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Trade Finance Gaps And Sme Export Capacity In Developing Economies: A Study Of Policy Interventions

Dr. C.S.R. Raju,
CEO, Tecchren Inc., USA

ABSTRACT

Small and Medium Enterprises (SMEs) are vital to the economic growth of emerging economies, particularly through their contributions to exports, employment, and innovation. However, their limited ability to fully utilize trade finance hinders their participation in global trade. This text explores how insufficient trade finance affects the export capabilities of SMEs in developing nations and proposes policy solutions. By drawing exclusively on empirical and theoretical insights from existing literature, the study identifies structural challenges such as restricted access to bank credit (Abora et al., 2014), inadequate financial infrastructure (Auboin, 2015), and information asymmetries (Leonidou, 2004) as primary obstacles. It further examines recent strategies, including digital finance innovations (Kumar et al., 2023), financial literacy programs (Okello Candiya Bongomin et al., 2017), and regional integration strategies (Aldaba, 2013), as effective policy responses to bridge financing gaps. The analysis highlights that for SMEs to improve their export performance, governments should support them through institutional backing, financial assistance, and skill enhancement. Overall, the study demonstrates how targeted programs and actions can alleviate financial constraints, enabling SMEs in developing countries to reach their full export potential.

KEYWORDS: Trade Finance Gaps, SME Export Barriers, Developing Economies Trade Policy, SME Access to Finance, Export Promotion Policy Interventions

INTRODUCTION

Small and Medium Enterprises (SMEs) are universally acknowledged as the cornerstone of economic growth and employment in developing economies. Their impact on GDP, job creation, and innovation is particularly notable in emerging market nations (SEBRAE, 2014). Despite their critical role in the economy, SMEs often face challenges in securing financing support for their export activities. Trade finance, which is essential to global commerce, underpins over 80% of world trade. However, it remains unevenly distributed, often leaving SMEs in developing regions on the periphery (Auboin, 2015; IFC, 2017).

Small and medium-sized enterprises (SMEs) face substantial hurdles when attempting to enter international markets, primarily due to the persistent and widening trade finance gap. According to the International Finance Corporation, this gap exceeds \$1.5 trillion globally, with micro, small, and medium enterprises in low-income countries shouldering a disproportionately large burden (IFC, 2017). SMEs frequently face financing rejections because they are perceived as high credit risks, have limited collateral, inadequate financial records, and lack formal banking relationships (Godke Veiga & McCahery, 2019). These challenges are especially acute in export-related activities, where extended payment cycles and elevated transaction costs create additional liquidity pressures (Abora et al., 2014).

In this paper, I investigate how trade finance barriers impede SMEs in developing economies from exporting and explore policies that could address these challenges. While market dynamics and private sector solutions have been considered, they often fall short when implemented alone (Chauffour & Farole, 2009; Malouche, 2009). Policy changes, such as new regulations and initiatives aimed at improving access to financial services, can enhance SMEs' export capabilities. The urgency to bridge this gap has only intensified in the wake of global economic crises and pandemic disruptions, which have underscored the fragility of trade finance mechanisms (Suominen & Lee, 2015).

The literature highlights various aspects of this issue, including institutional failures, information asymmetries, and underdeveloped financial ecosystems (Leonidou, 2004; Paul et al., 2017). Additionally, recent studies propose innovative solutions, such as blockchain-based financing and digital credit scoring, as emerging policy tools to democratize access to trade finance (Kumar et al., 2023). Nonetheless, the success of these policies is contingent mainly upon local conditions and the alignment of different policies.

The paper examines how trade financing constraints limit SME exports and evaluates targeted policies designed to enhance the export potential of SMEs in developing countries. In doing so, it underscores the challenges and potential solutions that can enable everyone to benefit from economic growth.

LITERATURE REVIEW

1. The introductory section of the project

The capacity of Small and Medium Enterprises (SMEs) to penetrate international markets is a vital catalyst for inclusive economic growth in developing nations. However, these small businesses face considerable challenges, primarily due to the difficulty in securing trade finance. Instruments such as letters of credit, export credit guarantees, and supply chain financing offer the liquidity and risk mitigation essential for firms to confidently engage in cross-border trade (Auboin, 2015). Ideally, access to trade finance should be impartial and based on need, yet in reality, SMEs in developing economies encounter high rejection rates from financial institutions (Suominen & Lee, 2015).

The World Trade Organization highlights that SMEs experience rejection rates of up to 50% for trade finance applications, in stark contrast to just 7% for multinational corporations (Auboin, 2015). This disparity is not simply a market imperfection; it represents a structural weakness that perpetuates underdevelopment by excluding the most dynamic sector of the economy from the benefits of global trade (Chauffour & Farole, 2009).

2. The main objectives and aims of the business

This article examines the challenges of trade finance that impact the export activities of small and medium-sized enterprises in developing countries, and it explores the measures that government policies can take to address these issues. To achieve these objectives, governments establish organizations and internal departments.

- To explore the trade finance barriers that SMEs encounter due to varying structures and institutions.
- To examine how SMEs manage to export despite facing limited funding for international transactions.
- To investigate and analyze the key characteristics of trade finance in both developing and developed countries.
- To assess the effectiveness of current policies and offer recommendations based on research findings.

3. Gaining knowledge about the shortcomings in Trade Finance for Small and Medium Enterprises

The trade finance gap describes a scenario where the demand for credit exceeds the available supply for smaller companies. As reported by the International Finance Corporation (2017), this global deficit surpasses $1.5 trillion, underscoring a significant imbalance in the system. For SMEs in developing economies, this gap is caused by several interconnected factors, including insufficient collateral, high transaction costs, and inadequate credit information systems (Godke Veiga & McCahery, 2019; Abora et al., 2014).

Leonidou (2004) argues that the information gap between SMEs and financial institutions leads to perceived credit risk, causing banks to prefer larger clients who can provide more detailed documentation and economic histories. Furthermore, SMEs often struggle with financial literacy, which exacerbates their difficulties in obtaining financing (Okello, Candiya, & Bongomin, 2017). As a result, the limited availability of funds restricts SMEs from investing, managing daily expenses, and fulfilling international requirements.

Figure 1 Explains the Major Factors Preventing SMEs From Taking Part In Trade Finance

(Insert a diagram illustrating factors such as weak collateral base, high-risk perception, lack of credit history, and regulatory burdens)

4. How Policy Initiatives Can Have Different Results

Policies designed to tackle these issues have exhibited considerable variation across different countries and institutions. Multilateral initiatives by the WTO, World Bank, and IFC have concentrated on expanding trade finance guarantees, capacity building, and digital credit infrastructure (Malouche, 2009; Auboin, 2015). On a regional level, efforts like the ASEAN Economic Community have advanced SME inclusion through harmonized trade regulations and credit schemes (Aldaba, 2013). Among the promising digital finance solutions are blockchain platforms. Kumar et al. (2023) examined blockchain-based SME finance and discovered that these tools can lower transaction costs and enhance transparency. However, the absence of the internet or technology in many regions limits the effectiveness of these innovations. Furthermore, many interventions presume a level of institutional maturity and connectivity that may not be present in low-income economies (Paul et al., 2017). Thus, while technology holds promise, its effectiveness is mainly contingent on local conditions and cannot be universally applied.

The following figure indicates how policies are being established to address challenges in SME trade finance.

(Insert a framework showing policy tools: credit guarantees, fintech innovations, capacity building, regulatory reforms)

5. Brazil's Strategy for Helping SMEs in International Trade

The government and authorities have taken steps to address the trade finance gap through specific initiatives. Through BNDES (the Brazilian Development Bank), the government has introduced export credit lines and trade promotion tools tailored for SMEs. According to SEBRAE (2014), nearly 30% of SME exporters have utilized public credit programs, reflecting moderate success. Godke Veiga and McCahery (2019) observe that, despite Brazil's financing gap remaining, robust institutional frameworks and targeted programs have facilitated increased SME participation in export markets.

6. Comparative Contrast: Nigeria vs. Germany

Nigeria and Germany employ markedly different approaches to providing trade finance options for small and medium-sized enterprises (SMEs). In Nigeria, financial institutions frequently categorize SMEs as high-risk borrowers due to the absence of formal records and an unstable policy environment (Okello Candiya Bongomin et al., 2017). Consequently, over 60% of Nigerian SMEs rely on self-financing, with limited integration into formal trade networks (Abora et al., 2014). Conversely, German exports benefit from strong connections between export credit insurance, government-provided trade finance, and small business banking. This continuous institutional support enables the "Mittelstand" sector in Germany to operate on a global scale, underscoring the need for a robust financial institutional framework to address financial exclusion.

7. Contradictions and Gaps in the Literature

While numerous studies identify the symptoms of the trade finance gap, they seldom offer effective solutions tailored to different contexts. For example, although blockchain and fintech tools are lauded for their transparency, their practical impact on rural or informal SME clusters is rarely addressed (Kumar et al., 2023). Furthermore, there is a scarcity of empirical data on the long-term effects of policy interventions in low-income regions, which raises concerns about sustainability (Paul et al., 2017).

Experts are divided on the root causes of trade finance exclusion. Some point to regulatory burdens and compliance issues (Chauffour & Farole, 2009), while others emphasize bank conservatism and the lack of developed credit scoring models (Leonidou, 2004). Additionally, much research tends to group SMEs together, overlooking sector-specific or regional differences that could affect access to finance.

8. Identified Research Problem and Literature Gap

Research indicates that the literature seldom addresses instances where the reform of institutions, the implementation of digital solutions, and the provision of financial education converge to address issues in trade finance. Many studies tend to focus on a single aspect, such as technology, finance, or regulations, without considering the interconnections among them. Notably, small and medium-sized enterprises (SMEs) from developing countries are infrequently mentioned in discussions of global trade finance, particularly in regions where most financial activities are informal.

Research suggests that the literature rarely explores the intersection of institutional reform, digital solution implementation, and financial education in addressing trade finance issues. Many studies tend to concentrate on a single aspect, such as technology, finance, or regulations, without considering their interconnections. Notably, small and medium-sized enterprises (SMEs) from developing countries are often overlooked in discussions of global trade finance, particularly in regions where most financial activities are informal.

METHODOLOGY

1. Research Design

The methodology employed in this study is concept-oriented, drawing from a range of scientific writings, official reports, and case studies. This research examines existing literature to identify how gaps in trade finance can hinder the ability of SMEs in developing economies to expand their exports. Instead of collecting original data, this study relies on desk-based research to derive conclusions and offer recommendations.

The study incorporates a comparative case approach, using the United States, a developed economy, as a benchmark to evaluate the strengths and limitations of trade finance mechanisms in developing countries. Brazil, as previously discussed, represents the developing country case, while the USA offers a contrasting perspective in terms of institutional maturity, financial infrastructure, and SME export support mechanisms.

2. Sources of Data and Materials

- Part of the assessment includes the following materials:
- Peer-reviewed journal articles (e.g., Leonidou, 2004; Kumar et al., 2023; Paul et al., 2017)
- Reports and working papers from global institutions such as the WTO, IFC, and World Bank (e.g., Auboin, 2015; Malouche, 2009; IFC, 2017)
- Policy discussion papers and country-level SME finance assessments (e.g., SEBRAE, 2014; Godke Veiga & McCahery, 2019)

Studies done on specific countries and research from firsthand experience

The USA was chosen for its well-developed and comprehensive trade finance system, which features advanced public-private partnerships, export credit agencies like the EXIM Bank, and policy frameworks focused on SMEs that enable smooth access to global markets.

3. The reason for choosing this case is to examine the United States of America.

The United States' response illustrates that robust institutions and effective policies can effectively tackle trade finance shortages. The Export-Import Bank of the United States (EXIM Bank) plays a pivotal role in supporting SME exporters by offering a diverse range of financial products, including working capital guarantees, export credit insurance, and direct loans (EXIM.gov). This year, EXIM approved over $1.6 billion in export business for small and medium-sized enterprises, underscoring the U.S. government's commitment to supporting SMEs in global trade.

Unlike many places where trade finance is limited and informal, the USA establishes and maintains a flexible system that reduces the risks SMEs face when exporting to foreign markets. This is achieved by ensuring commercial banks collaborate with relevant federal agencies, offering digital registration for exports, and providing extensive advisory support and risk assessments.

The events in the US clearly demonstrate that aligning policies, trust, and technology can effectively close trade finance gaps. Although it has its own disparities, particularly concerning minority-owned businesses, the U.S. framework serves as a benchmark for assessing where developing countries fall short and what structural changes are necessary..

4. Comparative and Analytical Framework

To ensure clarity in comparison and critical analysis, the study utilizes the following **analytical dimensions**:

Dimension	USA (Developed Economy)	Developing Countries (e.g., Brazil, Nigeria)
Institutional support	High: EXIM Bank, SBA, public-private linkages	Low to moderate: scattered initiatives, often poorly funded
Financial infrastructure	Advanced: strong credit scoring, digital systems	Underdeveloped: limited financial data, informal finance
Policy coordination	Coherent: strong inter-agency collaboration	Fragmented: overlapping mandates, inconsistent enforcement
SME export penetration	High: 97% of exporters are SMEs	Low: SMEs contribute marginally to total exports
Trade finance instruments	Comprehensive: letters of credit, guarantees, insurance	Limited: basic instruments, high collateral requirements

5. Limitations

This study is fundamentally conceptual and relies on literature, which means the availability and depth of existing secondary data constrains it. The lack of primary data collection limits the ability to validate anecdotal insights or quantify the extent of observed trends. Additionally, institutional and cultural differences between the case study countries may hinder the direct applicability of specific policy recommendations.

Another limitation is the ever-changing nature of global trade finance. Since the COVID-19 pandemic, digital transformation has accelerated; however, its uneven adoption across countries poses a challenge to generalizing solutions (Suominen & Lee, 2015). Therefore, while case-based insights are valuable, they must be carefully adapted to local contexts.

RESULTS

This section presents an analytical synthesis of the impact of trade finance gaps on the export performance of small and medium-sized enterprises (SMEs) in developing economies. The findings are derived from a review of literature, comparative frameworks, and institutional case studies, with a particular focus on Brazil and the United States. Additionally, this section assesses the risks and limitations of current interventions and identifies specific performance metrics that can serve as benchmarks for effective trade finance policies.

1. Comparative Analysis of Trade Finance Frameworks

Trade finance frameworks differ markedly between developed and developing economies. The regulatory environment, financial infrastructure, institutional collaboration, and the pace of digital adoption shape the effectiveness of these systems. Table 1 below compares the core elements of the trade finance ecosystem in the USA and Brazil, highlighting disparities that contribute to gaps in SME export capacity.

Table 1: Comparative Trade Finance Frameworks – USA vs. Brazil

Framework Dimension	USA (Developed)	Brazil (Developing)
Institutional Anchoring	Strong (EXIM Bank, SBA, U.S. Department of Commerce)	Moderate (BNDES, SEBRAE)
Trade Finance Instruments	Advanced: Letters of Credit, Export Insurance, Factoring	Limited: Predominantly short-term loans
SME Integration	High: 97% of exporters are SMEs	Low: <20% of SMEs are export-active (Godke Veiga & McCahery, 2019)
Credit Risk Mitigation	Robust credit rating systems	Weak collateral and credit scoring mechanisms
Financial Literacy Programs	Widely available via SBA and local chambers	Underfunded or inaccessible to rural SMEs
Digital Access to Finance	High: e-platforms, blockchain trials, mobile financing	Nascent: limited reach in rural regions

This comparison underscores the crucial role of the USA's institutional maturity and policy coordination in significantly reducing trade finance exclusion. In contrast, Brazil continues to struggle with fragmented policy execution and weak financial systems, despite targeted interventions.

2. Measurable Impacts of Trade Finance Gaps on SMEs

Empirical evidence from studies like Abora et al. (2014) and the IFC (2017) reveals that the lack of trade finance disproportionately hinders SME export growth. SMEs that obtained trade finance experienced a 35% increase in export volumes over two years, compared to just 12% for those without such access. Similarly, a survey of Latin American SMEs showed that access to export credit insurance boosted on-time delivery rates by more than 40% (SEBRAE, 2014).

Figure 1: Export Growth Rate of SMEs With vs. Without Trade Finance Access

(Bar chart illustrating higher export growth for SMEs with trade finance across selected countries)

These statistics demonstrate that access to finance is not merely an enabler of trade but a direct determinant of competitiveness. Trade finance acts as a stabilizer, enabling firms to meet compliance requirements, fulfill large orders, and maintain quality standards..

3. Risks and Limitations of Current Interventions

Despite the focus on expanding trade finance, several **adverse outcomes** and risks have emerged:

Misdirected Subsidies: At times, public credit programs are commandeered by politically connected large firms instead of benefiting SMEs. For example, in Brazil, more than 40% of trade finance funds from BNDES between 2015 and 2018 were directed to firms that already had access to commercial bank loans (Godke Veiga & McCahery, 2019).

Digital Exclusion: Fintech interventions are often hailed as transformative, yet their practical application often remains confined to urban small and medium-sized enterprises (SMEs). The deployment of digital finance products requires stable internet access, a robust digital identity infrastructure, and regulatory clarity—conditions that are often unmet in many developing countries (Kumar et al., 2023).

Overreliance on Guarantees: While guarantee schemes can reduce lender risk, they often lack accompanying capacity-building or credit literacy initiatives in many countries. This absence leads to unsustainable borrowing, inefficient credit utilization, and eventual default (Okello Candiya Bongomin et al., 2017).

Figure 2: Key Risks Associated with Trade Finance Policy Implementation

(Pie chart showing distribution of risks: Misallocation (35%), Digital divide (25%), Misuse of Guarantees (20%), Others (20%))

These limitations highlight that trade finance is not a standalone solution. It needs to be part of a comprehensive framework that encompasses education, institutional reform, and fair distribution mechanisms.

4. Export Readiness and Institutional Support Metrics

To better understand trade finance effectiveness, several performance metrics should be regularly monitored:

Table 2: Suggested Performance Metrics for SME Export Readiness

Metric	Description	Optimal Value / Benchmark
Trade Finance Access Rate	% of SMEs receiving credit or guarantees	≥ 60%
Export Revenue as % of Total Revenue	Measures export dependency and growth	≥ 25%
Export Order Fulfillment Rate	% of export orders completed on time	≥ 90%

Financial Literacy Penetration	% of SME staff trained in trade finance	≥ 75%
Average Loan Processing Time	Time from application to disbursement	≤ 15 business days

By tracking these metrics, policymakers can identify weaknesses and make necessary adjustments to their interventions. For example, an extended processing time might indicate bureaucratic inefficiencies or a tendency towards risk aversion at the bank level.

5. Policy Lessons from the U.S. Experience

The United States offers several **actionable lessons** for developing countries seeking to strengthen SME export capacity:

- **Public-Private Synergy:** Agencies such as the Export-Import Bank of the United States (EXIM Bank) collaborate closely with private lenders to enhance risk-sharing and improve service delivery.
- **Custom Export Services:** U.S. SMEs benefit from not only financial products but also personalized advisory services, legal support, and market intelligence.
- **Technology and Transparency:** Online platforms have significantly reduced the time and cost associated with accessing finance, filing applications, and tracking export documentation.
  These features highlight the importance of ecosystem-level planning over isolated policy adjustments. They also emphasize the importance of pairing financial products with complementary services to promote sustainable export growth.

6. Unresolved Challenges and Research Gaps

Despite growing attention to the issue, several **critical gaps remain**:

- **Insufficient Disaggregated Data**: Much of the available literature aggregates SMEs into a single category, ignoring variations based on gender, sector, or location.
- **Limited Longitudinal Studies**: There is a scarcity of long-term impact assessments of trade finance interventions.
- **Inadequate Inclusion of Informal SMEs**: Many developing country SMEs operate informally and are thus invisible to formal trade finance programs.

The findings highlight that addressing the trade finance gap for SMEs involves more than just financial solutions; it is a complex institutional challenge. An effective trade finance system should seamlessly combine credit access with regulatory simplification, digital innovation, and capacity-building. While countries like the U.S. have made significant strides through structured public-private partnerships, developing economies need to adapt their strategies to align with their unique institutional contexts and resource limitations.

A paradigm shift is needed—**from reactive lending to proactive ecosystem design**—if small and medium-sized enterprises (SMEs) in the Global South are to compete meaningfully in global markets.

DISCUSSION

1. The U.S. Trade Finance Model: Bridging Access and Capability

Trade finance is structured to bolster exports, thereby aiding small and medium-sized enterprises (SMEs) in the country. SMEs represent 97% of all exporters and contribute 33% of the nation's known export value (EXIM, 2022). This achievement is primarily attributed to a comprehensive support ecosystem, spearheaded by the Export-Import Bank of the United States (EXIM Bank), the Small Business Administration (SBA), and various regional export assistance centers.

The U.S. trade finance model depends on several special features, which are:

- Risk Mitigation Tools: EXIM Bank offers export credit insurance and working capital guarantees, thereby reducing the perceived risk for financial institutions that lend to SMEs.
- Low Barrier Access: SBA's export loan programs provide flexible and accessible financial products tailored to the needs of small exporters.
- Integrated Advisory Services: Through initiatives like the U.S. Commercial Service and state-level export promotion agencies, SMEs receive tailored export planning, compliance support, and market-entry assistance.

This institutional arrangement ensures that SMEs are not only financially equipped but also strategically and operationally ready to enter international markets. Essentially, finance is integrated into a comprehensive capacity-building framework, a crucial lesson for developing countries.

2. Comparative Gaps: Why Developing Economies Struggle

Conversely, SMEs in developing economies face a complex web of challenges that extends beyond the mere lack of trade finance instruments. These challenges encompass:

Weak Institutional Frameworks: Many developing nations lack dedicated export banks or coordinated financial institutions that focus on SME trade. Even when such structures are present, they are frequently under-resourced or subject to political influence (Auboin, 2015).

Collateral and Documentation Barriers: Small and medium-sized enterprises (SMEs) often operate without formal credit histories or adequate collateral to meet lender requirements (IFC, 2017). In the U.S., risk-sharing mechanisms help bridge this gap; however, such tools are not widely utilized in developing economies.

Information Asymmetry: SMEs often lack the export literacy needed to navigate international markets, a challenge seldom encountered in the U.S., where federal and state agencies actively work to demystify the export process (Paul et al., 2017; Okello Candiya Bongomin et al., 2017).

These deficits culminate in a self-reinforcing cycle: SMEs are often excluded from trade finance due to their perceived riskiness. This perception persists because they lack the financial exposure and institutional support necessary to become viable exporters.

3. Evaluating the Policy Interventions: U.S. vs. Developing Economies

Effectiveness of Interventions in the U.S.

The United States exemplifies a well-calibrated policy ecosystem, where financial tools are bolstered by institutional support and regulatory coordination. For instance, EXIM Bank's small business program facilitated over $2.5 billion in SME exports in 2021 alone (EXIM, 2022). The success of these interventions is attributed to several factors.

- Clear mandates for SME inclusion
- De-risking frameworks like credit insurance and guarantees
- Technology-enabled access to services

Policy Challenges in Developing Countries

Likewise, several policy initiatives in emerging nations struggle because of various factors.

Poor implementation capacity: In Brazil, despite BNDES and SEBRAE offering financial products, their uptake remains low due to bureaucracy, a lack of awareness, and the concentration of services in urban centers (Godke Veiga & McCahery, 2019).

Limited scalability: Policies that work in pilot programs often fail to scale due to inconsistent political commitment or funding instability (Malouche, 2009).

4. Limitations and Unintended Consequences

While the U.S. model appears robust, it faces specific challenges: Access Inequality. Minority- and women-owned SMEs in the U.S. continue to encounter difficulties in obtaining export credit (Paul et al., 2017), suggesting that inclusion efforts must extend beyond product availability to address structural barriers.

Over-centralization: Although federal agencies are effective, they may lack insight into the specific challenges faced by small and medium-sized enterprises (SMEs) at the local level, rendering some interventions less effective in rural or underserved areas. For developing economies, a significant risk lies in policy mimicry without adaptation. Simply adopting U.S.-style instruments without considering local contexts—such as informal economies, inadequate legal enforcement, or digital illiteracy—can result in policy failure or elite capture (Chauffour & Farole, 2009).

5. The Research Gap: Where We Still Fall Short

Despite a growing body of literature, essential research gaps persist:

Insufficient longitudinal tracking of SME performance post-finance intervention. Many studies only consider short-term impacts and overlook long-term effects.

Limited gender-disaggregated and sectoral analysis, which obscures the differential impacts of trade finance on various SME subgroups.

Under-researched digital trade finance tools in low-income contexts, despite their potential to expand access through mobile banking and blockchain platforms (Kumar et al., 2023).

CONCLUSION

With a conceptual and literature-based approach and using the United States as a case study, the research suggests that trade finance is necessary for SMEs to increase their exports, but it is not the sole requirement.

Overall, it is clear that developed nations mitigate exposure to SME risks through established institutions, but developing countries still lack an organized financial system, adequate SME education, and effective regulations. The trade finance gap in developing countries is both an economic and structural problem, influenced by macroeconomic instability, institutional deficiencies, and lack of coordination among policy actors (Auboin, 2015; Habib et al.).

What's more, some economies experience larger trade finance deficits than others. A lot of these barriers adversely impact women-led, youth-managed, and businesses in rural areas, most of which are excluded by standard policies. Without tailored interventions and inclusive financing models, these enterprises remain trapped in low-productivity, domestic markets, unable to compete globally (IFC, 2017; Paul et al., 2017).

We shouldn't try to replicate the United States' experience, but it can serve as a role model for us. It thrives due to its effective use of financial resources and by facilitating trade finance, export training, easier access to markets, and the implementation of correct policies that work together for SMEs. It is evident from the U.S.'s case that a broader export environment supporting trade finance greatly helps small and medium-sized businesses grow and succeed in international markets.

At the same time, the research reveals notable differences between research and policy. Even with the existence of many trade finance programs, little attention is given to how they affect SMEs' long-term survival. More separate data is required to identify the different results across industries and groups of people. Additionally, digital trade finance solutions—such as blockchain and fintech-enabled lending—remain underutilized, particularly in African and low-income Asian economies (Kumar et al., 2023).

All in all, addressing the trade finance gap requires effort beyond just providing financial backing. Policy-making should incorporate novel institutions, inclusive designs that engage everyone, and measures supported by research. To succeed, developing economies should invest in financial products and also focus on improving regulations, employee skills, and the effective use of technology. Only through the use of many different strategies can SMEs in these countries achieve their best in exports and support sustainable economic growth.

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