribution channels. These will not be inclined to give up efficiency and related practices that were profitable before the pandemic. These profits typically add up year-over-year to offset any eventual unexpected losses. Ideally, a beneficial outcome would be if the COVID-19 pandemic were to boost public and private investment in the international business and trade sector's research and development area, especially considering that so few companies in the U.S. are in this industry.

Finally, although it preceded the pandemic, U.S. trade policy has been in disarray since the last administration. Several new unilateral tariffs, trade barriers, and foreign retaliation have been

implemented, challenging to disentangle. The pandemic exposed the intrinsic fragility of an integrated world, but that shuttering and barriers are not the answer long term. More vital international institutions and cooperation are the long-term answer, including detection and containment of contagious diseases and ensuring the flow of international business and trade. It may be too soon to assess such initiatives, as the aftermath of the COVID-19 pandemic is yet to be felt. However, there is a need to understand best the current international trade, both import and export, according to research results, which did bring benefits, including less severe impact and quicker sales recovery, to SMEs engaged in it in Central California.

5.3. Limitations and Future Research

There are several limitations of this study. First, our research is limited to examining a specific dimension of a small sample of SMEs located in Central California, restricting the generalizability of the results. There is, therefore, an opportunity for future researchers to examine the effect of EAPs and GABs with larger sample size.

Secondly, our research is limited to exploring the effect of EAPs and newly introduced GABs, mainly PPP. Assessing the individual impact of similar existing programs and policies in a future study may further contribute to theory and practice. Also, this research is confined to examining those incentive programs that are only derived from government institutions. In addition to government support, private institutions provide critical sources of financial assistance for export-oriented SMEs, as indicated in our survey result. There remains another fruitful avenue for future scholarship to examine the effectiveness of support measures originating from private institutions, particularly from industry associations and private financial institutions.

Thirdly, the data was collected during the pandemic while the full effects of the pandemic might not have been clearly understood. The qualitative part of the study did not seek to elicit personal views from interviewed respondents regarding the merits of EAPs or GABs, any ongoing political issues affecting SMEs' international business and trade, their experience, and day-to-day activities. Instead, the study intended to analyze and reflect the experiences and perspectives of the population surveyed solely concerning the effectiveness of EAPs. While EAPs, and similar programs, are subject to various geo-political and socio-economic aspects, as well as target countries' economic, political, and trading policies that may affect SMEs strategies at a macro and microeconomic levels, the data collected—for reasons previously described—was directed only at the selected population surveyed. From a theoretical perspective, exploring the effect of other institutional aspects, namely, normative and cognitive institutions, may offer additional insights in future studies through the lens of import/export SMEs. Thus, further understandings may be gained by examining the phenomenon in a longitudinal setting, such as pre, during, and post the pandemic.

Finally, since the respondents were approached to provide data about their SMEs' immediate export and import performance, the responses derived were based on past events, which may increase the potential for common method bias (Gerschewski et al., 2015). Based on the results of this research, it is still not clear how various government EAPs impact SMEs' exporting. Although EAPs have received increased policy and research attention in recent years, prior studies have not addressed the performance implications of EAPs usage explicitly and systematically, especially at the firm's level. The literature provides little insight into the contribution these programs make to

SME performance. Aside from the more structural and logistic aspects of the loaning process through the banking system, further research is necessary to assess the performance implications of EAPs. We would argue that there is a need for a model to be developed which focuses on the determinants of export performance at the SME's level to ascertain the unique contribution EAPs make.

To this end, further research is also necessary to best understand the level of export involvement and EAPs as a critical variable affecting the export performance of companies participating in these programs. The difficulties of assessing the performance of SMEs receiving these EAPs, especially in an international context, need to be better understood as well, as it evaluates the export performance of each SME, primarily an elusive goal. Such a task of assessing export performance is complex and challenging due to the diversity of approaches and measures employed in conceptual and empirical research on this topic (Cavusgil & Zou, 1994). Moreover, since these issues have previously received only scant attention, although our proposal of a multidimensional conceptualization of export performance and its systematic measurement represents an endeavor of this study, our efforts can best be considered preliminary, necessitating substantial additional work.

From both the practitioner and theorist perspective, it also would be beneficial to extend this study by incorporating other potentially essential attributes, such as export strategy and external forces, and undertaking a more detailed assessment of the few distinct EAPs. Given the potential differences in the purpose and usage patterns of government EAPs and other internal and external influences on export performance, further research is needed. An investigation that extends the current study along these lines may be instrumental in developing a more refined and detailed framework with greater explanatory power. Further research should also focus on the government's usage-based conceptualization and operationalization of such EAPs. For example, macro and public government activities that are not designed to focus on exporting yet contribute to the international success of these SMEs, such as assistance in international negotiations, might be considered in further study.

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