

# On the Determinants of Invoice Currency Pattern of Small Exporters: Novel Evidence from Questionnaire Survey of Japanese Exporting SMEs

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## Abstract

While the recent empirical studies explore what factors for choice of invoice currency in export function at a firm-level by using the questionnaire survey for listed firms that mainly includes large-size manufacturers, there is rare for such empirical study focusing on the determinants of currency invoicing pattern for exporting small and medium size enterprises (SMEs). We conducted the questionnaire survey for 2,100 firms that are unlisted manufacturers experiencing exports (continuing exports or start export) during 2010s and received responses from 300 firms. By constructing the database with status of invoice currency pattern and trade partner by export destination, we empirically examine the determinants of invoice currency in export by the probit model estimation. The main determinants that actually work for Japanese SMEs are as follows: (1) Volatility of exchange rate of destination country vis-à-vis Japanese yen hinders local (importer's) currency invoicing. (2) Intra-firm trades (to own subsidiaries and to related firms with capital tie) tend to be invoiced in US dollar and local currency comparing with inter-firm trades. (3) Final goods exports more tend to be invoiced in Japanese yen comparing with the intermediate goods such as parts and components. (4) firms with large global market share and/or frequent invention uses Japanese yen invoicing. (5) Soundness of financial condition affects the currency invoicing pattern. Firms with good credit score promotes local currency invoicing. (6) Long export experience by destination promotes USD invoicing. In summary, while we confirm most of determinants of currency invoicing for large listed firms are applicable to currency invoicing for Japanese exporting SMEs, we found that novel factors such as financial condition and export experience also work as the determinants for currency invoicing for small exporters.