

# **Access to finance and foreign technology upgrading: Firm level evidence from India**

Maria Bas and Antoine Berthou

## **Abstract**

Do firms that increase their access to finance are more likely to adopt foreign technology? Importing foreign capital goods is costly and requires to use internal or external financial resources. The benefits from foreign technology transfer may be heterogeneous across firms, if financial markets are imperfect. Credit constraints act thus as a barrier to foreign technology upgrading. We investigate this feature using detailed balance-sheet data for a sample of about 5,500 Indian firms, reporting information on financial health and imports by type of good over the period 1995-2008. Our empirical findings shed new light on the micro determinants of firms' import patterns. Estimation results show that firms with a lower leverage and higher liquidity are more likely to upgrade foreign technology (extensive margin of imports). We find similar results for the volume of imports of capital equipment goods (intensive margin of imports). Quantitatively, we find that financial health is twice as important as firms' size for importing foreign technology.

## **Brief profiles**

### **Dr. Maria Bas**



Maria Bas is an economist with the CEPII. She holds a PhD in Economics at EHESS and Paris School of Economics (PSE), with Highest Honors.

Maria Bas is a Teaching Assistant on Microeconomics and International Economics at ESSEC - Business School.

She has been a Post-doctoral Fellow at the London School of Economics, Center for Economic Performance (CEP) and at Penn State University.

### **Dr. Antoine Berthou**

Antoine Berthou is economist at CEPII. He holds a PhD in economics from the Paris School of Economics. His research mainly focuses on the effects of financial development, exchange rate movements and economic integration on international trade flows. More recently, he concentrated his research on export dynamics of French firms. Finally, part of his research is dedicated to the measurement of price strategies in international trade.

