

Currency Risk Management Practices Among Export-Oriented SMEs: A Comparative Study

Parth Chudasama

MSc International Finance, UK

Abstract

Export-oriented small and medium enterprises (SMEs) face significant exposure to currency fluctuations, yet often lack the financial sophistication or resources to implement formal hedging strategies available to larger multinational firms. This study examines the currency risk management practices adopted by SMEs across different export sectors, ranging from informal natural hedging techniques to limited use of financial derivatives. Drawing on survey and interview data from 247 SME exporters across four countries, the paper identifies key barriers to adopting formal hedging instruments, including cost, financial literacy gaps, and limited access to banking relationships that offer derivative products. The findings reveal a strong correlation between firm size, export market diversification, and the sophistication of risk management practices employed. The paper concludes with policy recommendations for trade finance institutions and banks to develop more accessible currency risk products tailored to SME needs.

Keywords: currency risk management, SME exporters, foreign exchange hedging, natural hedging, financial derivatives, trade finance, exchange rate exposure