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The Impact of the COVID-19 Pandemic and Government Assistance Programs on SMEs in the State of California

Abstract. The international trade in goods showed remarkable resilience and set a new record in Q3 2021 despite the impact of the COVID-19 pandemic. Using primary data from California, this study focuses on the perceived effectiveness of a critical driving force, the government assistance programs, including traditional export assistance programs (EAPs) and COVID-19 economic assistance programs (CEAPs), by the small and medium-sized enterprises (SMEs) engaged in international trade before and during the pandemic. Results from the SMEs survey and data gathered from semi-structured interviews with EAP representatives and community bankers indicate that certain traditional EAPs were perceived less effective during the pandemic, while SMEs more actively sought specific CEAPs, especially the Paycheck Protection Program and Economic Injury Disaster Loan. Furthermore, community banks played a vital role as a bridging agent in government assistance programs which could be extended and enhanced in the post-pandemic era.

Keywords: export assistance programs, export, COVID-19 pandemic, SME, international trade, community banks, government assistance benefits

JEL classification: F18, H12, H81

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1. Introduction

Despite the impact of the COVID-19 pandemic and the surge of the Omicron variant, international trade growth continued in 2021. The value of global trade in goods increased in each quarter of 2021. Valued at about US\$ 5.6 trillion, international trade in goods set a new record in Q3 2021, with growth significantly higher than pre-pandemic levels leading to an increase of about 13% relative to Q3 2019 (Rakesh, 2022). Recent research also suggests that “the basic efficiency, comparative advantage, and rationalization arguments for global investment and trade will remain irresistible, even in a post-COVID-19 world” (Contractor, 2022).

International trade and firms engaged in international expansion offer the opportunity to enhance competitiveness, profitability, and capacity to generate employment (Freixanet et al., 2021). As the largest economy in the world, the U.S., with its export and import firms, also benefits from international trade. 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). The U.S. government has developed numerous export initiatives to increase the participation of U.S.-based SMEs in the international markets. There are also various export assistance programs (EAPs) offered through the U.S. Department of Commerce, Small Business Administration (SBA), U.S. Department of Agriculture (USDA), and other initiatives funded by individual state governments.

Like the U.S., other countries worldwide have created EAPs to support their companies, especially small and young firms, while increasing their national exports, improving their international competitiveness, and augmenting their trade balance (Malca et al., 2020; Monreal-Pérez & Geldres-Weiss, 2019). EAPs usually encompass all public efforts to support and enhance export activities of either specific industries or individual firms. These direct or indirect government support programs are regulated by the World Trade Organization (WTO) (Gençtürk, 2010).

California was chosen as the focus of this study due to a large number of SMEs operating there and the size of its economy. Based on 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). 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 globally, 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.

Additionally, California has been the state with the most significant exporting share within the U.S. (Segarra, 2018). According to the information 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).

The outbreak of the COVID-19 pandemic had a significant impact on the global and local economies. Various organizations tracked 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 was colossal. Large parts of the economy were 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 being 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).

SMEs in the U.S. were hit hard when the pandemic started. A monthly survey conducted in April of 2020 by the National Federation of Independent Business (NFIB) reported that 72% of small business owners were very concerned about the potential impact of the pandemic on their business compared to 16% collected the previous month (NFIB, 2020). Similarly, the U.S. Census Bureau surveyed in April 2020, with 90% of SMEs reported to have experienced a negative effect on operations due to COVID-19 (Buffington et al., 2020). It is worth pointing out that most states in the U.S. entered various phases of lockdown during March and April 2020.

SMEs located in the heart of California were also not immune to the effects of the pandemic. Even though this region has a global reputation for the high quality, great variety, and output of its agricultural products, COVID-19 severely limited its exportability. Before the pandemic, various fresh, frozen, and processed agricultural products were shipped worldwide. For example, more than 70 percent of the annual production of its tree nuts was exported (ERA Economics LLC, 2020). Some of the challenges these SME exporters faced were increased shipping costs, ports being shut down for extended periods due to pandemic-related health restrictions, and testing requirements.

To address the challenges caused by the pandemic, governments introduced various COVID-19 economic assistance programs (CEAPs) to bolster their economies. In the U.S., the Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020) and the Coronavirus Response and Consolidated Appropriations Act (2021) provided over \$2 trillion in fast and direct CEAPs for American workers, families, small businesses, and industries, followed by over \$1 trillion in American Rescue Plan enacted in March 2021. The ex-

tent of these policies varied, but the primary goal was to provide financial support for businesses, particularly SMES, by creating more streamlined loan applications, providing direct financial stimulus, and tax deferrals (Dhewanto et al., 2020). In this unprecedented context, Xia, Milevoj, & Goncalves (2021) compared the effectiveness of CEAPS at a local level during the pandemic, as perceived by SMES involved in international trade. Other researchers have also examined the impact of pandemic-related support on SMES' survivability during this unprecedented global crisis (Dhewanto et al., 2020). Geldres-Weiss et al. (2021) investigated the EAPS in South America and their response and strategies caused by the COVID-19 pandemic. The objective of this paper was to fill the current void in the extant literature by investigating how a global crisis influenced the SME's perception of government assistance programs and the impact these programs had on sustaining SMES' international trade efforts.

This study, which is based on our paper "Local response to the global crisis the effect of COVID-19 pandemic on SMES and government export assistance programs in Central California," published in the *Journal of Transnational Management* in 2021 with revisions and updates made by the same authors, aimed to determine government assistance's impact on SMES participating in international commerce during the pandemic and the role community banks played in facilitating this support. Following recommendations from Freixanet (2022) calling for more qualitative investigations of EAPS, a mix-method approach was taken to accomplish this goal by collecting online survey data from SMES and semi-structured interviews for soliciting responses from community bankers and export assistance agency representatives. The data collection period lasted from July to November 2020. The results of our study highlight the obstacles SMES encountered during the pandemic, explicitly pointing to the challenges of increased employee absences due to illness or lack of access to childcare, in addition to difficulties in exporting and importing. SMES implemented new teleworking practices to address such obstacles, amplified marketing efforts and online sales, and offered new or customized products. For some traditional EAPS, SMES shared their concerns about less effectiveness during the pandemic. Meanwhile, SMES did seek out more pandemic-specific CEAPS, notably the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) managed by the SBA.

This research contributes to the literature in several ways. First, compared to entrepreneurial and organizational characteristics, the effect of external environmental factors such as EAPS and CEAPS, including government loan incentives, on the performance of SMES, especially in the case of the COVID-19 pandemic, has received minimal scholarly attention. Scholars have examined how EAPS changed and were adopted during the pandemic, but to our knowledge, no study has examined the role community banks played in facilitating this support (Geldres-Weiss et al., 2021). 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 CEAPS in influencing the sustainability and resilience of SMEs in times of exogenous crisis, this study offers insights from both primary and secondary data, which can be considered a novel contribution to both streams of knowledge. Second, this study, through the interviews with community bankers, highlights the critical role and future potential that community banks play in the process of implementing EAPS and CEAPS, 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. Lastly, our findings and discussion shed light on the directions that could be leveraged for more effective deployment of current and future EAPS and CEAPS.

Our findings provide implications for three distinct audiences, policymakers, SMEs, and other stakeholders like community banks. The policymakers should consider the continuum of services and support needed to address SMEs' challenges. SMEs all have different and unique needs based on the length of time they have been in existence and their accumulated experiences. Therefore, their requirements vary from obtaining general information about a potential overseas market to finding specific international financing options or credit insurance for selling their products abroad. One takeaway for policymakers is not to discontinue programs that are found less useful but to emphasize those most frequently used to maximize the effectiveness of government support efforts.

The decision-makers within SMEs sometimes do not pursue various government support programs due to their bureaucratic nature. SMEs should investigate and leverage such programs more diligently as a strategic mechanism to sustain crises and increase their resilience. Proactive and effective communication with export promotion government agencies, responsible government officials, and community bankers can help. As Leonidou et al. (2011) indicate, SMEs need to proactively engage with EAPS and other government officials for recommendations about providing additional government incentives that may not be readily available.

Community bankers must create stronger partnerships to effectively and efficiently deliver and administer the numerous government support programs available. As evident from our interviews, community banks quickly streamlined processes and secure information for various pandemic-specific CEAPS. These efforts ensured that their SME clients were served and received timely information and financial assistance during the crisis. We suggest that similar efforts can be extended to administer some EAPS after the pandemic.

The paper consists of the following sections. Section 2 provides a brief overview of the extant literature and the development of the research questions, followed by Section 3, describing the research methods and data collection. Finally, the analysis and findings are presented in Section 4, while Section 5 covers the discussion, limitations, and suggestions for future research.

2. Literature Review and Research Questions

Scholarly work on EAPS was first published over five decades ago. It has focused on many topics, including EAPS' impact on firms' performance, usefulness, and joint implementation with other initiatives (Ribeiro & Forte, 2019). EAPS can be classified as providing direct or indirect services. Direct services include programs that directly enhance exports and competitiveness (Gençtürk, 2010). 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. Indirect services include support from the government that is not explicitly addressed to increase 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). Xia, Milevoj, & Goncalves (2021) further summarized the classification and definition of EAPS.

The extant literature provides inconclusive evidence regarding the effectiveness of EAPS and their impact on SMES. One stream demonstrates the positive effects of EAPS on firms and countries. A recent study using Spanish data indicates a positive and persistent impact of EAPS on participants' export and economic performance (Freixanet et al., 2021). It also demonstrates that, during a crisis like the global financial turmoil in 2008, firms using EAPS outperformed the control group and the national average in both export growth and survival rates. Alvarez (2004), Cull et al. (2017), and Brooks and Van Biesebroeck (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 competitive advantage in implementing better marketing strategies. Jalali (2012) finds an indirect impact on strategy, knowledge, and commitment toward 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 (Seringhaus & Rosson, 1998).

In contrast, other studies show that EAPS are overwhelmingly perceived as bureaucratic, overly expensive, excessively time-consuming, insufficiently specific, and largely irrelevant (Rosenbaum, 2019). 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). Furthermore, Crick (1997) finds that the more internationalized companies are, the less they perceive EAPS as useful.

Despite abundant literature, the extant research is mainly fragmented and shows contradictory results. Freixanet (2022) conducts a meta-analysis on EAPS showing a mixed picture, in which, out of 192 articles the author reviewed, 41 articles or 21% conclude that EAPS are clearly effective, 29 articles or 15% argue that EAPS are ineffective, and 106 articles or 55% find that EAPS' effectiveness depends on various contingencies.

In addition, numerous perspectives have been used to explain the export behaviours of firms, from the evolving Uppsala Model (Vahlne & Johanson, 2017) and Innovation Model (Bilkey & Tesar, 1977) to Born Globals (Cavusgil & Knight, 2015; Knight & Cavusgil, 1996) focusing on the phenomenon of early and rapid internationalization among young, entrepreneurial firms. For this study, we do not differentiate between various export behaviours and only distinguish between firms that have recorded international sales from those that have not.

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', regardless of their current stage of internationalization and various export behaviours, to EAPS during this global crisis. Meanwhile, in addition to existing EAPS, governments worldwide introduced new initiatives to assist businesses, especially SMEs, struggling to survive due to the negative impact of the pandemic. In the U.S., government assistance responses to the COVID-19 pandemic included various CEAPS, 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 pandemic-specific CEAPS and how their support affects SMEs' survivability during this unprecedented global crisis (Dhe-wanto et al., 2020). However, the effectiveness of these CEAPS has yet to be examined thoroughly.

The extant literature also illustrates that SMEs tend to be less aware of EPPS, highlighting a need for external assistance or an intermediary, such as community banks, to improve communication with SMEs and prioritize their participation in the EAPS (Schembri et al., 2019).

Therefore, we developed four research questions to examine:

1. What were the impacts of COVID-19 on SMEs engaged in international trade?
2. How effective were various EAPS for SMEs engaged in international trade before and during the COVID-19 pandemic?
3. How did SMEs perceive and receive the COVID-19 pandemic-specific CEAPS?

What role did other stakeholders, such as community banks and related government agencies, play in affecting the awareness and effectiveness of EAPS and CEAPS?

A mixed-method approach was employed to answer these research questions. The majority of the prior research (87%) implemented a quantitative research method. Another 11% adopted qualitative analyses, and 2% used a mixed approach (Freixanet, 2022). We try to benefit from multiple information sources through a quantitative and qualitative analysis using primary and secondary data to generate research findings and draw conclusions.

3. Research Methods and Data Collection

3.1. Research Setting

This study, for data collection, purposely selected SMEs in California, where a significant number of firms engage in international trade. The main reason for us to plan our study this way was that the COVID-19 pandemic abruptly disrupted the agricultural supply chain in California and its key global markets. 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 resulting 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). EAPS have been offered to California SMEs through the joint efforts of multiple government agencies before and during the pandemic to support the local export business. In addition, since April 2020, the newly introduced pandemic-specific CEAPS, such as PPP and EIDL, have delivered additional help during these challenging and unprecedented times, providing this study with a suitable source for primary data collection.

We used multiple approaches to collect primary data with a local focus on California to address the research questions. Survey data were collected online by reaching 1,401 firms in the region for quantitative analysis. Furthermore, 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 analysed qualitatively to generate more meaningful findings and insights. In addition, we also benchmarked the primary data with the results from the Small Business Pulse Survey conducted by the U.S. Census Bureau during the same time.

3.2. Quantitative Approach

3.2.1. Sample and Data Collection

We conducted an online survey with California participants who subscribed to the U.S. Department of Commerce newsletter. The reason for using this group was that these SMEs either previously used some type of EAP or were interested in engaging in international trade. Their insights and comparison of the level of assistance received before and during COVID-19 would provide us with invaluable insights and assist us in answering our research questions. The informants were critical decision-makers for their respective SMEs. 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.

3.2.2. Questionnaire and Measures

We developed the survey questions 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 EAP 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 CEAPs 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

To compare the effectiveness of various EAPs before and during the COVID-19 pandemic, we conducted multiple analyses, including descriptive analysis, correlations, 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

In addition to quantitative analysis, this study also adopted a qualitative method of exploratory and reflexive nature (Alvesson & Sköldbberg, 2017) to generate a more profound understanding (Arber, 2006; Marschan-Piekkari & Welch, 2004). The qualitative analysis is descriptive and explicative in an attempt to understand better the processes and efforts of EAPS and CEAPS in response to the COVID-19 pandemic. SMEs and home country governments are primary stakeholders of trade promotion organizations, whose salience must be effectively leveraged to enhance international trade value creation and impact (Schembri et al., 2019). 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 CEAPS during these unprecedented times.

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

Since the pandemic restrictions were in place during the data collection portion of 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

First, the survey results highlight the importance of international trade to SMEs in California. The responses indicate that 26 firms, or 36%, were exporting while 9, or 13%, were involved in importing. The remaining 45 companies, or 63%, were not involved in international trade. Of 27 firms engaged in international trade, ten or 37% 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 California, where manufacturing and agricultural-related industries play a vital role in the local economy.

Second, for the primary overseas markets targeted by SMEs 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 export region with a 36% market share (represented by China/Hong Kong, Japan/Korea, and India). North America (Canada and Mexico) was the second with a 30% market share.

Almost all the responses we received, as shown in Table 1, 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 that are not engaged in international trade (average of 296 employees and \$17 million sales per firm). Such a comparison 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.

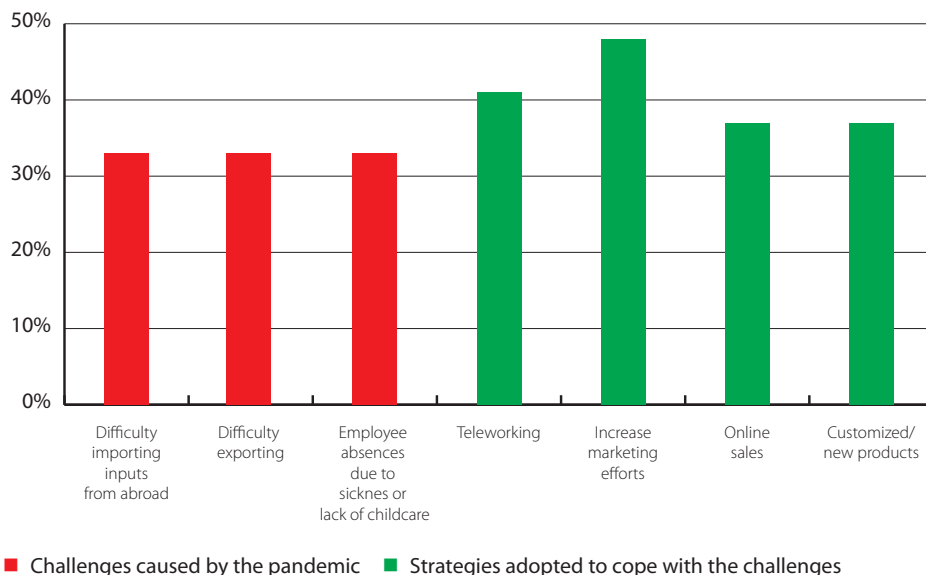
Table 1. Comparison between companies engaged and not engaged in international trade

	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
Percentiles 50	23	12	1,500,000	1,000,000	25.0
Percentiles 75	154	459	10,000,000	2,942,397	52.5

4.1.2. Research Question One

The survey results are shown in Figure 1 highlight the significant 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%).

Figure 1. Challenges SMEs engaged in international trade faced and strategies adopted during the COVID-19 pandemic



Using correlations with the Holm correction to adjust for multiple comparisons based on an alpha value of .05, we find a significant positive correlation between “How have your business operations been affected by the COVID-19 pandemic?” and “What percentage of your international trade receipts (sales) have been affected by the COVID-19?”, with a correlation of .73, indicating a large effect size ($p = .026$). This suggests that the fluctuation of international trade receipts (sales) is one of the primary determinants of SMEs’ perception of the pandemic’s impact. No other significant correlations were found.

We compared our results against the Small Business Pulse Survey conducted by the U.S. Census Bureau in the middle of September 2020. We noticed that 33% of SMEs nationwide claimed a sizeable negative effect caused by the pandemic (U.S. Census Bureau, 2021). By comparing the responses indicated in Table 2 between SMEs engaged in international trade and their counterparts during the COVID-19 pandemic, our results show 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%). SMEs engaged in international trade also tended to be more optimistic in anticipating when sales would return to normal. About 26% believed 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), indicating that SMEs with access to the international markets might have more confidence in sales recovery than those focusing on domestic business only.

Table 2. 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/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

In summary, 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:

- ◆ While 98% of SMES engaged in international trade acknowledged the impact of the pandemic, they were less strongly affected by the pandemic than their counterparts not involved in international trade and were also more optimistic about sales recovery.

- ◆ SMES engaged in international trade also had a relatively similar degree of typical difficulties in importing, exporting, and employee absences and actively adopted strategies to cope with the challenges caused by the pandemic.
- ◆ The variation of international trade receipts (sales) closely affects SMES' perception of the pandemic's impact.

4.1.3. Research Question Two

To explore Research Question Two, 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 (Ribeiro & Forte, 2019). Kendall's Coefficient of Concordance and Friedman Test Statistics were applied to compare the SMES' responses. No significant differences among 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 3.

Table 3. Comparison of EAPs before and during the COVID-19 pandemic

Test statistic ^a						
	Financial Support	Information services			Export facilitating activities	Education and training-related programs
	Credit insurance and guarantees	Specific export opportunities	Information on aggregate transactions	Procedures and means, including customs clearance	Trade-related offices or embassies or consulates abroad	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.

Table 3 shows six subitems of EAPs were perceived to be less effective with statistical significance during the pandemic to address the research question regarding comparing EAPs' effectiveness before and during the COVID-19 pandemic.

As discussed in the literature review, increasing export activities is a goal of most modern governments, creating various services designed to promote and increase the

export profile of local SMEs. SMEs can gain customers, identify prospects, gather intelligence, and disseminate information through these programs, among other benefits. To effectively compete, SMEs involved in international trade rely on their ability to obtain valid foreign market information, training in export documentation, finding agents/distributors, and so on. The findings from 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. government must ensure that exporters receive the assistance that helps them become more effective exporters, in addition to covering payroll through CEAPS during a crisis.

Consequently, public policy officials should focus more on improving the EAPS that exporters found less effective during the pandemic. The government must identify strategies to target these EAPS more effectively and efficiently. SMEs can also achieve better results by supplementing their resources and capabilities with government EAPS.

4.1.4. Research Question Three

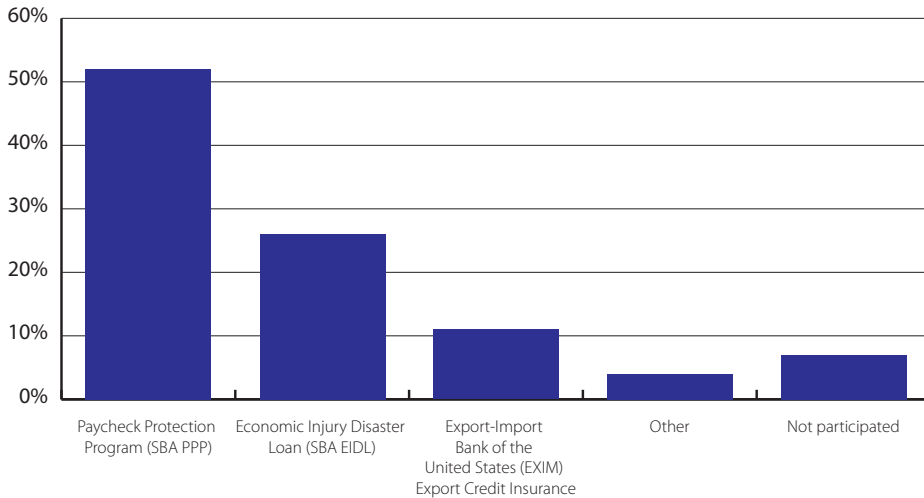
Figure 2 summarizes the response from SMEs engaged in international trade to various CEAPS serving as stimulus initiatives, especially PPP with a 52% participation rate and EIDL with 26%. The SBA administered both programs to provide timely support to SMEs during the pandemic. Meanwhile, Export Credit Insurance provided by EXIM also played a vital role in supporting 11% of SMEs during the pandemic. Another worth highlighting is that SMEs engaged in international trade were far more active in seeking CEAPS. 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 their peers engaged in international trade. Meanwhile, comparing our results against the Small Business Pulse Survey conducted by the U.S. Census Bureau in the middle of September 2020, 73% of SMEs received PPP nationwide, and 22% received EIDL (U.S. Census Bureau, 2021).

The last part of Table 2 also reflects how easy it was for SMEs engaged in international trade to access information and benefit from the government's (Federal/State/Local) pandemic-related CEAPS. 18% of SMEs involved in international trade think it was "easy" or "very easy" to get CEAPS information, while 44% of them felt that it was "difficult" or "very difficult." Again, these results suggest that this is an opportunity to improve awareness and access to CEAPS.

Notably, although their participation rate in obtaining CEAPS was relatively low, SMEs not involved in international trade felt that it was relatively easy to access CEAPS information, with 37% stating that it was "easy" or "very easy" to get CEAPS 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 "tough" to

obtain CEAP information compared to 44% of SMEs engaged in international trade. Such a discrepancy between the actual receipt of CEAPs and the easiness of accessing CEAPs information is worth further research.

Figure 2. CEAP & EAPs received by SMEs engaged in international trade



Contrary to our expectations, benchmarking against the national survey result, PPP was a less significant driver among eligible SMEs in California. Our finding related to the direct impact (or lack of) of PPP may be explained by considering the weak institutional context. Evidence suggests that, although the U.S. government supplied multiple CEAPs, 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).

Using correlations with the Holm correction to adjust for multiple comparisons based on an alpha value of .05, no significant correlations were found between firms' CEAPs participation rate, their characteristics, and their perception of the pandemic's impact.

To further understand the cause of such a significant gap, in our follow-up interviews, we discussed the process of CEAPs 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 California.

Therefore, for Research Question Three, we find evidence that SMEs engaged in international trade were more active in seeking CEAPS but had more challenges accessing the related information. Our research findings revealed a positive impact on SMEs involved in international business with relatively higher success in receiving CEAPS, 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 & CEAPS implementation

Our interviews showed that banks, especially community banks, played a critical and more active role in government stimulus initiatives and CEAPS such as PPP. The over \$2 trillion U.S. stimulus package approved by the U.S. 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 large and small businesses keep employees on their payrolls. The U.S. government relied on banks to implement these initiatives.

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

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

Our interview notes also indicate 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 in the context of our survey findings, which show that financial support in credit insurance assistance was not as highly rated as before the COVID-19 pandemic by SMEs (see Table 3). Meanwhile, on average, for SMEs engaged in international trade, 34% of annual sales were generated by international receivables (see Table 1). 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 help international trade finance.

Resulting from the U.S. government's efforts in streamlining CEAPS 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 looking to build out a value proposition. Banks often tried to set up platforms to streamline and improve the application process, often overwhelmed by the sheer volume of funds and requests during the pandemic. 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 improvements could potentially be leveraged to better deploy current and future export financing programs.

In addition to EAPS and CEAPS, 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 their applications repeatedly tend to be rejected because of poor credit ratings (Altin, Kizildag, & Bufquin, 2018; Han, Fraser, & Storey, 2009). Bankers, meanwhile, have frequently lacked reliable tools to predict creditworthiness among SMEs. As a possible solution, 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, digital signature, and other workflow tools to handle the volumes community bankers were processing could become very helpful in streamlining future loan applications and monitoring them more efficiently. Such digital resources would allow 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

This study also found some significant impacts external events have on SMEs' ability to succeed in international trade. For instance, informational support positively affects SMEs' relational capital, affecting their export activities' performance. Informational support includes training, expert conferences, information sessions on target countries, and information resources on exporting. In this process, government actors must find the expertise, and correct information and share it with SMEs.

During the interviews, we learned about issues with the shortage of shipping containers and delays in the supply chain, which echoed the report *Economic Impacts of the COVID-19 Pandemic on California Agriculture* prepared by ERA Economics LLC (2020) and one of the findings from our survey indicating the challenges of importing inputs as well as shipping goods to other countries during the pandemic. Therefore, we recognize the opportunity of leveraging community bankers as the information hub to assist SMEs since they can collect, aggregate, and disseminate timely information from and to their clients in various sectors.

4.2.3. Synergy between community bankers and related government agencies

The interviews with SBA, ITA, and USEAC representatives indicated that the government agencies have been streamlining some of the application processes for supporting export financing. Since community bankers have become very familiar with various SBA loan products, the revised application form would also ask SMEs to indicate if they are engaged in international trade to provide adequate support and targeted 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 CEAPS administrators to strengthen further their efforts in supporting SMEs engaged in international trade (Galli-Debicella, 2020).

Regarding 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) eliminate 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, these efforts seem to 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 serve better their SME clients engaged in international trade.

4.2.4. Research Question Four

Therefore, for Research Question Four, the above findings indicate the critical role of community banks and related government agencies, especially their timely and valuable support to SMEs in CEAPS execution during the COVID-19 pandemic. Moreover, 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. The gap between SMEs received PPP and EIDL in California compared to the national average.

5. Discussion and Future Research

5.1. Discussion

According to the United Nations, the COVID-19 pandemic will be remembered as the most influential occurrence since World War II. Although the world may never be the same again, the pandemic provided challenges and opportunities. Small businesses employ almost 50% of workers in the U.S., yet, Bartik et al. (2020) research on the impact of COVID-19 on SMEs in the U.S. underscores the financial fragility of many of them. How deeply affected they have been by the pandemic. We found that the same is true for SME exporters in Central California. Several businesses were temporarily closed despite government assistance, and employment had fallen significantly, shocking U.S. SMEs, including exporters, like the Great Depression of the 1930s. Our results suggest that many of these firms had little cash on hand toward the pandemic's beginning, meaning they had to either cut expenses dramatically, take on additional debt, or declare bankruptcy.

The literature reviewed emphasized the importance of government export assistance programs (EAPS) and export promotion programs (EPPs) to enhance the export performance of small- and medium-sized enterprises (SMEs). However, we argue that the literature lacks sufficient depth in analysing how different EPPs sustain SME export performance. Its validity and reliability are impacted by the absence of an EPP portfolio that guides an efficient resource allocation for different EPP types. As Han and Park (2019) argued, EPPs work differently for distinct SMEs via the value chain informedness of SMEs for export performance.

In addition to financial support, EAPS offer information services and export facilitating activities to SMEs in the U.S., particularly in California. The literature review partly suggests that SMEs who accepted government EAPS benefited and continue to benefit from more promising export performance (Francis & Collins-Dodd, 2004; Wang et al., 2016; Ribeiro & Forte, 2019). The role of EAPS and EPPs is related to the resources devoted to SME exporters' international activity, but these are not fully determinant of their global performance. These firms tend to be more customer-oriented and reactive than any other sector (Malca, Peña-Vinces, & Acedo, 2020). Nevertheless, SMEs perceived some of these programs as less effective during the pandemic. However, strategic marketing implementation capabilities were still instrumental during the pandemic. For example,

support in marketing development capabilities could adjudicate information-related programs and export performance. Policymakers should, therefore, promote and develop EAPS with a more explicit focus on such initiatives besides financial support to help SMEs improve their export performance.

While some SMEs engaged in international business reported a negative impact caused by the pandemic in 2020, the U.S. government argued that CEAPS had some favourable outcomes in mitigating the adversities of many SMEs and made it less daunting. After all, the investigated SMEs benefited from these CEAPS to varying extents through the support of the community banks. Still, we would argue that the opportunity generated among the community bankers and SMEs had considerable importance for their long-term and mutually beneficial association.

SMEs represent the backbone of the U.S. economy, as they participate substantially in developing private initiatives, innovation, and employment. In the wake of the COVID-19 pandemic, SMEs engaged in international business were strongly affected by the demand and supply of products and services, tightening the ability to gather financial resources to meet short-term liquidity demands and working capital requirements. Discussing the role of multilateral development banks, Anton and Nucu (2020) emphasized the critical role these financial institutions play in providing sustainable resources to SMEs. In the U.S., community bankers will continue to play a similar role, arguably a more critical function, in the SME's post-pandemic strategies. These banks could redirect their assistance from liquidity to structural support, digitize business operations, and increase consumer demand.

Nevertheless, not all SME proprietors are acquainted with bank lending or export-related financial assistance. To facilitate this type of assistance program, and many others, should it ever be required in the future, banks ought to devise a pathway for SMEs to access EAPS and CEAPS when available. One possibility is for the U.S. government and community bankers to efficiently cooperate and communicate their intellectual and physical resources more widely. Such cooperation will require specifying best practice parameters for overseeing EAPS and dispersing funds through the banks to the SMEs.

5.2. Limitations and Future Research

This study has several limitations. First, our analysis was restricted to investigating a specific dimension of a small sampling of SMEs located in California, in the U.S., limiting the generalizability of the outcomes. There is an opportunity to examine further the effect of EAPS and CEAPS with larger sample sizes or in other geographic locations. Collecting data during the pandemic could also be viewed as one of the limitations since the survey respondents could have other pressing issues rather than responding to an online survey.

Secondly, our analysis was limited to exploring the effect of EAPS and newly introduced CEAPS, particularly PPPs, predominantly based on Xia, Milevoj, and Goncalves' (2021) findings. Evaluating the specific impact of comparable programs and policies in a future investigation could further contribute to theory and practice. Also, this study was restricted to investigating those incentive programs that were only derived from government institutions. In addition to government assistance, private institutions offer critical sources of financial support for export-oriented SMEs, as portrayed in our survey results. Still, opportunities exist for further research to explore the effectiveness of support measures stemming from private institutions, specifically from industry organizations and private financial institutions.

After the pandemic, as we are already witnessing, international trade in its various expressions will continue (Contractor, 2022). Some could incorporate export strategy and external forces and embark on a more exhaustive examination of the distinct EAPS and CEAPS programs to extend the present analysis to generate a more evolved and comprehensive framework with greater explanatory power. Incorporating other potentially essential attributes from the practitioner and academic perspective could also be beneficial.

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