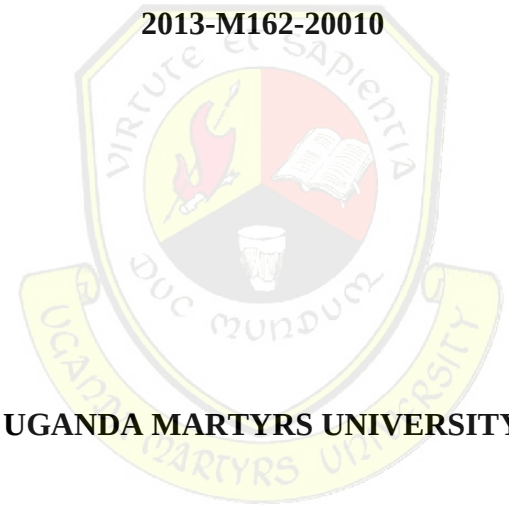
ANALYZING THE IMPACT OF TRADE FINANCE ON EXPORT TRADE

A CASE OF THE FLORICULTURE SECTOR IN UGANDA

OPWONYA PHILLIPS ROGERS

2013-M162-20010



UGANDA MARTYRS UNIVERSITY

OCTOBER 2016

ANALYZING THE IMPACT OF TRADE FINANCE ON EXPORT TRADE

A CASE OF THE FLORICULTURE SECTOR IN UGANDA

A POSTGRADUATE DISSERTATION

PRESENTED TO

THE EAST AFRICAN SCHOOL OF DIPLOMACY, GOVERNANCE AND INTERNATIONAL STUDIES

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR

THE AWARD OF THE DEGREE OF

MASTER OF ARTS IN INTERNATIONAL TRADE, POLICY AND LAW

UGANDA MARTRYS UNIVERSITY

OPWONYA PHILLIPS ROGERS

2013-M162-20010

OCTOBER, 2016

DEDICATION

To my grandfather, Mr. Thomas William Kidega Lakado, for your unwavering support, infinite love, sacrifices, encouragement, undying believe in me and inspiring me to reach this far.

ACKNOWLEDGMENT

Above all, I am grateful to God, the almighty who is the source of wisdom, breath and strength for my everyday life, and for graciously granting me the opportunity to pursue this course until the end point.

I extend my sincere appreciation to my supervisor – Mr. Aloysius Mubiru - whose commitment enabled me to accomplish this dissertation. Your constructive comments, invaluable thoughts, suggestions and support were vital to the development and completion of this thesis.

My deepest and heartfelt appreciation goes to my grandparents; Mr and Mrs Kidega who have always been tremendously loving, supportive, encouraging, and inspiring to me in diverse ways throughout the different aspects of my life. I will always be indebted to you for your prayers and immeasurable contribution towards my academic pursuits. Never doubt my love and admiration for you both.

To my mother Doris and brother Oscar – u couldn't have been more helpful.

Finally, Jimmy Odoki Acellam and Gorett Nakandi I extend my profound gratitude to you both, for the kind friendship and support always.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS / ACRONYMS

AIG	American Insurance Group
BIS	Bank for International Settlements
BOU:	Bank of Uganda
ECA	Export Credit Agency
ECGC:	Export Credit and Guarantee Corporation
EICI:	Export Inspection Council of India
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
ITC	International Trade Center
L/C:	Letter of Credit
NTAEs:	Non-Traditional Agricultural Exports
OCC	Office for the Controller of Currency
SAQs:	Self-Administered Questions
SBV	Silicon Valley Bank
SMEs:	Small Medium Enterprise
SSA:	Sub-Saharan Africa
TAEs:	Traditional Agricultural Exports
UFEA	Uganda Flower Exporters Association
UBOS	Uganda Bureau of Statistics
WTO:	World Trade Organization

ABSTRACT

The study analyzed the impact of trade finance and export trade in Uganda's floricultural sector. Four objectives guided the study: to determine the relationship between pre-shipment finance and floriculture export trade; to determine the relationship between post-shipment finance and floriculture export trade; to establish the relationship between export credit insurance and floriculture export trade; and to analyze the challenges in accessing trade finance by exporters.

A case study survey research design was employed during the study. A quantitative research approach was used where primary data was collected using Self-Administered Questionnaires (SAQs) as a tool from a sample size of 43 respondents who are employees of the flower farms and were reached through purposive and referral sampling techniques. The data was analyzed statistically in line with the study objectives using Statistical Package for Social Science (SPSS) to generate descriptive statics and test for association between variable using correlation after which presentation and conclusions were made in made in chapters four and five respectively.

The main findings of the study show that there is a significant relationship between pre-shipment, post-shipment and export credit insurance with export trade in terms of volume and value. According to the research findings, availability of trade finance increases floriculture exports. The study also found that exporters face challenges in accessing trade financing for export trade. This relationship was reached after carrying out the statistical analysis using the t-test and a linear regression for the case of challenges.

In conclusion, the researcher reveals that since there is a positive relationship between variables that this study examined and export trade; trade finance is an important trade facilitation tool that increases exports. Therefore, various institutions need to use appropriate interest to come up with new schemes, and support the existing mechanisms in place in order to ensure availability and access to trade finance to exporters to increase export earnings, encourage and boost commercialization, and diversification of agriculture for exports in Uganda so to increase foreign exchange earnings from exports.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Exports in Ugandan floriculture have grown substantially over the last decades and there is still a room for further growth (Byiers et al., 2015). Various potential factors have been outlined for the growth and continued functioning of the sector; and among others, trade-finance takes the leading role. In Uganda, exporting flowers is a non-traditional export activity but following the government's export-led growth strategy that was outlined in the National Trade Policy by 1980s, flower production and exports intensified and grew steadily but later decreased around 2010 onwards (Ssewanyana et al., 2009).

Besides, there is little information about the exact factors accelerating growth and development of floriculture within the nation. It is from this backdrop that this study analyzes the impact of trade finance on export trade; focusing on floriculture sector. Imperatively, trade finance is the provision of any form of financing that enables a trading activity to take place and which may be made directly to the supplier, to facilitate procurement of items for immediate sale and/or for storage for future activities, or it could be provided to the buyer, to enable him meet contract obligations (World Bank, 2014). Trade finance concerns both domestic and international trade transactions that require the use of given finance instrument in selling, shipping and delivering goods. It is one of the factors that normally aid in export trade (selling goods and services produced in the home country to other markets) at an international level of which some 80-90% of all exporters rely on (Auboin, 2009); and involves exporters and importers, banks and financiers, insurers and export credit agencies, and other service providers.

1.1 Background of the Study

Governments around the world (national governments under the EU) have prioritized export as a central strategy for economic prosperity in the new globe(Nanto, 2009). The focus on exporting as an engine of economic growth has taken hold in most developed and developing countries; even in nations with large domestic demand (Nanto, 2009). Most developing countries have realized that outward-bound in the international trade activities generate jobs and taxes at home and that export revenues are instrumental to enhance the welfare of citizens (Griffith and Czinkota, 2012). According to Asiedu-Appiah (2005), trade can be a powerful force for growth or poverty reduction; Countries that have increased their share of trade in their GDP have grown faster and reduced poverty more rapidly. African countries have realized that foreign aid that has been used for decades as a mechanism to speed up development in poorer countries that struggle to finance domestic investments as a need to fuel economic growth has not met its intended purpose (Hornbeck and Division 2008). They have therefore adopted a unified developmental policy approach through import substitution, developing production capacity and broadening of their export base through a more diversified national trade portfolio that can help in maintaining stability in export receipts, thus fostering long-term economic growth (WTO, 2014).

Workman (2015) states that exports from Africa were worth US$581.8 billion in 2013; but this represented an estimated 3.2% of total world exports. Statistics from the International Monetary Fund's World Economic Outlook (2014) reveals that the total Gross Domestic Product for all African countries amounted roughly $5.2 trillion in 2013 with the top 20 exporting countries contributing 92.4%. However, Africa's share of world trade remains low at just 3.3% and of this total, Sub-Saharan Africa (SSA) generated 2.2% (WTO, 2013).

For the last two decades, Uganda has enjoyed tremendous and uninterrupted growth with Gross Domestic Product (GDP) averaging 7.2% in 2009 (Little et al., 2007; Mahembe, 2014). Exports from Uganda increased over the same time period. Between 2007 and 2010, the value of Uganda's exports increased by over 21% and Uganda is estimated to have exported nearly US$ 2.5 billion in 2011, a 33% increase over 2010 (Office of the Prime Minister, 2015). According to Uganda Bureau of Statistics (2014), for the 2013/2014 fiscal year GDP growth stood at 4.7% and exports declined by 8.1% from the previous year. Uganda recorded a fall in export earnings in 2014 at US$ 2.68 billion compared to US$ 2.82 billion in 2013 (UBOS, 2014). At the backbone of Uganda's economic growth and exports trade is the agricultural sector, employing 72% of the working population compared to 4.4% and 15.8% for the industrial and services sector respectively, accounting for almost 90% of exports and contributing to 22.2% in GDP growth in 2013 (UBOS, 2014).

According to Joram (2010), the biggest export earners in the agricultural sector have historically been the Traditional Agricultural Exports - TAEs (Coffee, Cotton, Tea and Tobacco). But with declining trade share in the world trade for most Sub-Saharan countries and the collapse in demand and prices for traditional agricultural exports (TAEs), there has been a decline and fluctuation in export earnings and the government of Uganda adopted a policy shift in the late 1980s that sought to diversify the export base to include Non-Traditional Agricultural Exports (NTAEs) aimed at protecting the economy from adverse terms of trade and instability in export earnings associated with over dependence on TAEs (Sewanyana et al., 2011). Conceivably, exports from the NTAEs pushed exports revenue from US$ 50 million to US$ 100 million between 1990 and1 999 (UBOS, 2000).

An attempt to diversify agricultural sector, floriculture (flower farming – which will be used interchangeably with floriculture) emerged in 1992 as a high growth segment within agricultural sector through which Uganda can boost its export earnings and GDP. The avidity to engage in floriculture was contributed by favorable geographical conditions; the fact that flowers are luxurious products with high social value and high demand in developed countries – Europe and America (Mwase, 2014). In the study, farmers got finance to increase the quality and quantity of exports (UBOS, 2014). These have been accompanied with insurance services since they involve shipping for a long period of time and longer payment periods.

Floriculture production and export started in 1990s, precisely in 1993 with just three farms covering 2 hectares to over 20 farms in 2009 covering 192.1 hectares (Evers and Amoding, 2014). According to UIA (2009), the sector enjoyed robust growth and became one of Uganda's top five foreign exchange earners contributing close to $30 million in annual export revenue. Investment in the sector stood at over US $ 54 million, employing more than 6,000 people (UIA, 2009). The sector produces over 40 varieties which include among others; Roses (70%), Chrysanthemum cuttings (25%) and potted plants (5%) In the central region and around Lake Victoria basin in districts such as Mpigi, Mukono and Wakiso, floriculture has taken up as one of the commercial agriculture investments (Betsema and Westen 2016). This growth saw Uganda climbing to the third largest exporter of flowers to the European Union after Zimbabwe and Kenya respectively (Sheburne, 2010).

However, just like other export sector, floriculture faced and continues to face several challenges. Floricultural sector in Uganda has declined yet with potential of becoming a major export generator for the country. According to the International Trade Center (2013), Uganda's

flower exports fell from 70% of total floriculture exports in 2001 to less than 1% in 2012. Considered by many governments as an engine for economic growth and recovery, exports have been and continue to be facilitated through various measures among which include trade finance, availed to traders by financial institutions or private trade partners for export purposes (Sailendra, 2015). This is especially true for many developing countries, particularly South East Asia, where outward looking growth strategy has been adopted; governments provide export promotion services such as vat exemption and trade finance among others as an essential component of the strategy (Negash, 2008). While attempts have been made in Uganda to do the same, the global scarcity of finance worsened by the 2007-2009 liquidity crisis specifically in developing countries and low developing countries was identified by the WTO as a hindrance to economic growth and contributing to the collapse of world trade between 2008 and 2009 (WTO, 2013).

Within Uganda's floriculture industry, growth and survival is dependent on export sales in terms of how much is exported (volume / quantity) and how much revenue is earned from exports (value); availability of increased supply of finance and credit (pre and post shipment fiancé and export credit insurance) translate into an increase in exports (Dijkstra and Centre, 2001). According to Vera (2010), the more available loans are, the more likely the business activity, including export, is especially for industries demanding high external investment and having low rate of tangible assets. Financial institutions involved in trade finance must therefore ensure constant finance flows both in terms of access and availability to trade to mitigate the shrinking trade flows associated with trade finance in Uganda's floriculture sector.

1.2 Statement of the Problem

Most of the Sub-Saharan countries and Uganda in particular rely on agriculture in order to strengthen their economies (World Bank, 2013). Despite this, tradability of agriculture has remained low with subsistence being a mode of agriculture focusing on the production of staple food crops for local consumption than producing for sale (Chebelyon, 2010). Few agricultural cash crops have been produced and exported over the years although their production is characterized by fluctuation and low output figures that need intervention. In Uganda for instance, traditional exports have had a declining trend with regards to export volumes. The Government of Uganda has advised and encourage diversification and commercialization of agriculture leading to the emergence of floriculture (flower farming) (Gautam et al., 2010; Nabwire, 2015).

Despite numerous efforts and incentives by Uganda's government to boost exports, exports have continued to decline, for instance at US$ 2.68 billion in 2014 compared to US$ 2.82 billion in 2013; with floriculture exports falling to US$ 52.99 million in the fiscal year 2011/2012 down from US$ 55.55 in the fiscal year 2012/2013 (BOU, 2015). Floriculture has however never had boasting domestic market but rather a huge export market which has not been fully exploited due limited finances devoted towards the sector (UIA, 2009). According to Sailendra (2015), the absence of an adequate trade finance infrastructure is, in effect, equivalent to a trade barrier and these calls for increased efforts to support the floriculture sector through trade finance; as trade finance is the method that importers and exporters of commodities use to finance their businesses.

It is from this perspective that this study assessed the impact of trade finance on export trade of the floriculture sector in Uganda.

1.3 Objective of the Study

1.3.1 General Objective

The purpose of the study was to establish the impact of trade finance on export trade specifically in Uganda's floricultural sector.

1.3.2 Specific Objectives

i. To determine the relationship between pre-shipment finance and export trade of floriculture in Uganda

ii. To determine the relationship between post-shipment finance and export trade of floriculture in Uganda

iii. To establish the relationship between export credit insurance and export trade of floriculture in Uganda.

iv. To analyze the challenges in accessing trade finance by exporters of floricultural in Uganda.

1.4 Research Questions

i. Is there a relationship between pre-shipment finance and export trade of floriculture in Uganda?

ii. What is the relationship between post-shipment finance and export trade of floriculture in Uganda?

iii. Is there a relationship between export credit insurance and export trade of floriculture in Uganda?

iv. What are the challenges faced by exporters of floricultural in accessing trade finance in Uganda?

1.5 Scope of the Study

1.5.1 Geographical Scope

The study was conducted in Uganda; particularly in Mpigi, Mukono and Wakiso districts which were selected because of the concentration of firms engaged in floriculture in these areas. According to UFEA (2015), there are 22 floriculture firms operating in these areas. Besides, this scope was selected having realized that the three districts are near Kampala – Capital of Uganda and Entebbe International Airport. The nearness to Kampala was seen a major factor that could enable firms access finance from growing number of financial institutions and access to Entebbe Airport for quick and easy exportation.

1.5.2 Content Scope

The study established the impact of trade finance and export trade with specific focus on the relationship between pre-shipment finance and post-shipment finance with export trade; and export credit insurance and export trade using Uganda's floriculture sector as a case study. Trade finance forms of pre and post-shipment finance, and export credit insurance are been used in academic literature to explain the process by which individual firms initiate, develop and sustain their involvement in international trade activities (Biesebroeck and Konings, 2016). The study will use pre-shipment finance, post-shipment finance and export credit insurance available to firms to understand their impact on export trade. Increase in exports will be used to measure the impact of trade finance. Factors affecting access to trade finance namely bank interest rates, size of the firm, political instability and economic restrictions are important in gauging the availability of trade finance. Government policies (intervention of the central bank and monetary policy are factors that affect also both trade finance and export trade.

1.5.3 Time Scope

The time scope for the study was between 2007 and 2015. The time period was selected because it was when Uganda's effort to diversify agriculture and the need to increase exports gained momentum with different firms registering as small and medium enterprises involved in various activities; among which has been floriculture (Mashindano, 2013). It was in between the same period from 2007 – 2009 that the global economy witnessed a trade collapse as a result of financial crisis that eventually changed the nature of export financing (Griffith and Czinkota, 2012). It's also in this period that Uganda saw a sag or decline in its export earnings.

The period time period to write the thesis and undertake fieldwork to gather data using questionnaires from the target respondents was between December, 2014 and March, 2016 respectively. Also, the study considered key literature and scenarios within 10 years; that the researcher hoped would provide the necessary information and feedback for reliability and validity for study.

1.6 Significance of the Study

The intent of this study is to contribute to the overall knowledge base about trade finance and its importance to the flow of exports to their final destination. This in turn contributes to increased body of knowledge that can lead farmers to engage in floriculture to be able to promote economic growth through job creation and revenue generation.

The study benefits exporting firms whose major focus has been to increase the scope of their exports. Basing on the objectives and findings of the study, the role of pre and post-shipment is stressed as important in export trade. Therefore, firms in Uganda find the importance of trade finance and how it can assist to increase their value and volumes of export.

The policy makers both in the private sector and government find the study imperative towards trajectory for designing monetary and insurance policy. In the first instance, the policy makers realize that trade finance is an important tool to increase activities and volume of export trade. This in turn encourages them to design policies that favor farmers to access and utilize trade finance. Besides, the BOU and other commercial institutions are advised to avail trade finance to the firms in need.

Furthermore, the study can also be used as impute for policy makers who are involved in designing and implementing policies with regard to promoting the export business such as Ministry of Trade, Industry and Cooperative, Uganda Export Promotions Board, Uganda Investment Authority and other trade support institutions both local and international.

1.7 Justification of the Study

Uganda is one of the developing countries of the world with most of its populace depending on subsistence agriculture and rural farmers producing food crops for home consumption. The few traditional cash crops such as cotton, coffee, tea and tobacco are produced on small scale with less domestic and foreign markets. In attempt to diversify exports and commercialize agriculture, the government encouraged nationals to engage in floriculture by 1980 (Gollin and Rogerson 2010). Although different firms and farms were started in trajectory to diversify agriculture focusing on the foreign markets, there is still low production from Uganda to the foreign markets. While some farmers shun production of flowers and remain in traditional cash and food crops, others that have taken keen interest in production of flowers have got limited resources due to ignorance of the roles of financial institutions in boosting agriculture activities and export activities, the lack of a developed and an efficient trade finance infrastructure such EXIM banks

and limited government involvement, assistance and support in terms of export financing towards the floriculture sector that has led to a demise of some firms in the sector. It is from this background that this study was carried out focusing of trade finance such that farmers can be enlightened about financial institutions towards such commercial farming. Besides, the study increases awareness about the advantages that accrue from floriculture to Uganda's economy in general.

Since Uganda has a small domestic market, floriculture activities target foreign market. Foreign markets involve many items and activities such as exportation and shipping goods to the final destinations. Among other factors that can easily boost export, trade finance has been cardinal yet majority farmers in Uganda fear to take loans because of the risks emended therein; yet finance is the oil that lubricates the engine of global commerce. This study therefore informs prospective and current exporters from all industry sectors about the advantages of seeking trade finance in both pre and post-shipment periods.

Efforts to increase floriculture products and its subsequent exports have got a basis in Uganda but there is still low production; limited new entrants and concentration of firms in the sector. This is because majority of the farmers still live for substance agriculture and produce for the daily foods and at a low rate. Also, the commercial producers have concentrated on traditional agricultural commodities instead of diversifying to the floriculture sector. The government initiatives towards agriculture production through agricultural diversification programs have never been given an upper priority by farmers. Basing on this perspective, this study is carried out to shade light to Ugandans that there are different benefits accruing from floriculture and commercialization of agriculture; for international trade purposes.

Suffice to remark however is that most of floriculture firms and farms in Uganda are dominated by foreigners. It is hoped that the policy emphasizing trade finance in Uganda can attract Ugandans into production and to the road of diversification of agriculture for exports.

1.8 Definition of Key Terms

Floriculture: The term is used to refer to the cultivation and marketing of a wide variety of plants and planning materials including parental products like cut flowers, foliage, potted plants, garden plants, nursery stock (trees), flowering leafy, annuals, perennials, flower bulbs and tubers. As an industry, floriculture comprises both production and marketing of different varieties of flower and related plants.

Trade finance: For the purpose of this study, trade finance (pre-shipment, post-shipment and export credit insurance) is used to refer to the innovative, custom-engineered financial products and services that meet a country's import and export needs. This definition aligns with the BIS (2014) definition of trade finance as; providing working capital tied to and in support of international trade transactions, and/or providing a means to reduce payment risk. Trade finance is also sometimes referred to as export finance,

Pre-shipment Finance: In this study is used to mean the working capital an exporter needs between the time of the receipt of the order and the time of shipment. This is financing for the period prior to the shipment of goods to support pre-export activities like wages and overhead costs. Banks and other financial institutions grant Post-Shipment Finance to exporters based on certain criteria for eligibility such as production of the export order from the importers or other proof of an export order, for granting the finance. It takes the form of short-term loans and can be

collateralized by a letter of credit (L/C) from the importer and/or mortgage on exporter's assets, overdrafts and cash credits.

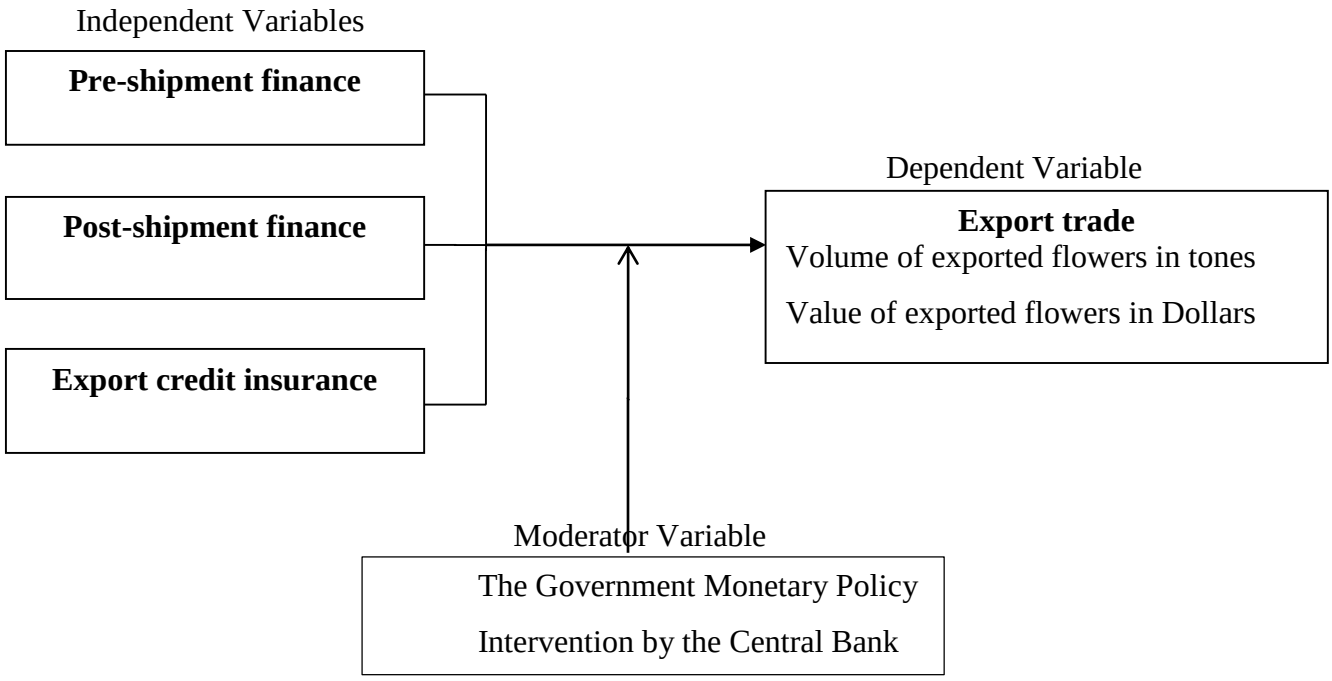
Post-shipment Finance: This study defines post-shipment finance as financing mostly used for the short-term up to 180 days, but can be medium- or long-term, up-to 5 years, for capital goods exports. It represents working capital provided for the time interval between the shipment of the goods and the actual payment. Including factoring (invoice discounting) and forfaiting, post-shipment financing is normally weakly utilized, mostly due to the lack of acceptable importer's bank guarantees in most developing nations.

Export Credit Insurance: For the purpose of this study, this is a trade finance instrument that involves insurance against risks. It is provided by public export credit agencies (ECAs) or private insurance firms to exporters and financial intermediaries engaged in trade finance to mitigate the risk of non-payment The types of export credit insurance used vary from country to country and depends on traders' perceived needs (BIS, 2014).

1.9 Conceptual Framework

The conceptual framework shows the relationship between trade Finance and export Trade (Fig. 1).

Figure 1: Trade Finance and Export Trade



Source: Comeig et al. (2014)

The conceptual framework shows that there is a relationship between pre-shipment, post-shipment, export credit insurance and export trade. In this relationship, the former is independent variables and the latter is dependent variable. The increase or decrease of export trade (dependent variables) volume and value depends on the amount of pre-shipment, post-shipment and export credit insurance (independent variable). The conceptual framework shows that for this to occur, there must be moderating variables. This study uses the government monetary policy and intervention by the central bank as intervening variables.

The government monetary policy and intervention of the central bank are used as intervening variables because they control monetary transactions and interest charged in provision of trade finance. The bank or banks are also responsible to evaluate whom to receive trade finance in an effort to increase exports.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature that was reviewed for this study. It starts with the theoretical frame work, and then gives the literature basing on the conceptual framework and objectives of the study. It also gives the risks involved in using finance trade in exports; particularly on the commercial banks.

2.1 Theoretical Frame Work

The study was guided by Packing Order by Modigliani and Miller (1958) and Credit Rationing Theory by Stiglitz and Weiss (1981).

2.1.1 The Pecking Order

The Pecking Order Theory has its roots in the 1958 seminal works of Modigliani and Miller (1958). Modigliani and Miller (1958) made a proposition for an optimal debt and equity capital structure for a firm. The theory assumes that capital markets were perfect and concluded that the capital structure decision is irrelevant. Modigliani and Miller (1958)'s optimal capital structure theory was criticized because imperfections exist in capital markets that manifest as information asymmetry, agency costs, transaction costs, bankruptcy costs, and tax (Matemilola et al., 2001; Miglo, 2012).

The Pecking Order Theory offers the optimum explanation of capital structure decisions in the real world (Frank et al., 2005). The Pecking Order Theory asserted firms faced by an adverse selection of financing needs; follow a financing order or financing hierarchy. According to the

mentioned theory, firms are expected to first use internal sources of finance such as retained earnings over debt, followed by debt over equity, and consider equity issuance as a last resort. Internal sources of finance are higher in the financing hierarchy than external financing. Firm managers prefer to invest using retained profit over external capital. Macan et al. (2011) found support for the packing order theory and emphasized the importance of profitability in financing. The high information asymmetry costs associated with raising external capital render retained profit a higher position in the pecking order (Matemilola and Bany-Ariffin, 2011).

The asymmetric information between managers of firms and investors, show that equity is a less preferred means for raising capital (Raude et al., 2015). Because managers have more information about the risks and prospects of the company as compared to investors; managers tend to overvalue, while investors tend to undervalue equity issuances. Macan et al. (2011) found high use of debt financing and attributed it to provision of personal assets of firm owners' as a form of collateral. For some SMEs, debt is almost the only source of external capital available (Serrasqueiro and Nunes, 2012). Debt finance is positively associated with productivity growth (Osei-Assibey, 2013).

In line with the Pecking Order Theory, some SMEs finance their investments with internal resources, equity, and informal finance (Beck, 2007). Yazdanfar and Öhman (2015) maintained that some SME managers finance their enterprises to a high degree using equity. Dong and Men (2014) observed that some younger and smaller firms, especially in nonmanufacturing sectors, rely heavily on internal financing. In Nigeria, Ezeoha (2011) used data from 71 nonfinancial firms on the Nigerian Stock Exchange and concluded firms/industries that are profitable have less proportion of debt.

In Greece, Daskalakis et al. (2013) found micro and small firms relied heavily on their own funds and were not eager to raise new equity financing from sources outside the family. Serrasqueiro and Nunes (2012) concluded that the pecking order theory has greater relevance in explaining capital structure decisions of younger firms, as problems of information asymmetry diminish with age of a firm.

2.1.2 Credit Rationing Theory

Credit Rationing Theory is another theory that was used to guide this study. Stiglitz and Weiss (1981) provide the first theoretical justification of credit rationing. Credit rationing theory applies in situations where among observationally identical loan applicants, some receive credit and others do not, with the latter not being able to receive credit even if they were willing to pay higher interest or provide higher collateral than is demanded.

Ali and Deininger (2014) asserted that high levels of risk lead to widespread voluntary and involuntary credit rationing. Small businesses, associated with significant asymmetric information, naturally experience the highest levels of credit rationing (Canales and Nanda, 2012). Smaller and younger enterprises consistently face greater financing obstacles (Dong and Men, 2014). Credit rationing applies where an identifiable population segment is unable to access credit, even with a larger supply of credit. Credit rationing is not a result of credit shortages, but rather imperfect and asymmetric information and incentive problems in bank lending.

Credit rationing strongly influences the viability of SMEs (Comeig et al., 2014). In Ghana, Osei-Assibey (2013) maintained that owing to the information problem, the vibrant Ghanaian commercial banking industry restricts credit access to micro and small enterprises. In the UK,

Armstrong et al. (2013) conjectured the ongoing restrictions on the availability of credit to SMEs.

2.2 Trade Finance

Trade finance is the engine of an estimated $14 trillion in annual global commerce and is fundamental to the movement of goods at all stages of the supply chain, especially in emerging markets (International Finance Corporation – IFC, 2016). Simply referred to as the financing of trade, trade finance revolves around the costs involved in setting up and running an export operation and the approach needed to manage payment risk (Asiedu-Appiah, 2005). Trade finance involves, a range of financial products and services – from bank guarantees to specialized loans providing exporters with working capital developed to allow businesses to trade with confidence **(**Manova, 2013); and is considered different from regular commercial bank lending, but generally reserved for bank products that are specifically linked to underlying international trade transactions (exports or imports).

As a specialized area of finance that deals with financing of import and export transactions, trade finance is critical for supporting global trade flows and its widespread use of is one of the factors that have contributed to the enormous growth of international trade in recent decades which totaled around US$18 trillion in 2011 (WTO, 2014); with the WTO contending that 80 -90% of global trade is supported by trade finance, making it vital for economic prosperity. The extreme importance of trade finance for world export trade was demonstrated during the economic crisis of 2008–09 when the global credit crunch magnified the slowdown in exports. In 2009, the number of SWIFT messages (often used as a proxy to understand the trend in trade finance volumes) fell 9.1% to 40.6 million as global merchandise exports dropped 22.4% to USD 12.5 trillion (Griffith and Czinkota, 2012).

All trading transactions require financing to bridge the gap between production, delivery and receipt of payment. This financing is either undertaken by the purchaser, the vendor or financial intermediaries making trade finance the backbone of international trade (Brandi Schmitz and Hambloch, 2014) **as** it covers a wide spectrum of payment arrangements between importers and exporters. Products available include letters of credit (L/Cs), import financing, guarantees, L/C confirmation, pre-shipment export financing, invoice financing, and documentary collections; and fundamentally comprises four aspects, which are payment facilitation, financing, risk mitigation, and the provision of information about the status of payments or shipments tailored to suit the circumstances of a particular market or of a trading relationship (Contessi and Nicola, 2013)

Traditionally, only major banks, international financial institutions and government agencies provided trade finance. This, however, has now expanded to include several other global and local banks; and financial institutions that support international trade through a wide range of products that help their customers manage their international payments, associated risks, and provide needed working capital thereby facilitation trade by helping overcome the information gap between traders enabling them to trust a system whereby sellers will be paid under certain conditions and buyers will get the products they paid for (ICC, 2014).

The largest share of the US$18 trillion worth of annual trade transactions is not paid cash and involves some form of finance (credit, insurance or guarantee) hence considering a very large trade finance market well over US$ 10 trillion annually. One or more bank-intermediated trade finance products supports about one-third of global trade with the remainder being financed by inter-firm trade credit (non-bank intermediated) (BIS, 2014). Despite this, the lack of a single comprehensive data and statistics source to evaluate the exact composition and market size of

trade finance exist making the exact amount of missing and available trade finance unknown (BIS, 2014). There are persistently significant gaps in provision trade finance in global trade sphere and the population impacted varies both temporarily and geographically and therefore many companies especially in developing economies cannot access the financial tools that they need and without adequate trade finance, opportunities for growth and development are missed; businesses are deprived of the fuel they need to trade and expand (WTO, 2015, WTO, 2016). These gap widened especially in the heat of the 2008-2009 global financial crises creating a shortage of trade finance which accelerated the collapse in world trade due to the temporary inability of private sector banks to respond to their customers' financing needs (WTO, 2015).

Through its trade survey in 2013, in cooperation with partner organizations, of financial service providers and companies involved in international trade about their use of trade finance, the African Development Bank estimated that of the $4.6 trillion in proposed trade finance globally in 2012, only $3 trillion of the demand was met by commercial banks, leaving a $1.6 trillion funding gap (ADB, 2014) and is due to numerous risks. SWIFT however, estimated the global trade finance gap in 2013 at US$ 1.9 trillion with $1.1 trillion of this gap in developing Asia (including India and the China) (DiCaprio, Beck & Daquis, 2014**).** Africa's unmet demand was estimated at US$120 billion in 2011 and US $110 billion in 2012 (Gajigo et al, 2014). Geographically, Asia accounts for much of the gap in global trade finance. The movement of goods between producer and consumer markets has suffers a substantial reduction resulting from the gap in trade finance (ITC, 2009).

The developments in trade finance suggest that global and local trade finance markets are likely to be resilient unless there are severe, adverse shocks that affect the creditworthiness and access to foreign currency funding of the majority of banks active in these markets (Bank of England 2015). However, a result of severe global shocks such as in 2008–09, or severe country-specific shocks, it seems that trade finance can act as an amplifier of financial shocks with potential repercussions for the real economy. Therefore, nations should provide rationale for policy responses aimed at limiting any externalities for global trade from individual banks' withdrawal from trade finance markets (Rose et al., 2010). Yet even in crisis conditions it seems that trade finance claims have been relatively safe and liquid assets, themselves posing only limited risks to banks and overall financial stability.

Before to the global financial crisis of 2008–09, the role of trade finance in international trade received relatively little attention from policymakers, academics and economic commentators (Batchelder et al., 2016). However, with the beginning of 2008, subjective reports suggest that disruptions in the availability of trade finance, particularly in the aftermath of the Lehman bankruptcy 2007 - 2008, could be playing an important contributory role to the then ongoing contraction in trade flows. Indeed, concerns about a perceived shortage of trade finance elicited joint efforts by the public sector and industry to improve the available data on trade finance markets, and led the G20 leaders to call for joint public sector efforts to boost the availability of trade finance (Ahn et al., 2011; Sheburne, 2010; Chauffour and Malouche, 2011)

The World Bank Group and the regional development banks substantially expanded their support for the sector, largely through Export Finance Guarantee Programmes (Nelson, 2012; World Bank, 2012). Other countries also followed suit; For instance, Brazil and Korea introduced

innovative schemes targeting trade finance markets directly through their central banks. Trade volumes contracted at a much faster pace than global GDP in 2008–09 – by a factor of four in the 12 months ending March 2009 (World Bank, 2012). Many nations took the relatively large fall in trade as prima facie evidence that something more than the global recession was behind the so-called "Great Trade Collapse" (World Bank, 2012).

Chauffour and Malouche (2011) are of the view that given the rapid decline in trade and concerns over the functioning of trade finance markets in the aftermath of the Lehman failure, policymakers around the globe started a variety of initiatives to support the financing of trade. These included pledge by the G20 in 2009 to ensure the availability of US$250 billion for trade facilitation over the following two years. While the initiative appears to have had some positive impact, it is worth keeping in mind that the overall scale was significantly smaller than the apparent contraction in trade finance (Alexander et al., 2010). Average utilization rates across all policy initiatives were fairly high in the first half of 2009, at around 70%, but then tapered off to 40% in the second half of the year, with some variation across jurisdictions. The reduced utilization rate was viewed positively, as a sign of normalization of the trade finance market and measures were taken at both the international and national (Cheong and Kim, 2015.)

At the international level, Multilateral Development Banks (MDBs) provided substantial support to mitigate the liquidity decline and fall in global trade (Buckley, RP; Arner, DW; Stanley, RL, 2009). A number of trade facilitation programs were structured to work collaboratively with commercial bank providers / financial intermediaries, drawing on their expertise and funding. For example, the World Bank's International Financial Corporation (IFC) introduced the Global Trade Liquidity Pool in January 2010, allowing for a 40 to 60% co-lending arrangement between

the IFC and banks in developing countries. The IFC initiated the fund with US$ 5 billion, matched by US$ 7.5 billion in commercial bank funding (World Economic Forum, 2013; Humphrey, 2015).

The World Economic Forum (2013) shows that the bulk of the support was provided by national Export Credit Agencies (ECAs), yet success seem to have been uneven. Countries where existing ECA facilities to provide short-term trade finance were intensified and/or broadened immediately after the Lehman bankruptcy seem to have been successful in supporting trade finance markets (Horizons Global Development, 2011). For example, the US Ex-Im Bank increased credit insurance by 75% and direct loans from US$12 million to over US$3,000 million in the first nine months of 2009. Likewise, in Korea, direct loans from the Korean Export- Import Bank (KEXIM) increased by 40% and short-term export credit insurance cover by 32% from 2008 to 2009 (World Bank, 2015).

In Europe, where ECAs were not allowed to provide short-term trade credit insurance so as not to interfere with private trade credit insurance markets, 14 countries implemented state aid schemes in an effort to support the market for short-term export credit insurance in mid- or late 2009 (World Bank, 2012). The available information indicates mixed success. For example, in Denmark and the Netherlands, usage was limited and terms had to be modified over time to adequately provide exporters with the necessary coverage for their short-term export credit transactions. Germany, in contrast, experienced considerable demand from exporters for the coverage under the public scheme. On a cumulative basis, the total volume of approved limits under the measure amounted to EUR 992 million (in the first seven months of the scheme) and

the actual value of insured exports under these limits reached EUR 465 million (World Bank, 2012).

The Brazilian and Korean central banks also took measures in support of bank-intermediated trade finance markets (Garralda and Vasishtha, 2015). In the first instance, both offered indirect support through the provision of US dollar liquidity shortly after the Lehman Brothers failure to alleviate broader dollar funding pressures. In addition, both central banks introduced innovative schemes targeting trade finance markets directly. The Central Bank of Brazil undertook several short-term dollar repo operations funding new Advances on Export Exchange Contracts (ACCs) – a Brazil-specific type of export loan. The ACCs were later used as collateral for one-year foreign currency loans (Crosignani and Faria-e-castro, 2015). In November 2008, the size of these repo operations covered 95% of all newly issued ACCs, dropping to under 30% at the end of the Programme in May 2009. In total, US$9.4 billion was injected into the Brazilian trade finance market (ICC, 2015).

Garralda and Vasishtha (2015) further remarked that in Korea, the Bank of Korea offered a total of US$10 billion in loans with maturities of mostly six months against SME export bills as collateral. The take- up rate of loans was less than 2%, most likely owing to the fact that funding conditions had already improved by the time the Programme was in place (ICC, 2015). This contrasts with take-up rates close to 100% for other official sector programmes supporting trade in Korea that had already started to operate in November 2008. Given the relatively benign developments in 2011–12, the beneficial effects of the European Commercial Banks' (ECBs) longer-term refinancing operations (LTROs) for broader market sentiment and the dollar auctions by the ECB, policymakers did not perceive a need for a broad policy response during

this period. Nevertheless, some MDBs experienced increased utilization of existing facilities to support trade finance and also adapted their programmes to address observed market strains. More so, some central banks expanded the pool of eligible collateral to cover trade finance-related products (BIS, 2014).

2.2.1 Nature of Trade Finance

According to the ICC (2015), low loss rates and short maturities, combined with the limited overall size of trade finance assets relative to bank

balance sheets are the major risks and suggest that losses on trade finance exposures are unlikely to pose a financial stability risk in and of themselves. Data from the ICC trade register suggest that default and loss rates for traditional trade finance products are very low, at least for the largest banks (ICC, 2015). The average default rate in UK per transaction across short-term trade finance products covered transactions during 2008–11 is 0.02%, compared to the average loss rate which is 0.01%. Moreover, the variation in default rates by product, including L/Cs and loans, and across institutions is minimal, and loss rates are accordingly low (ICC, 2015). In the period 2008–11, the write-off rates on defaulted funded loans and performance guarantees varied between 26% and 65% in contrast, write-off rates on L/Cs were very low (0–3%). Delinquency rates in Brazil (defined as credit overdue more than 90 days) exceed those on instruments covered by the ICC trade register by a factor of 10–45, but were still low compared to rates on other Brazilian loans (BIS, 2014).

Depending on the product, monthly delinquency rates ranged from 0.2% (import financing) to 0.9% on average in 2012. Surveys of a broader range of banks also suggest that trade finance loans have a relatively good payment record though perhaps not as uniformly strong as suggested

by the ICC trade register (BIS, 2014). Three fifths of respondents to the 2010 ICC survey of 161 banks in 75 countries reported that losses on trade finance were significantly lower than those experienced under general banking facilities, and only 4% of respondents said their losses were higher (ICC, 2015).

Private trade credit insurers report relatively low loss rates; albeit larger and more volatile than indicated by the ICC trade register (Martín-Oliver and Saurina, 2007). The loss rate as calculated by the ratio of claims over exposures was 0.17% on average between 2005 and 2012, but then almost doubled to 0.30% in 2009. When banks have sought to reduce their trade credit exposures by allowing portfolios to roll off in recent years, they appear to have been able to do so without a notable surge in delinquencies (Kerr, 2014). The ability to reduce trade finance exposures most likely reflects their short maturity, relatively small size and the linkage between trade finance loans and underlying real transactions, which provide the means for repayment on maturity.

Wehinger et al. (2015) noted that an increased non-bank participation in funding trade finance assets in principle should make the trade finance market more resilient by lowering linkages between originating banks' capital and liquidity position. The willingness and ability to originate trade finance loans but to the extent that securitization grows over time; there could be a number of potential risks. First, shifts in investor demand and funding models could introduce additional volatility into the availability of trade finance through the business cycle. For example, in Africa, the attractiveness of securitization could deteriorate quickly if the economics of the trade finance business change (if margins narrow or credit costs rise due to an adverse turn in the business cycle), with potential attendant risks for the supply of trade finance (Kerr, 2014).

Secondly, given the potential for large information asymmetries, assessing and maintaining underwriting standards may become problematic, which may reduce investors willingness to provide funds (Gustin, 2014). Narrow spreads and short maturities provide limited scope to fund multiple assessments of transaction risks. In the event that credit evaluations are outsourced to the originator, agency problems arise that can lead to riskier-than-perceived assets being originated with insufficient risk compensation. In principle, banks have incentives to maintain their reputations for originating high- quality assets, so as to maintain the returns on their origination expertise (Martín-Oliver and Saurina, 2007; World Bank, 2009). Yet the experience during the recent crisis suggests that these incentives can be compromised by competitive pressures, eroding underwriting standards. In addition, information flow can suffer along the securitization chain and, in the event of deteriorating asset quality; investors may find it difficult to distinguish the roles played by adverse business conditions versus weakened underwriting (Cetorelli and Peristiani, 2012). This, in turn, could lead to reluctance to fund further or roll over funding for exiting assets, triggering pro-cyclical feedback effects.

2.2.2 Risks Involved in Using Trade Finance

Niepmann and Schmidt-Eisenlohr (2014) noted that banks have developed business lines designed to help importers and exporters mitigate the credit risk inherent in the purchase and shipment of goods, largely by using commercial documentary letters of credit. Banks also have developed financing programs designed to finance the acquisition of goods by importers or to finance their clients' suppliers especially for small scale suppliers who often have difficulty in obtaining the capital needed to finance their, particularly when experiencing rapid growth (Mills 2014; Clancy 2015).

Although short-term, self-liquidating loans compose most trade finance (medium-term loans - one to five years, and long-term loans - more than five years) may finance the import and export of capital goods such as machinery, equipment and aircraft (Kowit et al., 2016). Aside from the contract terms, the structure used in a specific international trade transaction usually reflects the depth of the participants' business relationship, the countries involved, and the level of competition in the market. According to Niepmann and Schmidt-Eisenlohr (2014), the level of credit risk that a bank is willing to accept with an individual client generally is established on a bank level. This risk exposure is allocated to different lines of business, regardless of whether the bank has a distinct trade finance department, has an international department, or incorporates trade finance into its commercial operations. When a bank has a separately identified trade business line, that department generally is responsible for structuring the trade credit, monitoring the portfolio, and managing the credit risk (World Bank, 2016). Smaller banks may incorporate the management of trade credit into the commercial credit department.

There are different risk exposures of exports in the due course but trade finance is used to safeguard such risks (credit insurance). Among others is the operational risk which historically relies heavily on paper documentation with manual processing (Niepmann and Schmidt-Eisenlohr, 2014). Larger banks are increasingly using technology to reduce that risk, lower unit costs, and reduce the likelihood of errors while increasing capacity, but operational risk remains significant. Some banks are considering reducing trade finance operational risk and technology overhead by outsourcing their trade processing to a full-service trade finance (Mcleay et al., 2014)

Kowit et al. (2016) asserted that banks that process trade finance and services in-house are exposed to operational risk at every point of the life cycle of the product. To better understand the operational risk embedded in all trade activities, consider some of the operational risks that a commercial letter of credit poses to a bank. There is the risk that originating documents are flawed (for example, if the letter of credit is not signed by a person authorized by the client and the bank); nonstandard language is used that invalidates traditional protections to the bank; or the terms are unclear (World Bank, 2014). Once the commercial letter of credit has been issued, the bank is subject to any documentation errors it may include. All instructions generally are input into the bank's operating system manually, which could lead to errors.

According to Mae (2016), trade finance faces significant risk when the commercial letter of credit is presented for payment. Missing documents or errors on submitted documents may slow the processing of the payment. In situations if the bank neglects to identify missing documents or errors, it places itself at risk if the exporter has not met all the terms of the purchase contract (Buford et al., 2009). Once all documents have been reviewed and verified, a bank should check for availability under the line of credit. There is also operational risk in the process to input payments. This is not meant to be inclusive of all the operational risk inherent in the processing of a commercial letter of credit but rather is meant to inform examiners of the complexity of the operating environment for trade activities (Mae, 2016).

The potential for documentation fraud is high in international trade transactions. For example, to evasion of customs regulations, goods may be over- or underpriced, inaccurately invoiced, or misrepresented in the quantity or type of goods imported or exported. Thus, inadequate processes for documentation review and reporting of exceptions or unusual activities can expose the bank

to losses or fines. While banks may use third-party guarantees or insurance to reduce credit risk on trade loans to clients, there is operational risk involved (ICC Banking Commission, 2014). If the bank has not followed the program requirements in servicing the loan, the guarantee or insurance policy may not be honored.

Some banks have outsourced trade operations to third party institutions. The ICC Banking Commission (2014) however notes that the operational risk associated with outsourcing should be clearly understood by the bank to ensure efficiency. For example, a poorly written trade finance contract may lead to untimely processing and settlement of trade of breach of data security and confidentiality which potentially exposes the bank to litigation (ICC Banking Commission, 2014). Banks servicing outsourced activities must ensure that they have sufficient capacity, internal controls, and expertise to manage the incremental risk from in-sourcing operations (Lewis and Pretorius, 2014).

Dab et al. (2015) mentions trade finance technology as one of the risks for banks in transacting trade finance. Banks have increasingly turned to technology to automate key aspects of their operations. Banks can acquire hardware and incorporate software packages to help conduct processing and manage the risks of trade transactions (Lewis and Pretorius, 2014). These systems may handle such functions as electronic documentation, discrepancy detection, matching and filtering names against Office of Foreign Assets Control (OFAC) sanction lists, payment processing, and other trade-related functions (OCC, 2015). Increasingly, the Internet / computer based technology such as SWIFT is being used to streamline the execution of trade transactions and related functions. Through these systems, banks gain easier documentation and record

keeping of transactions, mechanisms to ensure adherence to regulatory requirements, and increased speed in the execution of transactions (Ezell, 2011).

According to Malaket (2015) the use of these systems, however, may entail certain operational risks that banks should mitigate. For example, some systems interface with major wholesale payments systems and messaging services which allow bank employees to make fund transfers. Hackers and other similar cyber-based threats could compromise Internet-based transactions if they are not properly secured by appropriately authenticated communication and document transfer and storage (Buford et al., 2009). To incorporate these technology platforms into their daily operations properly, banks should ensure that these programs meet bank operational requirements and that they have adequate controls to mitigate any potential risks.

Weyman (2016) noted that banks face operational risks which are associated with trade transaction payment processing. The risk is high for large banks due to their complex telecommunications networks and high transaction volume. These banks use payment message systems to originate payment orders, either for their own benefit or for a third party. These message systems process administrative messages and instructions to move funds. Even though such payment orders do not result in the immediate transfer of funds from the issuing bank, they do result in the issuing bank having immediate payment liability that is payable to the disbursing institution. According to Amiti and Weinstein (2011), while less complex banks also use messaging systems to originate payment instructions to their correspondent trade banks, some banks still rely on telephone, fax, or standing instructions for payment order originations.

In the due process of export transaction, there are compliance risks (Jose, 2003). According to Jose (2003), compliance risk in trade transactions includes the failure to comply with domestic

and international laws such as the Bank Secrecy Act (BSA), Anti Money Laundering (AML) regulatory requirements, the anti-boycott regulations issued pursuant to the Export Administration Act of 1970s. Noncompliance with the laws results in monetary penalties and prevents the bank from collecting on transaction. Additionally, national banks that have affiliated export trading companies must understand the requirements of sections law (Malaket, 2015).

The international trade system is subject to a wide range of risks and vulnerabilities that provide criminal organizations with the opportunity to launder the proceeds of crime and move funds to terrorist organizations with a relatively low risk of detection (Ahn et al., 2011). While banks should be alert to transactions involving higher-risk goods (trade in weapons or nuclear equipment), banks need to be aware that goods may be over- or under-valued in an effort to evade the tax or customs regulations, or possibly to move funds across national borders. Ahn et al., (2011) further notes that it is important for banks to be aware of the laws in which the counterpart to the domestic client is located. For this reason, many banks rely on foreign correspondent bank relationships in the countries where they are active but lack branches. In addition, the contract should include a choice of laws clause, specifying which country's or countries' laws will apply in the event of a dispute over the terms of the contract. Although courts may not always enforce such clauses, in many cases they can provide an additional measure of certainty for managing the risk inherent in a cross-border contract (PWC, 2015).

Trade finance is a particular area where a bank that lacks the appropriate expertise may experience credit losses because of weak structuring, poor documentation, or unfamiliarity with a country's business practices, economic or political climate, and laws (Kowitet al., 2016). The products that a bank uses to finance trade, however, are generally no different from the products

used in the commercial loan area. The underwriting standards should address the source of repayment; repayment terms; collateral and documentation requirements; pricing; and, as appropriate, third-party guarantees or insurance, and covenant requirements. Kowit et al., (2016) further notes that many banks centrally manage the level of credit risk they are willing to take with each client, country, or industry. A portion of the risk exposure approved for a client may be allocated to trade finance to meet the client's trade financing needs. The trade finance business line is responsible for managing individual client exposures as well as the risk in the portfolio as a whole.

Traditionally, international trade finance is considered a lower-risk activity for banks because loans are generally short-term, self-liquidating, and collateralized by the underlying trade goods (Foley and Manova, 2015; Auboin and Blengini, 2014; Martinez, 2013). The loans are considered self-liquidating in that the goods acquired via the financing are sold, with the proceeds used to repay the loan. Some banks, however, are extending longer-term credit, up to 15 years, as part of export credit agency relationships. Although these credits are generally guaranteed by a government or quasi-government agency, the guarantee may not cover 100 percent of the extension of credit. Additionally, the terms and conditions imposed by the agency must be closely adhered to or the bank risks losing the guarantee (Lamy, 2012).

Generally, clients using commercial letters confirm of credit for financing the acquisition of goods have established a line of credit with the bank. The line approval and review process reflect the credit discipline in place in the commercial portfolio (Auboin and Blengini, 2014). Commercial letters of credit issued without a supporting line of credit normally are expected to be paid by the client through a funds transfer when the letter is presented for payment with

complete and conforming supporting documents (Sheburne, 2010). If the client does not have available funds, the bank may have an unintended extension of credit. This risk requires the bank to review each letter of credit client as it would any borrower, regardless of anticipated method of payment.

In confirming a foreign bank's letter of credit, the bank must evaluate the risk that the foreign bank may not be able to raise the dollars required to repay the transaction because of currency controls in the importing country (Martinez, 2013). Banks engaging in open account financing should understand the relationship and credit quality of the importer and exporter. In banker's acceptance financing, the acceptance credit risk depends on the method by which the bank acquired the acceptance and the acceptance term. To properly identify and evaluate the sources of repayment, the examiner must review each trade finance product or transaction individually (Jose, 2003).

Economically, distressed countries have placed a high priority on the payment of foreign trade obligations when allocating scarce foreign currency reserves among external debt payments (reducing transfer risk). More recent economic and debt crises in some countries, however, have underscored that the priority status of trade-related credits and is not as meaningful as it once was (African Development Bank, 2011). These developments have raised the implied level of risks in the international trade credit portfolio. The amount of due diligence performed by the bank needs to be appropriate for the type and complexity of financing provided and the level of country and transfer risks that the bank is taking on. According to BIS (2014), Banks may purchase banker's acceptances created by other banks as short-term money market assets in the process; Should the bank need to obtain funds, it may sell the bankers' acceptance. Banker's

acceptances are not traded on an organized exchange, but there is a secondary market that has grown substantially over the last decade and the maturities of most banker's acceptance are short, largely dominated by big name banks. The financial market generally views bankers' acceptances as safe and liquid (Nixon, 2015).

Banks with foreign operations likely have transactions and financial statements that are denominated in foreign currencies. Fluctuations in exchange rates associated with the conversion of these foreign currency transactions and financial statements result in either a transaction gain or loss that is recorded in current earnings or a translation adjustment that is recorded in capital. An assessment of this exchange rate risk to earnings or capital should be performed on a bank-wide basis, considering all transactions and investments that are denominated in foreign currencies, because the bank may have offsetting risk positions. For example, a bank may have a foreign currency-denominated trade transaction that is funded in the same currency as the trade transaction that it is financing, offsetting the exchange rate risk (IBS, 2005).

A bank financing an exporter's operation by discounting foreign currency-denominated drafts or acceptances encounters foreign currency exchange rate risk (assuming it is not hedged or otherwise offset). A U.S bank for example is exposed to the transaction risk from the time it discounts the instrument and pays the local currency exporter the dollar equivalent of the draft or acceptance until it collects from the foreign counterpart in the foreign currency (Jose, 2003). If the foreign currency depreciates in relation to the dollar between when the bank pays the exporter and when the bank collects on the foreign instrument, the bank incurs a foreign-exchange transaction loss (Auboin and Blengini, 2014).

Some trade finance transactions that are US dollar-denominated may, under certain conditions, become payable in local currency, thereby exposing the bank to foreign currency exchange rate risk (Woods et al., 1985). One example would be trade transactions that include alternative payment instructions in the event of a transfer risk event (also known as inconvertibility) occurring in the country where the foreign importer is located. The payment instructions may also stipulate that, if US dollars become available, they should be remitted to the exporter's US bank. Exposure to exchange rate risk arises if the US bank elects to discount the draft instead of waiting for the US dollars to become available for remittance (IBS, 2005).

Ivashina et al. (2015) noted that banks that primarily engage in trade financing do not have substantial interest rate risk given the relatively short tenor and floating interest rates. Interest rate risk rise when the terms of the financing include for a longer tenor (aircraft) and fixed interest rates (export credit agencies). Banks, however, may use hedging strategies to help manage the interest rate risk on a transaction or a portfolio basis. They also articulate that at times banks face strategic risks in financial trade (Levin and Coburn, 2011). Strategic risk in trade activities arises when a bank does not know enough about the country or region in which it is doing business, the risks of the product that it is offering, or the complexity of implementing new products (Woods et al., 1985). It also arises from misjudgments of competition or customer demand.

A bank considering entering into or expanding international trade finance and services activities must carefully develop its trade business strategy, reputation and market perception are particularly important in trade finance and services. Issuing commercial letters of credit requires expedient processing and significant attention to detail (Döhring, 2008). A bank's failure to meet

these requirements may result in financial losses to the bank and its customers and may diminish the bank's business opportunities in the trade community. Banks may use trade management logistics planning software, which is designed to help corporate clients manage their global trading operations (SWIFT, 2014). This software may incorporate customs regulations and other international trade data such as duty rates licensing requirements, and value added tax rates. Inaccurate or untimely updates could potentially subject the bank to dispute or litigation (Nixon, 2015).

In case of banker's acceptances, a bank lends its good name to a transaction. Therefore, it is important that the customer requesting the banker's acceptance transaction have a sound reputation. Banker's acceptances generally are created only by reputable, well-known banks with a good credit standing, making such instruments generally safe (Döhring, 2008). It should be noted that international trade system is vulnerable to documentary fraud and criminal activities to launder the proceeds of crime. The involvement of multiple parties on both sides of the international trade transaction can make the process of due diligence and detection more difficult (UNCTAD, 1989).

2.2.3 Trade Finance vs. Trade Credit

A number of studies have directly or indirectly, addressed the question of whether trade financing matters for export activities. It is important to first underscore that trade financing, especially trade credit, has been commonly extended by both financial and non-financial institutions. The role of non-financial firms in providing trade credits is even more important in a country where the quality of financial intermediation is low (Fisman and Love, 2003). In short, trade credit provides access to capital for firms that are unable to raise it through more traditional

channels, such as the banking sector. Why do industrial firms extend trade credit when financial institutions, such as banks, could provide that facility? A number of possible motives have been theoretically supported (Petersen and Rajan, 1997). More importantly, the motives clearly accentuate the benefits of trade credits on export performance.

According to the financing motive, imperfect capital markets enable suppliers to finance borrowing firms at a lower cost than financial institutions (Smith, 1987). In their work, Petersen and Rajan (1995) demonstrated that suppliers of trade credit have a long-term interest in the survival of the borrower. Credit suppliers are willing to subsidize borrowers with lower interest rates since they expect to reap a higher return from future activities. In addition, according to the transaction theory of trade credit, firms can economize on the joint costs of exchange by using trade credits. Many have demonstrated theoretically that trade credit providers have information advantages to sort buyers of their trade financing (Biais et al., 1993; Brennan et al., 1998; Smith, 1987). Banks can get such necessary information, but through their normal course of business activities, firms may be able to get them faster and more accurately.

In addition, suppliers of trade credit have the advantage over collateral. In particular, the more durable the goods exchanged in the business transactions, the better collateral they provide and the greater the credit the supplier can extend (Mian and Smith, 1992). Ferris (1981) has also demonstrated that trade credit may reduce transaction costs for the borrower. Rather than paying bills every time goods are delivered, the firm might want to schedule the payment on a monthly basis, for instance. Transaction costs could also be lowered as trade finance can allow the firm to stock inventory and manage it better. Some empirical work has closely examined the bond

between the availability of finance and firm/sector performance and found that the growth of firms depends heavily on the availability of trade finance.

Fisman and Love (2003) further claim that, where the quality of financial intermediation is low, firms relying more on trade credit tend to grow faster. Studies have also arrived at a general agreement that the role of trade credit on export performance is even more formidable during crises or recessionary periods. Dell'Ariccia et al. (2008) show that during periods of financial distress, industries or firms that depend more on external finance are hurt disproportionally more. In a related study, Borensztein and Panizza (2006) find that industries with a higher propensity to export are more adversely affected during periods of sovereign defaults. Similarly, Braun and Larrain (2005) demonstrate that during a recession, industries that depend relatively more on external finance get hurt more.

Despite anecdotal evidence that the contraction of trade financing may have affected the trade performance of the emerging firms in floriculture in Uganda, only a few empirical studies have been conducted. In addition, past empirical works have largely applied panel testing; hence have failed to capture country or form specific experiences. Ronci (2005) for instance, carried out panel testing on 10 countries, including a number of the Southeast and East Asian economies. The study examines the impacts of world trade volume, price factors (export and import prices), trade finance and banking crisis on export and import volumes and the findings show supportive agreement towards trade finance.

2.3 Export Trade

Governments around the globe have espoused as a central strategy for economic prosperity in the new global landscape (Griffith and Czinkota, 2012). Exporting or export trade involves the sale

of good and service produced in one country in another (across borders) and forms the basis of international trade. Liaz, (2014) defines Export trade as a function of international trade, one of the oldest form of economic transfer that occur on a large scale between nations whereby goods are produced in one country and shipped for future sale or trade in another country. A substantial portion of annual revenues for most advanced nations is derived from exports to other countries; by selling more overall goods and services across borders helps an economy to grow. According to ITC (2014), the need for firms to scan the globe and look for new market opportunities have leads to engagement in export activities and countries that have increased their exports have witnessed growth in the economy as a result of exporting, for instance, exports have helped and propelled China to become the world's largest exporter since 2009; and the largest trading nation in the world in 2013. Official estimates suggest that china's exports amounted to $1.904 trillion in 2013 (WTO, 2014).

Export trade involves a lot of activities through the global value chains. When preparing to export or ship a product overseas, producer/ exporter needs to be fully aware of all the relevant requirements pertaining to export logistics which need to be addressed and relate to things such as packing, labeling, documentation, and insurance (Da Silva, 2009). As the products are being transported by external or internal shippers to overseas customers, the company must follow all the appropriate shipping requirements and regulations to ensure effectiveness in both indirect and direct export trade. These include: documenting correctly to meet local legal requirements as well as those that are relevant in the target country; insuring against any damage, loss, pilfering, and/or any possible delays that may arise during the period that the product is in transit; make sure that goods and services are packed in an appropriate manner so that it arrives at its

destination in a good condition; labeled correctly to ensure that the product is handled properly and arrive on time and at its desired destination (Ahn et al., 2011)

A variety of things need to be considered in the process of physically exporting. In most cases it is probably better for the producer/ exporter to rely on securing the services of an experienced international freight forwarder (Auboin and Blengini, 2014). Before shipping, the company should check with their export customer regarding the required destination for the products. Customers often want the purchased products to be shipped to a free-trade zone or a free port where goods are exempted from import duties in their country. Finally, when deciding on the best method of international shipping, the company can find it useful to consult with its freight forwarder in order to ascertain the cost of shipment, delivery schedule, and accessibility to the shipped product by their export customer (Ibrahim, 2014). Since shipping vessels are often used for large and bulky shipments, the producer / exporter need to reserve space on the required shipping carrier well before actual shipment date - this reservation is called the booking contract.

There are two forms of exporting: indirect and direct. Under indirect exporting, a manufacturer turns international sales over to a third party, while in direct exporting, a manufacturer handles the export process itself (Sheburne, 2010). Manufacturers that engage in indirect exporting hire export management companies, distributors and commissioned agents or brokers to work as intermediaries with the end-users, retailers and distributors in the foreign markets. Direct exporting requires the manufacturers to deal with these foreign entities themselves. Indirect export offers small manufacturers advantage of entering foreign markets without being subjected to the risks and complexities of direct exporting (Da Silva, 2009).

Direct exporting requires the manufacturer to make decisions about the entire export process, such as marketing, distribution, sales, fulfillment and payment. Small companies with limited experience in exporting make drastic mistakes when exporting without guidance. Companies with knowledge of a foreign market often benefit from making these decisions themselves and choose direct exporting (Döhring, 2008). This allows them to maintain closer relationships with global buyers and learn more about global competitiveness. They also eliminate fees from export management companies. Manufacturers choose between indirect and direct exporting based on their long- and short-term circumstances and goals.

2.4 Pre-shipment Finance and Export Trade

Pre-shipment finance is provided to the exporters for the purposes like purchase of raw materials, their processing and converting into finished goods and packaging them. Normally, firms access packaging credit, advance against Incentives and advance against Duty Drawback. Pre-shipment credits are granted by the banks under concessional rates of interest at 7.5 percent. Credit can be extended up to a maximum period of 6 months. According to Bakunda (2005), the engagement of a firm in international trade describes the export development phenomenon at a firm level. Pre-shipment finance has been used in academic literature to explain the process by which individual firms initiate, develop and sustain their involvement in international trade activities (Biesebroeck and Konings, 2016).

Almost all firms in the developing nations begin as small exporters and as they press through the stages, size increases and they become experienced large exporters. In the process, they need pre-shipment finance to support trade transaction; this is got from internal and external sources. The internal sources include profits created by the firms while external sources include funds

from national and international banks (trade finance) as well as inter-firm credit (trade credit). The meta-analysis by Janabi (2007) concluded that firm size had a medium positive effect on international behavior – trade and performance. Foreign exchange risk management being a major component in minimizing exposures that could affect export sales returns, firms engage in export credit insurance activities to overcome challenges. Some of the challenges of firm size hinge on the lack of uniform measurements and information in the export process; one strand is based on total firm sales and another on the number of employees involved in pre-shipment activities (Tobergte and Curtis, 2013). Small size less than £50 million turnover, medium size £50 million but less than £ 250 million turnover and larger size more than £250 million turnover (Ward and Rhodes, 2014).

OECD (2015) has that with increasing technological development, the effect of firm size on export involvement and success has diminished. Small firms with adequate information in international trade strive to excel in all components but this has not been witnessed among developing nations due to political instabilities and policies emended in accessing pre-shipment funds from the banks. The increasing use of e-commerce and on-line marketing has dramatically removed whatever deterrence to small firms, and size of firm has ceased to be a problem.

Banks in developing nations consider the age of firm in the business while giving pre-shipment finance. Age of the firm is measured from the time of commencement of business activity as a registered legal entity (OECD, 2015). The categorizations by El-Masry (2006) states that young firms are those with less than 6 years, while adult firms are those with 6 years but less than 10 years and the mature firms are more than 10 years. Expressed as the number of years in business

appears to have either a negative effect or an insufficient effect on export behavior of which foreign exchange risk management is a component.

In the study of size and international operations of firms, El-Masry and Omneya (2007) hypothesized that the larger the firm size, the lower the exposure but with large involvement in exports. Larger firms have sufficient resources and they should have fewer needs for the pre-shipment finance. Such firms should have no needs for large amount to pre-shipment finance; however, these are the most attracted by banks in developing world. The fact that such firms have enough resources, banks need to focus to the young firms as they seek for the pre-shipment finance. In terms of exposure, firms with high level of internationalization actually are the ones with greater exposure and therefore have little needs for pre-shipment. However, they are also the ones with the incentive to hedge their exposure. As a result, the level of international activity can lead to higher or lower exchange rate exposure (Manova, 2013)

Several measures have been used in the empirical literature to capture the international involvement of a firm but foreign to total sales ratio and foreign to total assets ratio are the most widely used and accepted measure of the extent of internationalization. A number of studies have found a positive association between foreign sales and exchange exposure. Firms' foreign activities are broadly and significantly related to exchange rate exposure and that, after controlling for these activities large firms are more sensitive to currency movements than small firms. On the other hand, firms with higher fraction of foreign debts have more negative foreign rate exposure, though this result is statistically insignificant.

In a study by Ssewanyana et al. (2009), it was found that the US small multinational firms are exposed to foreign exchange risk and benefit from a weakening in the international value of the

US dollar. They emphasize and argue that a smaller but significant negative effect for large firms with foreign operations exists. The findings of Solakoglu (2005) found that size of the firm and share of export revenue in total revenue have a negative effect on the exposure level.

According to El-Masry (2006), larger firms are more likely to used derivatives than medium and smaller firms, public companies are more likely to use derivatives than private firms and derivatives usage is greatest among international firms. The study further indicates that usage of derivatives is more common among larger than small firms and that the principal use of derivatives is for hedging purposes. Firms engaged in international trade are often confronted with foreign exchange risk and therefore need pre and post-shipment finance. Foreign exchange risk management is therefore crucial for companies frequently trading in the international market. The adoption of foreign exchange risk management techniques in firms has a positive relationship with the firm's degree of internationalization (El-Masry et al., 2007).

2.5 Post-shipment Finance and Export Trade

Post-shipment finance may be any loan or advance granted or any other credit provided by a bank to an exporter of goods from the date of extending the credit after shipment of goods to the date of realization of export proceeds (Solakoglu, 2005). Post-shipment finance serves as bridge loan for the period between shipment of goods and the realization of proceeds.

According to Asiedu-Appiah (2005), exporters who sell goods abroad usually have to wait for some time before payment is received from overseas buyers. The period of waiting will depend upon the terms of payment, and the need for post-shipment finance to strengthen the financial position of the exporter varies accordingly. Conversely, importers will need a line of credit to buy goods overseas and sell them in the domestic markets before paying for imports. In most cases,

they expect to pay only when the goods arrive, or later still if possible, but certainly not in advance (Becker and Greenberg, 2003). Banks therefore avail post-shipment finance to ensure the smooth flow of trade between the exporter and importer.

In the circumstance of export trade, banks and other institutions provide trade finance for two main purposes. First, it serves as a source of working capital for individual traders and international companies in need of liquid assets; including importing raw materials and other inputs required for export production. Secondly, trade finance provides credit insurance against the risks involved in international trade, such as currency or price fluctuations, or political risk (Tobergte and Curtis, 2013). While there is truth that some trade finance instruments may be long-term in nature, most businessmen prefer short-term finance during the post-shipment period. Post-shipment finance is part of trade finance that comprises a wide range of products / schemes used to reduce risks related to international payments between importers and exporters (Niepmann and Schmidt-Eisenlohr 2014).

Under the post-shipment financing scheme, the credit insured exporters can reduce their post-shipment financing cost by discounting their export bills with banks at preferential interest rates (Ahn et al., 2011). This allows exporters to extend more liberal terms of payment to your existing buyers as well as new buyers thus competing with foreign suppliers, assign the benefits under their (exporter) credit insurance policies as additional collateral to banks for additional financing or financing on better terms and improves liquidity as exporters get paid for their exports bills in advance before the bills are due for payment. According to (Kesavan 2015), Post-shipment finance can take different forms but principally involves two common and

standardized forms of instruments, that is; factoring (discounting of receivables) and bank-intermediated letter of credit (L/C).

Exporters usually acquire post-shipment finance through factoring. This is a transaction in which a business sells its accounts receivable, or invoices, to a third party commercial financial company, also known as a factor. This is done so that the business can receive cash more quickly than it would by waiting over 90 days for a customer payment. Factoring is sometimes called accounts receivable financing (SBV, 2015), and it is an alternative to bank finance in the short-term trade finance sector involving the use of factoring companies, which continuously purchase trade receivables with a maturity of up to 180 days. Usually up to 90% of the receivables are purchased by the factor thus meeting the much needed liquidity or cash flow requirement of the exporter (Bankenverband, 2015). Furthermore, in a factoring transaction, the exporter is liable only for the validity of the receivable (invoice), but not the ability of the importer to pay while the factor does not assume the political risks but rather the economic risks posed by the buyer. Export factoring is suitable for revolving and high-volume business given that (ECB, 2011).

L/Cs on the other hand, reduce payment risk by providing a framework under which a bank makes (or guarantees) the payment to an exporter on behalf of an importer once goods have been shipped or delivered (BIS, 2014). Banks may also help meet working capital needs by providing post shipment finance loans to exporters or importers. That is, the short-term loans used to buy the necessary items in the due course to ship goods to the last destination. Usually, the loan documentation is linked either to an L/C or to other forms of documentation related to the underlying trade transaction. Such credit constitutes part of the working capital that is important for financing export shipments than for domestic shipments because of the longer time lag between production and payment for exports (Ahn et al., 2011).

2.6 Export Credit Insurance and Export Trade

Export credit insurance covers payment risks that result from trade with buyers (Jones, 2010; Kerr, 2014). If the seller or policyholder decides to only insure his exports (his trade with buyers situated in other countries than his own), the cover is referred to as Export Credit Insurance (United Nations, 2007). There are many possible additional risks if payment is due from a buyer in another country. Not only is it more difficult to determine the buyer's current liquidity status, many instances may occur that prevent payment taking place. Among others, they include riots, wars, exchange restrictions or changes in import regulations can determine whether payment can be expected or not. Export credit insurance mitigates the financial impact of the risk.

In the international business, financial institutions play an important role in facilitating international trade. According to estimates by the IMF (Asmundson et al., 2011), about 40 to 50% of world trade relies on some form of bank-intermediated trade, public or private export credit insurance. The importance of banks in supporting international trade that has been well-established is vital. For example, in a key contribution on bank-intermediated trade, Amiti and Weinstein (2011) relate export performance to the health of the banks providing trade protection against shocks in export process.

While Auboin and Engemann (2012) examined the positive effects of a combined measure of publicly and privately insured trade credits on trade, public or any form of credit insurance has accelerated or failed exports trade in floriculture in Uganda; yet various firms have been established and registered in the due course. Likewise, Felbermayr and Yalin (2011) provide evidence that export credit agencies are effective in stimulating exports. Export Credit Insurance is distinct from freight insurance that covers the risk of loss or damage to goods in transit (Jones,

2010). An insurance policy on exports generally covers commercial and political risk. These commercial risks may result from the nonpayment due to default or insolvency of the buyers and political risk as well which relates to nonpayment as a result of action by the importers' government (Kerr, 2014). In essence, export credit insurance indemnifies the policyholder for the invoice value of goods delivered to a customer but unpaid due to the customer's insolvency or default (AIG, 2013).

Jones (2010) explains the need for trade credit insurance in export trade as the need for trade credit insurance arises from the common practice of selling on credit and the demand by buyers to trade on open account. He further noted that importers only pay for the goods and services after having on-sold them and are not willing to provide any form on security, for example by way of full or partial advance payment, bank guarantee or letter of credit. According to Griffith & Czinkota (2012), credit insurance also facilitates attractive bank financing. It allows exporters access to more working capital facilities from their banks by assigning the insurance policy to the bank as security. This working capital is in the form pre and post shipment finance.

Veer (2015) explain the outcome of export credit insurance in export trade. First, the trade multiplier supports the idea that the reduction in risk due to a trade credit insurance policy increases exports to markets where a firm would not have sold exports. Following the developed theories, export credit insurance allows exporters to learn about the creditworthiness of the importers and calls for the need to use insurance coverage after repeated transactions. Furthermore, credit insurance gives importers access to supplier credit, which reduces their transaction costs (Ferris, 1981) and could stimulate their import demand. This channel further supports the trade multiplier if other suppliers use insurance cover as a signal on the credit

worthiness of an importer, improving the importers' overall access to supplier credit. For exporters, this can be done through offering extended payment terms to overseas customers and offering them open account credit terms while protecting against credit risk (AIG, 2013).

If insuring accounts receivable gives exporters better access to external information in trade (Jones, 2010), it can add to a higher export level. Egger and Url (2006) and Moser et al. (2008) noted that credit insurance guarantees stimulate export trade in the long run. Export credit insurance, however differs from the guarantees provided by public export credit agencies. A key difference is that private export credit insurance mostly covers short-term credits with tenure of 60 to 120 days, while public guarantees generally cover projects with duration between 2 and 5 years, where the actual shipment of the good usually follows a few years after the public provision of insurance cover (Krauss, 2011).

As a result, the trade multiplier of public guarantees needs some time to take place, whereas the results show that in the short run, credit insurance stimulates export trade. Another difference relates to country coverage. According to Van Der Veer (2013), Private insurers traditionally cover risks on trade, and governments through ECAs mainly cover risks on exports to high risk countries. It can therefore be concluded that the use of insurance is essential in improving exports (Auboin and Engemann, 2012).

2.7 Challenges in Accessing Finance by Exporters of Floriculture

There are several factors affecting floriculture and agriculture in general in Africa. Among others are political instability, limited investment in the sector, weak policy environment and poor infrastructure that inhibit investors from accessing credit. From 1990 for example, the continent has been involved in rampant conflicts, which in turn limited the level of investment on the

agricultural sector and many farmers could not access credit or trade finance. Miguel et al. (2004) indicate that in the period extending from 1980s to 1900s there were conflicts in 23 out of 43 SSA countries and Uganda is not an exceptional. There have been persistent conflicts in the great lakes region in almost all countries of East Africa such as Kenya, Rwanda, Burundi and Democratic Republic of Congo(Church and Jowell, 2003). Kenya being a nation with the biggest port to East Africa, farmers could not access trade finance into such venture since they knew that investing would not yield many profits (Ogalo, 2011).

The extended state of unrest in Somalia has also greatly limited the expansion of floriculture especially by discouraging the foreign investors especially in Kenya and Ethiopia. Political and policy instability in the SSA counties such as Somalia, Ethiopia, South Sudan, Uganda, Zimbabwe and Zambia did not only limit locals from engaging fully in agriculture but also made the investors worried of making tangible investments to that may enable them access trade finance to be used in East Africa and Uganda in particular (Ndulu and Chakraborti, 2007; Zhang et al., 2007).

The 2008 political conflict in Kenya contributed to deterioration of floriculture in various ways including increased costs of inputs, displacement of workers, insecure and unpredictable transportation of workers and goods from one location to another as well as declined investors' morale to access finance from national and international Banks for investment purposes (IMF, 2010). In Naivasha, which is the biggest producer of cut flowers in Kenya, the political violence contributed to immediate decline on labor turnout (Muhamad, 2009). Similarly, the political conflicts contributed to significant decrease in volume of cut flowers exported due to two reasons namely absence of workers and unreliable and unsafe transportation (Ksoll et al., 2010). The

absence of workers was particularly a main reason for the deterioration of the industry since harvesting and handling of flowers is time sensitive. In short and long run, it discouraged farmers from accessing trade finance for the inputs, and exports (Ksoll, 2015).

Unreliable sources of financial services or poorly developed trade finance infrastructure also contributed to poor performance of floriculture sector (Ksoll et al., 2010). This happens when there is no reliable provider of financial services and due to risks associated with financial investment in various sectors such as floriculture (Zhang et al., 2007). This stance is supported by a study by World Bank in four Sub-Saharan African countries including Mozambique, Zambia, Malawi and Zimbabwe (World Bank, 1999). The World Bank (1999) study reveals that availability and cost of finance had negative impact on profitability and general performance of the agricultural sector at large. Limited access to finance among actors in floriculture sector was noted as one of the major challenges facing the sector in countries such as Uganda, Malawi, Mozambique and Tanzania (Sutton and Olomi, 2012). Most Tanzanian banks for example consider floriculture as a high-risk sector and so were unwilling to advance loans to its actors. Given the negative consideration banks have introduced stringent lending conditions to actors in floriculture including collateral of up to 200% in Tanzania of the requested loan, short repayment periods, short grace periods and high interest rates (Sutton and Olomi, 2012).

Inflation is another problem that limits the size of investment and eventually poor performance of floriculture sector. Ndulu (2007) observes that regular inflation has characterized most of African countries found in the southern part of Sahara Desert in the whole period starting from 2000. He indicates that while inflation levels in this region were in the average of 13.3% in the period ranging from 2001 to 2004; it shot to 24.3% in 2007. Inflation constitutes poor investment environment as it contributes to volatility of returns, unstable financial institutions and

eventually poor macroeconomic stability. Further, evidences suggest that unstable macroeconomic conditions have significant negative impact on the Foreign Direct Investment (FDI) generally and specifically on the investment on floriculture (Taylor, 2003). This fact is corroborated by findings of Tanzania's Investment Climate Survey conducted in 2003 which among other things revealed that 43 percent of respondent firms indicated that macroeconomic instability was the major obstacle to do business in the country (URT, 2003).

Most farmers and investors of floriculture in most African countries involve Small Medium Enterprise (SMEs) who are registered companies (Freeman, 2015). Farmers play an important economic role by generating employment and income, and by contributing significantly to export earnings. Banks tend to prioritize lending to large companies because of higher risks and high transaction and monitoring cost of SME lending activities. Some banks have succeeded in maintaining and increasing portfolios, by differentiating their approaches for different borrowers without deviating from the principles of good credit. In many cases, access to capital for SMEs is accompanied by capacity building through management training, business and strategic planning, marketing, accounting and technology upgrading (Bouazza, 2015).

The approach to SME lending is markedly different from traditional corporate banking and requires a paradigm shift for many financial institutions (United Nations et al., 2008). SMEs that intend to access financing must have an effective knowledge of the types of financial institutions, the various products and services available, and credit policies and procedures. SMEs, especially those involved in exports, must inform themselves of alternative credit sources, including non-bank providers, as well as alternative financing options (CMA, 2014). Such options include credit guarantees, insurance and leasing.

Given the central role played by exports in the economy, Uganda's share in total world exports is still very low, amounting to 0.02% in 2012 (WTO, 2013). Bank of Uganda shows that exports from Uganda dipped from US$ 2,803 million in 2012 to US$ 2,688 million in 2014 calendar year (BOU, 2015). Falling prices for traditional commodities and the decline and lack of support for the non-traditional commodities are some of the plausible factors for Uganda's unstable and falling export performance in 2012. Numerous market opportunities occasioned by the regional integration efforts as well as bilateral and multilateral trade agreements that have emerged in Uganda (ITC, 2012) presents a continued opportunity for increased export led growth, development and economic transformation. However, plausible factors affecting export flows between Uganda and its trading partners need to be identified and addressed for export to continue playing an important role in Uganda's economy, influencing the level of economic growth, employment and the Balance of Payments (Karamuriro and Karukuza, 2015).

Coskun et al. (2002) studied the managerial issues faced by Turkish and the Arab world SMEs in light to floriculture. In the light of their finding, they discovered that there is an obvious need for designing and employing a strategy to capitalize on the emerging opportunities and avoid threat in the new business environment among exporters. Beck et al. (2005) investigate the relationship between the SMEs and both economic growth and poverty alleviation using the share of SMEs labor in the manufacture sector for 45 countries. The findings showed that there is a positive relationship between economic growth and SMEs but did not support the claim of the impact of SMEs on poverty alleviation. Saleh and Ndubisi (2006) evaluated the development of SME in Malaysia in relation to floriculture and exports.

Tambunan (2008) examined the development in Indonesia and Thailand. Further concludes that while floriculture is important to the two countries, they face more constraints in both countries such as lack of technical and managerial capabilities, access to large markets, access to finance, skilled workers and the lack of access to the business information. Cheok, Khoo Sin (2008) studied the success stories of some investors in Malaysia in accessing global markets. While a number of government Programmes and incentives were offered, in order to contribute to the national economics, the impact is limited. Olawale and Garwe (2010) studied the obstacles to the growth of floriculture in South Africa. They specifically concentrated on the internal and external factors. They found the financial factor is the major obstacles for the establishing new firms in South Africa in addition to markets, management and infrastructure.

Calice et al. (2012) found that SMEs in four East African countries are considered a profitable business prospect and provide an important opportunity for cross-selling despite of a number of obstacles constrained the banking system engagement in this important sector. The mains obstacles stated by the findings were related factors, macroeconomic factors, business regulation, legal and contractual environment, the lack of more proactive government towards the segment, and some bank specific factors. This shows that SMEs represent an important segment in economic growth and one of the essential contributors to an employment. It also shows there are common challenges facing the SMEs in floriculture in the member's countries related to the funding the segment, the availability of well-trained and skilled human resources and government specific factors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The purpose of this chapter describes the research methodology of this study, explains the sample selection, describe the procedure used in designing the instrument and collecting the data, and provide an explanation of the statistical procedures used to analyze the data.

3.1 Research Design

According to Burns and Grove (2003:195), a research design is a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. This study a case study research design under which data was collected from primary sources. Stake (1994, p. 244) suggests that a case study is useful when "opportunity to learn is of primary importance." A case study approach provides a mode of inquiry for an in–depth examination of a phenomenon. Yin (1989, p. 23) characterizes case study research as empirical inquiry that: investigates a contemporary phenomenon within its real–life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. He states that the "distinctive need" for case study research "arises out of the desire to understand complex social phenomena" (p. 14). Given that trade finance and export trade is a complex, comprising activities, entities, processes, and forces and their interrelationships, a case study design was warranted to meet the objectives of the study as presented in chapter one of this dissertation.

3.2 Study Area

The study area included floriculture firms in Wakiso and Mpigi Districts. Mpigi District is found among the Central Districts of Uganda; bordering Wakiso District in the North and East, Kalangala District to the South, Kalungu District to the Southwest, Butambala District to the West and Mityana District to the Northwest. It's headquarter is Mpigi Town, that lies approximately 37 kilometers (23 mi), by road, west of Kampala- Ugandan Capital. On the other hand, Wakiso District lies in the Central Region of the country, bordering with Nakaseke District and Luwero Districts to the North, Mukono District to the East, Kalangala District in Lake Victoria to the South, Mpigi District to the Northwest. Wakiso Town accommodates the headquarters of the district and it lies approximately 20 kilometers (12 miles), by road, northwest of Kampala, the Capital of Uganda. The two districts have good soils and enough rains to support floriculture.

3.3 Study Population

Burns and Grove (1993) define a population as all elements (individuals, objects and events) that meet the sample criteria for inclusion in a study. The study population consisted of firm managers, credit and export officers from 14 total firms in Mpigi, Mukono and Wakiso Districts that involve in horticulture.

3.4 Sampling Procedures

3.4.1 Sampling Size

A sample of 43 respondents from 14 firms that export flowers was selected and this was determined using the formula herewith (Gentles et al., 2015).

$$N= \frac{z^2pq}{D^2}$$

Where z = 1.645 at 90% level of confidence

P is the probability of a success which is equal to 0.8

Q=1-p

D is the tolerated degree of relative sampling error

$$N= \frac{(1.645)^2*(0.8) * (0.2)}{0.1^2}$$

Therefore; N= 43 respondents

3.4.2 Sampling Technique

Purposive stratified and referral (snowballing) sampling techniques were used to reach respondents from the 14 firms. Purposive sampling technique was used because it directs a researcher to respondents with rich information of the study (Ahuja, 2001). For the case of this study, purposive sampling was used to select 14 firms that exports flowers and the 43 key informants whom the researcher thought had rich information about farm tourism. These among others included Operations Officers, Credit/Finance and Export Officers. Oso and Onen (2009) are of the view that researchers normally employ purposive sampling technique because it allows the researcher to utilize time given for the research study since it does not go wrong.

Amin (2005) noted that purposive sampling technique is a method of research that directs researcher to reach respondents with rich information in relation to the study. Pickard (2007) noted that there are two approaches to purposive sampling. A prior sampling that establishes a sample framework before sampling begins will be used purposively, and referral sampling which

takes an inductive approach to the growing samples in the due course to the field-research. This was used to reach the managers of the firms. The managers were interviewed since the researcher thought they had rich information about the general operation, export and finances of the firms. According to this study, referral sampling technique was used to reach officials as referred to by the key informants.

These respondents were organized basing on different stratum according to their professionalism. For example, the strata of the credit/finance officers, firm managers and export officers.

3.5 Data Collection Methods and Instruments

3.5.1 Sources of Data

Primary and secondary data were used during the study in which both quantitative and qualitative approaches to data collection was employed. Primary data was gathered from a help of a survey questionnaire from a sample of 43 respondents. Application of this method allows us to investigate and learn more about world and observable phenomena; moreover, the gathered data has to be observable, replicable and measurable (Driscoll, 2011). The goal of this method was to allow the researcher collect first-hand information or information that is not based on previous samples, and investigate something new that can be confirmed by reliable sources.

The study also used secondary data and the sources from which they were obtained included text-books, Journals and published researches, working papers, online sources, statistics and other sources. The advantage of secondary data collection method is that the collected data is low-cost (Curwin, 2002). Secondary data was used in order to provide a background of the problem and to provide a theoretical understanding of the variables under study, as presented in

chapters one and two of this thesis. This was truly achieved and references are presented in last part of this dissertation.

3.5.2 Self – Administered Questionnaires

Data was collected using Self-Administered Questionnaires. These are sets of questions that were delivered to respondents by hand. The delivery of the questionnaires was done by the researcher to target respondents at different floriculture firms in Mpigi, Mukono and Wakiso Districts. The SAQ was chosen and considered appropriate for this purpose by the researcher as it allows for the collection of various types of information including attitudinal, motivational, behavioral and perceptive data (Robson 2007, p.22). Additionally, they were designed according to the study variables and had both open-ended and closed questions with pre-coded responses which were anchored on the Likert scale (strongly agree, agree, not sure, disagree and strongly disagree). These SAQ were attitudinal and most attitudinal SAQ are called scale questions that normally measure certain issues at a given period of time in relation to the study.

3.6 Quality Control Methods

Reliability and validity are According Winter (2000), two factors that have to be considered while designing a study, analyzing results and judging the quality of the study are reliability and validity. And in order to prepare a qualified research. The researcher took the following measures to establish reliability and validity study given that for the study results to be credible, the assessment instruments must be both reliable and valid.

3.6.1 Reliability

Barifaijo and Oonyu, 2010) defines reliability as the consistency of an instrument to produce the same results each time it is measured under the same conditions with the same subjects. It also relates to the repeatability of the findings under similar conditions. Essentially, it concerns the consistency with which research procedures deliver their results (Seale 2004, p.72). The degree to which a measurement, given repeatedly remains the same; the stability of a measurement over time; and the similarity of measurements within a given time period are the three different type of reliability that exist (Miller, 1986). For this study, several measures were taken to ensure reliability of the instrument. A pilot study to pretest the questionnaires utilizing exporters, excluded from the actual research, with similar characteristics to the study sample was conducted to determine the clarity of the items and consistency of the response. After administering the instrument again (test and re-test), it reproduced similar results to the preceding ones. This can be attributed to stability of the measurement instrument the meaning the questionnaire can be used elsewhere hence the study is repeatable. Therefore, the researcher does not only claim the validity but also the possible reliability of the instrument for the study.

3.6.2 Validity

Validity according to Seale (2004, p.74) refers to the truthfulness or correctness of the measurement as planned or intended; or the degree to which an instrument measures what it is supposed to be measuring. In order to establish validity, an expert review of the questionnaire was conducted with knowledgeable people in research and experts (professionals) in the field of international trade before pre-testing. This was done to establish weakness related to ambiguity of the questions and whether the respective constructs can be adequately measured by items in the different sections of the questionnaires and its appropriateness for the study. According to

the reviewer's comments, modifications and revisions were made to the instrument. A pilot study was then carried out pre-test the questionnaire for clarity and scale reliability on a small sample of respondents (exporters) who were not to participate in the study but had similar characteristics as the target population. Upon obtaining consistent results from subsequent testing, the questionnaire was then refined for use in the study rendering the instrument valid for use in the study.

3.7 Data Management and Processing

Once data was collected from the field using questionnaires, they were edited, categorized in themes and sub-themes and analyzed so as be comparable. Aggregating responses according to the themes was later done using uni-variate analysis to generate frequencies of responses. This process was to structure data gathered in a way that satisfies the research objects and produce results that may be measured using quantitative techniques.

3.8 Data Analysis

Data analysis means to organize, provide structure and elicit meaning (Polit et al 2001:383). Data from the study was analyzed quantitatively. Data analysis consisted of examining the surveys for correctness and completeness, coding and keying data into a database in Statistical Package for Social Sciences (SPSS), and performing an analysis of descriptive responses according to frequency distributions and descriptive statistics. The researcher used both uni-variate (single variable) for frequency counts and bivariate (two variables) cross tabulations analysis between one or two variables. square for the fourth objective. Frequency tables and descriptive statistics were constructed to display results with respect to each of the research questions and a Pearson

correlation matrix was run to establish relationship between trade variable as presented in chapter four.

3.9 Ethical Considerations

Since the study required the participation of human respondents, specifically managers of the flower farms, ethical procedures were followed and observed by the researcher. An introductory letter was received from the Uganda Martyrs University; introducing and authorizing the researcher to carry out the study about export trade among horticulture firms of in three districts of Mpigi, Mukono and Wakiso in Uganda. Whenever the researcher could reach a firm, he would greet and present the introduction letter to the management for this study.

The consideration of ethical issues was necessary for ensuring privacy as well as the safety of the participants. Among the significant ethical issues that were considered in the research process include consent and confidentiality. In order to secure the consent of the selected participants, the researcher designed a consent form to be signed by each respondent to confirm the willingness and acceptance to participate in the study. Also, a relay all important details of the study, including its aims and purposes were done. By explaining important details, the respondents were able to understand the importance of their role in the completion of the research to their firms. Respondents were advised they could withdraw from the study even during the process if they were forced to do so for whatever reasons. Confidentiality of the participants was ensured by not disclosing their names or personal information in the research.

The researcher observed and adhered to universal ethical codes and issues throughout the entire period of study. These issues include respect for diversity, confidentiality and privacy, voluntary

participation and avoidance of harm. Also, secondary literature gathered from other authors were dully cited and acknowledged in the study.

3.10 Limitations of the Study

Although the study provided meaningful answers to the research questions, a few limitations were met during the research.

The study was limited to floriculture sector and although they are involved in export trade, it may not be generalized to or representative of situations and conditions at the other exporters across industries within the country. Additionally, the research was also limited to pre and post shipment finance, export credit insurance as measure of trade finance due to time and nature of the study yet other areas of trade finance could be preferred by respondents. Therefore, there's further research to cover other areas of export financing as well as have a representative sample that covers different categories of exporting firm.

Given that the researcher did not find any literature linking trade finance to export trade in the floriculture sector in Uganda, this put a strain on the literature reviewed in chapter 2 due the lack of secondary data to inform the study. The researcher decided on primary data to complement the limited qualitative data as there's need to carry further research in this area to fill the literature gap.

Time constraint was yet another hindrance during the study as the researcher had to balance work, classwork and later the field research. In order to solve this, the researcher would delegate the duty to workmates for the study. He also liaised with the bosses who allowed time to accomplish the study.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter presents the findings of the study and these have been arranged in headings following the objectives of the study. It starts with the bio-data of the respondents and the main contents that is arranged in line with the objectives.

4.1 Rate of Response

Response rate presents the number of questionnaires the researcher distributed and the received number in terms of percentages as presented in Table 1.

Table 1: Response Rate

Categories	Frequency	Percentage (100%)
No. of questionnaires distributed	43	100
No. of questionnaires received	43	100

Source: Primary, 2016

4.2 Bio Data of Respondents

The bio-data of respondents was composed of sex, age groups and levels of education.

Respondents were both females and males as presented in Table 2, and this was intended to establish gender difference in floriculture sector in Uganda.

Table 2: Gender of the respondents

Gender	Frequency	Percent (%)
Males	31	72.1
Females	12	27.9
Total	43	100.0

Source: Primary data, 2016

According to the study findings, majority of the respondents were male (72%) and only 27.9% were female. The data set distribution was attributed by the fact that majority floriculture farms in Uganda employ men in top management jobs and females in lower firm jobs since there is a conviction that women work better in the gardens than men. It was also established that most of the management jobs such as managers, export and credit officers were dominated by family members and these were mostly males as women were fewer.

Floriculture in Uganda attracts different age groups of people; apart from the children and the elderly. This was intended to establish the impact of age on floriculture sector and the findings are presented in Table 3.

Table 3: Age group of the respondents

Age groups	Frequency	Percent (%)
Below 20 years	3	7.0
20 - 30 years	9	20.9
31 - 40 years	22	51.2
41 - 50 years	7	16.3
Over 51 years	2	4.7
Total	43	100.0

Source: Primary data, 2016

Table 3 shows that the floriculture sector in Uganda employs less people that are below 20 years and old people that are over 51 years in management jobs. This could be attributed to the fact

that most of the firms are started by the foreigners with the view that the young people have little experience at work while the elderly do not have power/energy to work efficiently. For example, out of the 14 firms, which respondents came from, 7% were below 20 years and 4.7% were over 51 years of age. These were mainly from the management level of the farms with supervisory responsibilities. According to the key informants, these farms have been started by families and the management has no problem using children of the owners of the farm to supervise employees. Similar positions in farm management were found among members with the age range between 31 – 40 years (16.3%) and over 51 years (4.7%).

Therefore, the data set distribution shows that respondents below 20 and above 41 years were from the management level. The findings also show a high percentage (51.2%) of respondents between 31 and 40 years. Most of this group was dominated by the foreigners who come along way with their firms to be established and work in Uganda. This applied to 16.3% of the respondents. These were mostly foreigners than indigenous Ugandans.

The study further established that majority of respondents had diploma and certificates, and degree as well and the findings are represented in Table 4 below.

Table 4: Levels of education of the respondents

Levels of education	Frequency	Percent (%)
O/A' level	3	7.0
Diploma and certificates	21	48.8
Degree	19	44.2
Total	43	100.0

Source: Primary data, 2016

Table 4 shows that farms employ degree, certificate and diploma holders. This was attributed to the fact that credit and export officers interact with different people who may not know local

languages. This also applies to the managers who occupy the central position receiving tourists and other visitors to the floriculture farms. The study established that majority respondents had diplomas and certificates represented by (48.8%) of respondents than degrees (44.2%). This according to the key informants is attributed by the fact that floriculture firms are dominated by foreigners who employ less educated Ugandans hoping to accrue more profits by paying less in labor cost. It was mentioned that employees with degrees only specializes in the job that they were employed for; yet those with diplomas and certificate go beyond to do other activities of the farm.

The study established the number of years employees worked in the firms. Findings are presented in Table 5.

Table 5: Duration/years spent by workers in the firms

Years of work with the firm	Frequency	Percent (%)
Less than 5 years	31	72.1
6 - 10 years	10	23.3
11 and above years	2	4.7
Total	43	100.0

Source: Primary data, 2016

Results from the study reveal that majority of respondents (72.2%) had spent less than 5 years working in the firms. This data set can be attributed to the fact that majority of the people in Africa shun off agriculture activities despite the benefits accrued. Besides this, the study established that managers in floriculture sector employ basing on contract and contract renewal is based on performance. Most employees are given a five years' contract and their failure to perform means the termination of the contract. It was also found that by the end of fifth year, some of the employees would find new jobs due to low payments in agriculture and the condition

of work in the firms that involves exposure to chemicals and long periods of standing to carry out the duties. 4.7% had spent more than 11 years in the firms and were at managerial level.

The study also established the number of employees in the farms as justified by the quantitative findings in Table 6.

Table 6: Number of workers in the firms

Number of workers in a firm	Frequency	Percent (%)
50 - 100 workers	8	18.6
100 and above workers	35	81.4
Total	43	100.0

Source: Primary data, 2016

Results from the respondents (81.4%), indicate that majority of the firms employed over 100 workers. The data spread was attributed to the fact that firms – floriculture farms have different categories of jobs and flower production has a high turnover rate given that flowers are perishable. This is a driving reason that leads managers and owners employing more than 100 workers. These were employed on contract and wage basis and most of them work in floriculture were women working in the flower gardens and packing houses. According to UFEA (2015), the floriculture sector employees close 8,600 people of which of majority are women.

4.2.1 Attributes of the Firms in Relation to Export trade

The study established that exports of a firm do not come from one-day activity, but it is a result of different items that attract trade financing (pre and post-shipment) of the firm. Among other factors that force the firm to seek for pre and post-shipment finance was the number of the workers. It was also found that years of existence of a firm and the targeted market plays an important role in firm access to finance.

The study established the firms' years of existence and the findings are presented in Table 7 below.

Table 7: Years of existence of the firm

Year of existence of the firm	Frequency	Percent (%)
6 - 10 years	12	27.9
11 and above years	31	72.1
Total	43	100.0

Source: Primary data, 2016

This characteristic of the firm shows that most of the floriculture firms have existed for more than 11 years. This opinion is presented by 72.1% of respondents. This data set distribution was attributed by the purposive sampling technique whereby only exporting firms were sampled. Despite being 22 firms in floriculture sector, only 14 exporting firms were sampled and these have not less than 6 years of existence. It was noted that most farms were established in 1990s when the then Government of Uganda sought to encourage diversification of agriculture exports. These firms according to El-Masry (2006) are mature and can easily attract trade financing from any commercial bank or any other sources.

The target market of the firm was established by the study and the findings are presented in Table 8 below.

Table 8: Targeted market of the firms

Market	Frequency	Percent (%)
Domestic market	9	20.9
Foreign market	33	76.7
Not sure	1	2.3
Total	43	100.0

Source: Primary data, 2016

Findings from respondents presented in Table 8 above shows that foreign market was the most important among floriculture firms in Uganda as represented by 76.7% of respondents. While 20.9% of respondents indicated that the firms also sell in the domestic market. According to the key informants, foreign markets fetch more gains to the firms than the domestic market. It is also worth mentioning that floriculture was established in Uganda focusing on foreign market (exports) than domestic one. Abor and Quartey (2010) investigated characteristics of firms in Ghana and South Africa; and found that target market of a firm is important in attracting inputs and customers to the firm. Respondents mentioned that if a firm targets foreign markets, most of its customers will come from abroad and easily to use foreign currency.

This study also established the currencies used by floriculture firms in Uganda in carrying out export trade and the quantitative findings are indicated in Table 9 below.

Table 9: Currency used by floriculture firms for export trade

Currency	Frequency	Percent (%)
Euro	10	23.3
US$ (Dollar)	28	65.1
Japanese Yen	5	11.6
Total	43	100.0

Source: Primary data, 2016

Table 9 shows none of the local currencies is used among the floriculture firms in conducting exports trade as results from respondents reveal. While studying the obstacles of floriculture farming in South Africa, Olawale and Garwe (2010) established that most firms that were using foreign currency could accrue more profits at the going exchange rate and attracted banks for loans and any financial servicing. Additionally, it is no secret that international trade activities

are conducted in foreign currencies, mainly the U.S dollar. This can be reflected by results from the 65.5% of respondents.

The results in Table 10 below shows the description of type of ownership of the firms engaged in floriculture.

Table 10: Ownership of the firms

Descriptions	Frequency	Percent (%)
Partnership	4	9.3
Sole proprietorship	21	48.8
Limited company	13	30.2
Subsidiary of multinational co.	5	11.6
Total	43	100.0

Source: Primary data, 2016

Table 10 shows few firms in floriculture sector could be described under partnership and subsidiary of multinational companies. These were established majorly by Ugandans or foreigners who have stayed in the country for a long period of time. Accordingly, 48.8% were under sole proprietorship and 30.2% were under limited company. These farms were under the bigger firms involved in other activities such as shipping other goods than floriculture items. According to the key informants, these firms need to be apriority to commercial banks in Uganda since they bring back development and profits to the nation. Out of the 13 (30.2%) companies that were limited in nature of ownership, 10 were under Ugandan management.

Respondents from the floriculture firms have different ideas about their firms' annual export sales performances. This information is presented in Table 11.

Table 11: Responses on the annual export sales turnover of the firms

Responses	Frequency	Percent (%)
Below 5 Million Dollars	24	55.8
6 – 10 Million Dollars	13	30.2
Above 11 Million Dollars	6	14.0
Total	43	100.0

Source: Primary data, 2016

Table 11 shows that majority of the floriculture firms in Uganda earn below 15 million dollars in export revenue annually, as reported by 55.5% respondents. This may well be attributed to the lack funds in the pre-shipment periods and post-shipment for these firms to fill large export orders. According to Karamuriro and Karukuza (2015), such firms need to approach commercial institutions for pre and post-shipment finance in order to increase their earnings.

The study also established the total annual sales of the firms as presented in Table 12 of this chapter.

Table 12: Responses on annual total sales turnover

Responses	Frequency	Percent (%)
Below 15 Million Dollars	26	60.5
16 – 30 Million Dollars	10	23.3
Above 31 Million Dollars	7	16.3
Total	43	100.0

Source: Primary data, 2016

Table 12 shows that 60.5% of the firms where this study was carried out earn below 15 million dollars annually in sales of flowers. This according to the key informants was attributed by less capital (finances) and little knowledge about the foreign markets. Like annual total export sales

in Table 11, Table 12 shows that there is a relationship between total annual export sales and annual total sales.

4.3 Pre-Shipment Finance and Export Trade

The study set out to establish the relationship the annual pre-shipment finance borrowed by floriculture firms in Uganda. The findings are presented in Table 13 below.

Table 13: Annual pre-shipment finance borrowed by the firm

Responses	Frequency	Percent (%)
Below 5 Million Dollars	35	81.4
6 – 10 Million Dollars	4	9.3
Above 11 Million Dollars	4	9.3
Total	43	100.0

Source: Primary Data, 2016

Table 13 above presents annual pre-shipment finance that firms borrow as reported by respondents. 81.4% indicated that majority of the firms borrowed below 5 million dollars in pre-shipment finance. While fewer firms, borrowed between 6-10 million dollars and above 11 million dollars in annual pre-shipment finance as reported by 9.3% and 9.3% of respondents respectively. This data spread may well be attributed to firm size which plays a vital role when it comes to firm access to pre-shipment finance.

The study set out to establish the relationship between pre-shipment finance and export trade of floricultural in Uganda. The opinions were supported by 81.4% as illustrated in Table 13, and 90.7% (Table 14) who agreed with the statement about pre-shipment finance and activities of the firm.

Table 14: Pre-shipment finance increases general activities of the firm

Responses	Frequency	Percent (%)
Strongly agree	13	30.2
Agree	22	51.2
Not sure	4	9.3
Disagree	2	4.7
Strongly disagree	2	4.7
Total	43	100.0

Source: Primary data, 2016

According to Table 14, it was only 4.7% of the respondents that never found a relationship between pre-shipment finance and general activities of the firm; among which was exporting activities. Only 9.3% of respondents were not sure. Despite the respondents that found no relationship between pre-shipment finance and general activities, when specificity of export was isolated from the rest of the activities by asking it alone; this percent also agreed with the statement (Table 15). Besides, a high percent of the respondents agreed (51.2%) and strongly agreed (30.2%) that there is a relationship.

Table 15 below presents the quantitative findings on the relationship between pre-shipment finance and export trade.

Table 15: Pre-shipment finance increases export trade

Responses	Frequency	Percent (%)
Strongly agree	13	30.2
Agree	26	60.5
Not sure	4	9.3
Total	43	100.0

Source: Primary data, 2016

The findings in Table 15 made the researcher to confirm that there is a relationship between pre-shipment finance and Export trade. This has been added to the run up presented in Table 14 which clearly shows a calculated relationship. Out of the 43 respondents, it was only 4 (9.3%) of the respondents that were not sure whether pre-shipment finance increase export trade.

4.3.1 The Relationship between Pre-Shipment and Export Trade

In order to establish this relationship between pre-shipment and the annual export trade, the Pearson correlation was run and quantitative results are presented in Table 16.

Table 16: Relationship between pre-shipment and annual export sales

		Annual export sales turnover	Annual total sales of the firms
Annual pre-shipment finance	Pearson Correlation	-.097	-.183
	Sig. (2-tailed)	.534	.241
	N	43	43

Source: Primary data, 2016

The results in Table 16 show the correlated values of the annual export sales turnover and annual total sales of the firms. The Pearson Correlation of annual export sales turnover (-.097) and annual total sales (-.183) were run and presented. The significance is also presented as r=.534 and .241. This can be interpreted that the annual pre-shipment finance is significant to annual export sales turnover (.534) and annual total sales of the firm (.241) which are greater than the value of p-value (0.07) and the value of alpha (0.05). This significance also justifies that fact that pre-shipment finance is related to annual total sales of the firms ($r = .241$, $p<.07$).

Therefore, Ho is accepted which states that there is a relationship between annual export sales turnover with pre-shipment finance. This implies that, increased access and availability of trade finance translate to increased production and export sale turnover.

Under a linear regression, the standardized and unstandardized coefficients were run along the significances as presented in Table 17.

Table 17: Linear regression analysis of exports and annual total sales with pre-shipment

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.561	.254		6.147	.000
	Annual export sales	-.036	.093	-.061	-.382	.704
	Annual total sales	-.139	.131	-.170	-1.067E0	.292

Source: Primary data, 2016

According to Table 17, unstandardized and standardized coefficients are presented as Beta and Std. Error. The values of t are also presented and significance as well. The calculated sig is r = .704 (for annual export sales) and .292 (for annual total sales) which is greater than the standard values of p-value = 0.07. This implies that both annual export sales turnover and annual total sales significantly related with pre-shipment finance, availability of which means increased production of flowers and high sales turnover. Besides, the use of pre-shipment has got a positive regression analysis as presented in Table 17.

4.4 Post-shipment Finance and Export Trade

The study established the relationship between post-shipment finance and export trade as presented in the table below.

Table 18: Annual post-shipment finance borrowed by the firm

Responses	Frequency	Percent (%)
1Below 5 Million Dollars	25	58.1
6 – 10 Million Dollars	12	27.9
Above 11 Million Dollars	6	14.0
Total	43	100.0

Source: Primary Data, 2016

Table 18 above presents respondent's opinions on the amount of annual post-shipment finance borrowed by the floriculture firms. 58.1% reported that majority of the firms borrowed below 5 million dollars in post-shipment finance as compared to only 14.6% of the results from respondents showing that firms borrowed above 11 million dollars. This data set could explain the level of financial inclusion amongst floriculture firms in Uganda.

The researcher asked whether post-shipment finance increase general activities of the firm and the findings are presented in Table 19.

Table 19: Respondents' opinion of post-shipment finance and general activities of the firm

Responses	Frequency	Percent (%)
Strongly agree	17	39.5
Agree	17	39.5
Not sure	7	16.3
Disagree	2	4.7
Total	43	100.0

Source: Primary data, 2016

Table 19 shows a high percent of 79.5% from respondents agreeing with the statement that post-shipment finance increase general activities of the firm. This possibly applies to post-shipment finance and exports as presented in (Table 20). Results from the respondents show that 16.3%

were not sure, while 4.7% disagreed that post-shipment finance increases general activities of the firms.

The further established whether post-shipment finance increases export trade and the findings are presented in Table 20.

Table 20: Respondents' opinion of post-shipment finance and export trade

Responses	Frequency	Percent (%)
Strongly agree	8	18.6
Agree	27	62.8
Not sure	8	18.6
Total	43	100.0

Source: Primary data, 2015

Table 20 shows that 18.6% of the respondents were not sure whether post-shipment trade increases export trade. This was however small percentage in comparison with the percentage in agreement; as 18.6% of the respondents strongly agreed and 62.8% agree that post-shipment finance increases export trade. Therefore, there is a relationship between post-shipment financing and export trade given that high percent (81.6%) of respondents agree.

4.4.1 Relationship between post-shipment finance and export trade

The study further established an analysis by correlating annual export sales turnover and annual total sales using the Pearson Correlation and the findings are presented in Table 21.

Table 21: Relationship between post-shipment finance and export trade

		Annual export sales turnover	Annual total sales of the firm
Annual post-shipment finance	Pearson Correlation	.592**	.184
	Sig. (2-tailed)	.000	.237
	N	43	43

Source: Primary data, 2016

Results in Table 21 shows that the annual post-shipment finance is significant to annual export sells turnover (.592**) and annual total sales of the firm (.184). Although the sig = .000, the correlated results presented as .592**presents a significant relationship between annual export sales turn over. Similar relationship applies to annual total sales of the firm where r = .237. Amin (2005) noted that correlation coefficient is interpreted positive if the value of r ranges between -1 and 1. This implies there is a relationship between annual post-shipment finance with annual export sales and total sales of the firm. Meaning, the amount of post shipment finance that a firm has access to significantly determines quantity / volume of flowers produced and eventually the value in terms of revenue that is earned.

A linear regression was run; standardized and unstandardized coefficient results were received along with significances as presented in Table 22.

Table 22: Linear regression analysis of export and annual total sales with post-shipment

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.741	.330		2.247	.030
	Annual export sales	.539	.121	.580	4.455	.000
	Annual total sales	.077	.170	.059	.452	.654

Source: Primary data, 2016

Table 22 shows calculated sig. = .000 for annual export sales and .654 for annual total sales. Although the results for the annual export sales turnover shows r = .000, the annual total sales results are significant at .654. While the former is less than the standard value of p-value (0.07), the latter exceeds. Despite of being less and both findings show that there is a relationship between post-shipment finance with annual export sales turnover and annual total sales.

4.5 Export Credit Insurance and Export Trade

The researcher also received responses on the amount of export credit insurance paid by firms annual in conducting export trade and the results are presented in Table 23.

Table 23: Annual credit insurance paid in insuring exports

Responses	Frequency	Percent (%)
Below 5 Million Dollars	28	65.1
6 – 10 Million Dollars	10	23.3
Above 11 Million Dollars	5	11.6
Total	43	100.0

Source: Primary Data, 2016

According to table 23 above, 65.1% respondents reported that annual insurance paid by firms in the floriculture sector is below 5 million dollars. Firms that paid above 6-10 million dollars and

above 11 million were 23.3% and 11.6% respectively as suggested by the respondent. This large number of firms paying below 5 million dollars in insurance of exports possibly implies that majority of the firms are not filling much export orders.

The study further established opinions of respondents about export credit insurance and export trade and the findings are presented in Table 24.

Table 24: Respondents' opinion of export credit insurance and export trade

Responses	Frequency	Percent (%)
Strongly agree	24	55
Agree	19	45
Total	43	100.0

Source: Primary data, 2016

Table 24 shows a high percent, 100% of respondents agreeing with the statement that export credit insurance is related to export trade. This implies that export credit insurance is important to export trade. It increases confidence among exporters and importers to the final destination as it allows exporters to among others offer competitive payment terms to importers, access working capital and offer exporters protection against risks and financial costs of non-payment (Sailendra, 2015).

On the relationship between export credit insurance and customers of the firm, the findings are presented in Table 25 below.

Table 25: Respondents' opinion of export credit insurance and customers of the firm

Responses	Frequency	Percent (%)
Strongly agree	28	65.1
Agree	11	25.5
Not sure	4	9.4
Total	43	100.0

Source: Primary data, 2016

Like the findings in Table 24, Table 25 show a highly relationship from respondents' opinion between export credit insurance and the increase of customers of the firm. It was established that the firm and its employees work/operate much better on knowing that their lives, families and goods on transit are insured.

4.5.1 Relationship between Export Credit Insurance and Export Trade

The researcher statistically ran a correlation matrix to establish the relationship between annual credit finance with annual export sales and total export sales as well. Results are as show in Table 26 below.

Table 26: Relationship between export credit insurance and export trade

		Annual export sales turnover	Annual total sales of the firm
Annual credit insurance finance	Pearson Correlation	.489**	.089
	Sig. (2-tailed)	.001	.571
	N	43	43

Source: Primary data, 2015

Table 26 shows that annual export credit insurance is significant to annual export trade (.489**) and annual total sales of the firm (.089); r = .001 which is less than the p-value (annual export

turnover) and for the annual total sales r = .571. This shows that there is a positive relationship between annual credit insurance finance and export trade. This implies that export credit insurance has a strong relationship with export trade and is thus important to exporters of floriculture.

The relationship was also found by calculating the means differences in relating responses from annual export turnover and annual total sales in reference to credit insurance (Table 27).

Table 27: Mean differences between annual export and total sales of the firm

	N	Mean	Std. Deviation	Std. Error Mean
Credit insurance increase export of the firm	43	1.9767	.77116	.11760
Credit insurance customers to the firm	43	2.2093	.88797	.13541
One-Sample Test verification				
	Test Value = 0			
	T	df	Sig. (2-tailed)	
Credit insurance increase export of the firm	16.809	42	.000	
Credit insurance customers to the firm	16.315	42	.000	

Source: Primary data, 2016

Table 27 shows the values of t (ration of departure from mean), degree of freedom (df) and standard deviation. The column for the mean shows that there is a small difference in mean and such differences could have been attributed by other factors such as experience of the respondents to the functioning of export credit insurance, rather than the influence of credit insurance itself. On the test verification, similar results are given (sig. = .000). This can be

interpreted as a significant relationship exists between the variables that this study investigated as presented in Table 27.

4.6 Trade Finance and Export Trade

These section summaries the findings of the study about trade finance and export trade; it starts with the summary and ends with the correlation that was run using the Pearson Correlation.

Table 28: Summary of trade finance and export trade

	Trade Finance and Export Trade	
Responses	Frequency	Percent (%)
Strongly agree	15	34.9
Agree	24	55.8
Not sure	4	9.3
Total	43	100

Source: Primary data, 2016

Table 28 shows a relation between trade finance and export trade and according to the responses presented therein, 55.8% of respondents strongly agree with statement that trade finance increase export trade. Similarly, results show that 34.9% of respondents agree that there's a relationship while only 9.3% were not sure that trade finance. The fact that 90.7% of respondents had similar responses or are in agreement on the relationship between trade finance and export trade clearly indicates that trade finance important export trade.

4.6.1 Relationship between Trade Finance and Export Trade

In order to establish if there is a relationship between trade finance and export trade, the Pearson Correlation matrix was run and the findings are presented in Table 29

Table 29: The correlation of trade finance and export trade

		Trade Finance	Annual Export Trade
Trade Finance	Pearson Correlation	1	.709**
	Sig. (2-tailed)		.000
	N	43	43

Source: Primary data, 2016

From the Table 29, it can be remarked that there is a relationship between export trade and trade finance. This relationship is determined using the values that are above the values of p-value (p-value) and alpha (0.05). For example, in analyzing and interpreting the Pearson Correlation of trade finance and export trade, a 2 – tailed significance is presented with r = .000 which is less than the p-value (005), with the Pearson Correlation = .709**. This shows that there's positive relationship between trade finance and export trade. Besides that, Amin (2005) noted that if the result of the correlation is between -1 and 1, then it should be interpreted as a significant relationship. Therefore, the three forms of trade finance whose results are presented in Table 28 show a significant correlation (.709**) between trade finance and export trade. Since the relationship is positive, H_0 which states that there is a positive relationship between trade finance and export trade is accepted; and H_1 which states that there is no relationship between trade finance and export trade is rejected. This implies that when trade finance is availed to firms, export trade increase.

4.7 Theoretical Research

The study found the theory of Pecking Order Theory relevant in sense that it calls firms in export trade to have optimal debts and equity capital structures. Using the capital structures, floricultural firms in Uganda have received pre and post-shipment finance that supports their

workers in the production process. Although the Modigliani and Miller (1958) who came up with the theory that guided this study were criticized because of the imperfections in the capital markets, this study found that nevertheless; floriculture firms get pre- and post-shipment capital from institutions in Uganda that accelerate their daily activities. This was reached from the peoples' opinion of strongly agree and agree as presented in the preceding tables. The opinions show that there was a higher percentage from the respondents supporting the relationships between pre and post-shipment finance with export trade and firm activities. Similar responses were received from the credit insurance finance and export trade.

The Pecking Order Theory has it that a firm facing diverse challenges follows a financing order or financing hierarchy. This was found applicable since firms seek for pre-shipment finance in the first instance and later post – shipment in the later. Besides that, it was found that hardly do firms seek pre and post – shipment finance from financial institutions when their internal sources of finance stands strong. In fact, this comes on realizing inadequacy of finance within the firm. This confirms what Macanet al. (2011) asserted that internal sources of finance are higher in the financing hierarchy than external financing. Besides, the Pecking Order Theory has an emphasis on the profits. It calls for the accumulation of profits to be used in times of need and for further investments. This implies that firms that have accumulated more profits can easily reinvest it to finance their operations including exports. Such firms rarely would need trade financing or trade credit. It can be asserted that this study is in agreement with the Pecking Order Theory that guides it.

4.8 Challenges in accessing trade finance by exporters

The last objective of this study was to examine the challenges of exporters to access trade finance and one of the factors that this study assess was the size of the firm.

Table 30: Size of a firm hinders exporters from accessing trade finance

Responses	Frequency	Percent (%)
Strongly agree	4	9.3
Agree	8	18.6
Not sure	17	39.5
Disagree	14	32.6
Total	43	100.0

Source: Primary data, 2016

Table 30 shows that the size of the firm does not hinder exporters from accessing trade finance. This according to Bakunda (2006) is no long a challenge since there has been increased technology among firms. It is noted that a small firm can use advanced technology to increase its export and thus attracts commercial institution to give out trade finance in comparison to a big firm. However, it was found that the bank interest rate hinders exporters from accessing finance as presented in Table 31.

Table 31: Bank interest rate hinders exporters from accessing trade finance

Responses	Frequency	Percent (%)
Strongly agree	8	18.6
Agree	22	51.2
Not sure	8	18.6
Disagree	4	9.3
Strongly disagree	1	2.3
Total	43	100.0

Source: Primary data, 2016

Table 31 shows majority respondents supporting case of the interest rate. According to Ndulu (2007), interest rates of the banks are related with inflation. He observes that high interest rate scares away customers yet a small interest rate is dangerous to the bank since it may increase more customers than its capacity. In the same way, this study found that the interest rate is a challenge to the exporters.

Another was political instability and quantitative findings are presented in Table 32.

Table 32: Political instability hinders exporters to access trade finance

Responses	Frequency	Percent (%)
Strongly agree	15	34.9
Agree	23	53.5
Not sure	4	9.3
Disagree	1	2.3
Total	43	100.0

Source: Primary data, 2016

Responses in Table 32 support what Miguel et al. (2004) found in Sub-Saharan countries (Uganda, Kenya, Rwanda, Burundi and Democratic Republic of Congo). They stated that the persistent protracted conflicts in the great lakes region have hindered farmers from accessing finance and commercial banks from giving credits to various groups of people. It was only 2.3% of the respondents that disagree with the statement. Miguel et al. (2004) further noted that Sub-Saharan Africa has had difficulties in its economies that have hindered access to trade finance.

Information from this study in support of the economic restrictions is presented in Table 33.

Table 33: Economic restrictions hinder exporters to access trade finance

Responses	Frequency	Percent (%)
Strongly agree	13	30.2
Agree	26	60.5
Not sure	4	9.3
Total	43	100.0

Source: Primary data, 2016

Table 33 shows only 9.3% of the respondents were not sure about economic restriction and access to finance. However, a big number supported it as a hindrance as represented by 30.2% of respondents who strongly agree and 60.5% who agree.

A linear regression model was run in order to analyze the significance of different challenges to exporters in accessing finance, and the findings are presented in Table 34

.

Table 34: linear regression analysis of challenges to exporters in accessing trade finance

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.872	.552		3.392	.002
	Bank interest rate hinders exporters to access trade finance	.064	.165	.064	.385	.703
	Economic restrictions hinder exporters to access trade finance	.263	.252	.166	1.044	.303
	Political instability hinders exporters to access trade finance	.261	.228	.195	1.145	.259

Source: Primary data, 2016

Using sig. calculated in Table 33 (bank interest) for example, it is shown that r = .703 which is greater than the standard p-value = 0.07. This implies that the bank interest rate significantly hinders exporters from accessing trade finance. This applies to the rest of the calculated variables such as economic restrictions and political instability. The implication here is that high interest

rate on loans to exporters affects borrowing for export production. Lowering interest rates would attract more exporters to borrow hence increased export activities.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the researcher summarized the findings from the analyses as were in chapter four, drew conclusions and made recommendations following the order of the research objectives.

5.1 Summary of the Study

5.1.1 Pre-Shipment Finance and Export Trade

The study established that there is a relationship between pre-shipment finance and export trade and according to responses in Table 16; this significant relationship as presented by a correlation of .534 and .241 signifies and is indicative of the relevance of pre-shipment finance in increasing exports and total sales of firms. Results also show the impact of pre-shipment finance is observed in the general activities of the floriculture farms and export trade (Table 14 and Table 15). Revelations from the study show all firms borrowing different amounts in pre-shipment finance which is indicative of the need for external financing by the exporters.

Exporters will usually require pre-shipment financing to process or manufacture products for the export market before receiving payment and to support pre-export activities like wages and overhead cost. It is especially needed when inputs for production must be imported (Sailendra, 2015). This study therefore adds knowledge to the existing information about trade finance to exporters or floriculture farms. In 1990s, Mian and Smith (1992) asserted that banks can get information about the activities of the firms and later give credit to facilitate the activities of the firm. In particular, Mian and Smith (1992) talks about the durability the goods exchanged in the

international business transactions. Fisman and Love (2003) further remark that where quality of goods in transaction are poor, banks intervention by providing pre-shipment finance is essential to improve the quality. Dell'Ariccia et al. (2008) show that during financial distress, industries or firms that depend more on external finance and in order to solve this, they get more pre-shipment finance to increase activities of the firm. It can be noted that the study on pre-shipment finance in Uganda is relevant.

5.1.2 Post-Shipment Finance and Export Trade

The study also established the relationship between post-shipment finance and export trade. Results from the study indicate a high positive relationship between post-shipment finance and export trade as well as general activities of the firm. According to information from respondents, the study established that firms borrowed finance to facilitate export trade though most of the firms borrowed below 5 million dollars in annual post-shipment finance. This implies that firms probably either need the external financing to supplement internal funds that they use to meet their operations cost. According to Sailendra (2015), firms borrow post-shipment finance for the period following shipment and it ensures adequate liquidity until the purchaser receives the products and the exporter receives payment because foreign buyers normally want to pay when goods arrive. El-Masry et al. (2007) hypothesized that larger firms need post-shipment finance to pay workers and support their activities in the course of exporting. This justifies the need for post-shipment finance for firms. This study therefore, adds knowledge from floriculture firms in Uganda.

5.1.3 Export Credit Insurance and Export Trade

Export credit insurance was also found influential in attracting both international and national customers to the firms. The similarity in increasing customers and export trade was established by the t-test presented in Table 27. The findings therefore support the study by Asmundson et al. (2011) who assert that about 40 to 50% of world trade relies on insurance and this attracts various customers and firms to continue operations; baring in minds that risks that could accrue are insured. The study established that firms paid various amounts in export credit insurance. This indicates that they are able to secure their transactions against the risks (commercial and political) involved in international trade. According to Sailendra (2015), export credit insurance mitigates the financial impact of the risks and allows exporters to offer better payment terms to their customers. Amiti and Weinstein (2011) relate export performance and credit insurance and found that customers like insured business more than uninsured ones. This in turn increases customers, exports and eventually profits to the firm. In the same line, this study adds knowledge to the existing body that credit insurance is important to export trade.

5.1.4 Summary Trade Finance and Export Trade

In summary of the main objective of the study, which was set out to establish the impact of trade finance on export trade; findings indicate that there's a significant relationship between the two variables (Table 28 and Table 29). According to the findings, a correlation matrix yielded positively significant relationship (.709**) between trade finance and export trade. This result leads the researcher to conclude that trade finance increases exports of the firms. Both pre and post-shipment finance and export credit insurance play an important role in the success of exports trade. (Contessi and Nicola, 2015) remarked that exporting activities generate several variable trade costs due to shipping, duties and freight insurance, some of which are incurred

before export revenue is realized and in addition, cross-border delivery can take longer to complete than domestic orders, increasing the need for working capital requirements relative to those of firms that sell only domestically. Therefore, trade finance is cardinal to export trade.

5.1.5 Challenges in Accessing Trade Finance

This study concentrated on size of the firm, political instability, economic restrictions and the bank interest rates. The study found that the size of the firm cannot hinder exporters from accessing trade finance but the rest of the factors do. In a study to establish the role of small, medium and large size firms in growth and development, Beck et al. (2005) found that modern firms use advanced technology to increase their out-put and export as well. Therefore, the size of the firm no long matter in export trade. This information is supported by the findings of this study in which only interest rate, political instability and economic disabilities were found to hinder exporters from accessing trade finance. However, Ndulu and Chakraborti (2007) assessed the influence of political instability in the SSA counties and found that such instability does not only scare aware exporters from getting trade finance but also distort the environment for trade and investment. In 2007 for example, after the general election, Kenya was marred by political instability that made conditions for floriculture unbearable. During the period, there were increased costs of inputs, displacement of workers, insecure and unpredictable transportation of workers and goods from one location to another. These did not favor exporters from accessing export credit.

5.2 General Conclusions

It can be concluded that trade finance has an impact on export trade and this impact can either is a positive one since access to and availability of trade finance facilitate international commerce.

Pre-shipment finance is important in the activities of a firm not only to export trade but also for increased performance of the firms. This is because it boosts morale among the workers in the due course of farming activities as access to working capital is one of the most important components of the export operations and transaction, providing a means for companies to pay workers' wages, acquire inputs goods and services, to fill purchase orders and to goods to buyers in the international markets. There's need for exporters to ensure that they have access to working capital and financiers who are a source of this capital should ensure that it is availed to exporters.

In accordance to the second objective of this study, post-shipment finance is important in supporting exporters and importers in the shipping process. The capital gained in post-shipment periods of the firms is important to relevant individuals as they travel with flowers or sends them from the producing nations to the final destination. Cost such as marketing cost, post-shipment cost, advertising, storage and inbound transportation among others can be met with post-shipment finance. It should be noted that post shipment finance allows exporters to meet their short-term and immediate liquidity requirements as they wait for payment from foreign buyers. This allows them to offer better payment terms to the importers hence wining more business / increasing exports.

Export credit insurance was also found relevant. It is vital since it increase customers and rests workers' thoughts towards risks about the firm. Exporters also feel contented about their trade routes and this applies to customers waiting to receive imports. Export also credit insurance mitigates the financial impact of the risk involved in export trade so exporter don't have to worry about not being paid for their goods.

Generally, from the findings and discussions of the study, I (the researcher) can conclude that, trade finance has a largely positive impact on export trade.

Despite these, political instability, economic disabilities and high interest rate inhibits exporters from accessing finance. Lack of or limited access to and availability of financing for traders, high costs, and lack of insurance or guarantees hinder the trade and export potential of an economy, and particularly that of small and medium sized enterprises.

5.3 Recommendations

The study found that there is a positive relationship between pre-shipment finance; and post-shipment finance and export trade. It also found similar relationship between export credit insurance with export trade. It is from these relationships that this study recommends that, in order to expand the country's export business and benefit from the opportunities in the international market, the provision disbursement of trade finance should be increased and prioritized more than what actually exists.

There is a need to support and encourage all floriculture firms as well as other exporters in Uganda to insure their exports and firms in general since it increases customers, efforts invested at work by the workers and providing protection against risks involved in export trade. This in long run will increase profits of the firm and morale of the workers. Protection includes pre-shipment and post-shipment risks, the former covering the period between the awarding of contract until shipment. Protection can also be covered against commercial and political risks.

The researcher recommends that banks to use appropriate interest rates that would enable both small medium and large scale firms to access export credit. Banks should not consider the size or duration of the firm's operation but they should look at the collateral securities needed for one firm to access credit. Commercial banks can also design and implement effective system of appraising non-performance risk, which in turn help them to ease their loan requirements allowing lending to both emerging and experienced exporters which improves utilization of the export finance loan and ultimately production for exports.

Floriculture has the potential of becoming Uganda's second largest NTAE revenue generator as it once was in the early 2000s. It's imperative then that various farmers should be encouraged and lured to invest and diversify into the floriculture sector and other NTAE activity so as to generate the much needed revenue to the country. This should be through developing special incentives such a provision of land, providing finance and tax relief to would be investors in the sector.

The government of Uganda should increase effort towards circumstances to invest in agriculture. It should set up early warning indicators to political instability and stop any effort that would bring economic instability. This will increase investors in the financial sector, investment in export oriented production and revenue in the long run.

Furthermore, in order to maintain sustainable development in the export sector and achieve some of the export oriented economic development goals, the Ugandan government has to strengthen its support to and greatly enhance the capacity of the export promotion agencies and institutions to support exporters / traders because in the presence of underdeveloped financial and money markets, traders have restricted access to financing.

The Governments should either play a direct role in direct provision of trade finance or credit guarantees; or indirectly by facilitating the formation of trade financing enterprises such as EXIM banks, ECA and ECGA; and also extend assistance in seeking cheaper credit by offering or supporting Central Bank refinancing schemes, Specialized financing institutes like Export-Import Banks or Factoring Houses; Export credit insurance agencies; assistance from and collaboration with Multilateral Development Corporations (MDC) engaged in trade finance support to international trade. Additionally, development of better financial institutions may be a more effective way of promoting exports than other trade-promoting policies.

5.4 Suggestions for Further Study

In suggesting future / further studies or research in in relation to this subject, I would like to draw focus to the limitation of this study.

- The effect of floriculture on poverty reduction in Uganda.
- The effectiveness the in utilization of pre and post-shipment finance in the Floriculture sector.

References

African Development Bank (AfDB) (2014), *"Trade finance in Africa",* 3 December 2014, Abidjan: African Development Bank

African Development Bank, (2011), *Portfolio Credit Risk Review*. Available at: www.afdb.org.

Ahn, B.J., Amiti, M. and Weinstein, D.E (2011), *Trade Finance during the Great Trade Collapse*., 8, pp.298–302. Available at: https://books.google.com/books?hl=tr&lr=&id=BGqBGBvr8-YC&pgis=1.

AIG. (2013), *Trading by The Rules;* http://www.aig.com/content/dam/aig/america *canada/us/documents/business/trade-credit/19316hbr-aig-report-tc-brochure.pdf*. **[**ONLINE] Available at: http://www.aig.com. [Accessed 12 July 2016].

Alexander, D.K., Chye, T.K and Lambert, J (2010), Private Bankers' Response., (November), Pp.373–384.

Asiedu-Appiah, E. (2005), *Trade Finance: An instrument for effective trade delivery.* (Paper presented at the CEPA conference on Trade Facilitation, Accra, Oct. 17-19, 2005)

Auboin, M. and Blengini, I., (2014), The Impact of Basel III on Trade Finance: *The Potential Unintended Consequences of the Leverage Ratio.*

Bankenverband (2015), Financing foreign trade: *A guide by Germany's private banks Berlin*, January 2015, Available from: https://bankenverband.de/media/publikationen/16012015

Bank for International Settlements (BIS) (2014), Securitizations: *Tranching concentrates uncertainty,* BIS Quarterly Review, December 2014, available at www.bis.org/publ/qtrpdf/r_qt1412f.html

Bank for International Settlements (BIS) (2014b), "Trade finance: *Developments and issues*", Committee on the Global Financial System (CGFS) publication no. 50 by Clark, J., Basel: BIS

Bank of England, (2015), Financial Stability Report - December 2015., Issue 38(38).

Bank of Uganda (BOU) (2015) *Statistics; Private Sector Investment Survey, 2015,* Available at: *https://www.bou.or.ug/bou/rates_statistics/Statistics_overview.html* (Accessed: 28 May 2016).

Brandi, C., Schmitz, B. and Hambloch, C. (2014), *The Availability of Trade Finance: A Challenge for Global Economic Governance; Briefing Paper 1/2014*

Betsema, G and Westen, G. Van, (2016). Flowers for food? (January).

Biesebroeck, J. Van and Konings, J. (2016), *Did export promotion help*., Working Paper Research., (291).

Bouazza, A.B (2015) 'Small and Medium enterprises as an effective sector for economic ', 111(2), pp. 1-16.

Burns, N., & Grove, S.K (2003), *Understanding Nursing Research,* 3rd edn., Philadelphia: Saunders

Cetorelli, N. AND Peristiani, S., (2012), *The Role of Banks in Asset Securitization*., (July) pp.47–63.

Chauffour, J.-P and Malouche, M., (2011), *Trade Finance Furring the Great Trade Collapse*,

Cheong, I. and Kim, H (2015), Rieti Discussion Paper Series 10-E-038 *Business Use of FTAs in Korea.*

Church, W. and Jowell, M. (2003), *Conflict circuit breakers in the Great Lakes Region of Africa*.

Clancy, L. (2015), *Growing Small Firms in Ireland Growing Small Firms in Ireland Invoice Finance for SMEs*., (02), pp.3–5.

Cma, A. (2014). *Banking services to small and medium- sized enterprises*., (July).

Contessi, S. and F. deNicola (2013), "*What do we know about the relationship between access to finance and international trade?"* Federal Bank of St. Louis

Contessi, S. and F. deNicola (2012*), The Role of Financing in International Trade during Good Times and Bad*; Regional Economist, January, 2012

Griffith, D. A. and Czinkota, M. R. (2012), *Release the constraints: solving the problems of export financing in troublesome times.* Business Horizons, 55, 251-260

Creswell, J. (2003), Research design: Qualitative, quantitative and mixed methods approach (2nd Ed.)

Crosignani, M. and Faria-e-castro, M., (2015), *Central Bank Interventions, Demand for Collateral and Sovereign Borrowing Costs*

David Gustin, (2014). *Trade Receivables as a Short Term Fixed Income Product* – Part III http://spendmatters.com /tfmatters/trade-receivables-as-a-short-term-fixed-income-product-part-iii. Accessed on 09/062015

DiCaprio, A., Beck, S., and J. Daquis (2014), *ADB Trade Finance Gap, Growth, and Jobs Survey*, ADB Brief No. 25

Dijkstra, T. and Centre, A.S. (2001), Export Diversification in Uganda: *Developments in Non Traditional Agricultural Exports*. 31(0).

Döhring, B. (2008), *Hedging and invoicing strategies to reduce exchange rate exposure - euro area perspective* [Electronic version]. European Economy.

Evers, B. and Amoding, F., (2014), Social *and economic upgrading in floriculture global value chains: flowers and cuttings GVCs in Uganda*. Working Paper 42,

Foley, C.F. and Manova, K., (2015), *International Trade, Multinational Activity, and Corporate Finance.*

Freeman, N., (2015), Financing Small and Medium Sized Enterprises for Sustainable Development: *A View from the Asia-Pacific* (April, 2014).

Gajigo, O., Triki, T. and Drammeh, L. (2014), *Trade Finance in Africa,* African Development Bank Report.

Garralda, J.M.S. and Vasishtha, G (2015) *What drives bank - intermediated trade finance? Evidence from cross - county analysis,* Available at: *http://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosTrabajo/15/Fich/dt1524e.pdf* (Accessed: 25 Feb 2015).

Gautam, M. (2010), *Inclusive Growth Policy Note 2 Agriculture for Inclusive Growth in Uganda* 1., 92, pp.1–32.

Gentles, S.J., Charles, C. and Ploeg, J. (2015), Sampling in qualitative research: *Insights from an overview of the methods literature.* The Qualitative Report, 20(11), pp.1772–1789. Available at: http://nsuworks.nova.edu/tqr/vol20/iss11/5/.

Gollin, D. and Rogerson, R. (2010), *Acknowledgments and Disclaimers.*

Horizons, G.D., (2011), Multipolarity: *The New Global Economy.*

Hornbeck, J.F and Division, T. (2008), CARICOM: *Challenges and Opportunities for Foreign Affairs, Defense, and Trade Division.*

Humphrey, C. (2015), *Developmental revolution or Bretton Woods revisited?* Odi, 36(April), pp.1–7. Available at: http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion- Files/9615.pdf.

Ibrahim, I.S. (2014), Port Service Quality from Shipping Empirical Study on East Mediterranean Region.

ICC, (2015), Rethinking trade & finance

ICC Banking Commission, (2014), ICC Trade Register Report

International Trade Centre (ITC, (2009), *How to Access Trade Finance: A Guide for Export SMEs*

Ivashina, V., Scharfstein, D.S. and Stein, J.C. (2015), *Dollar funding and the lending behavior of global banks.* Quarterly Journal of Economics, 130(3), pp.1241–1281.

Jones, P.M. (2010), *Trade Credit Insurance Trade Credit Insurance*.

Joram, M.P. (2010), *Enhancing the Tradability of Agriculture in Sub-Saharan African Policy Research Forum.* (July).

Jose, S. (2003), Regulatory Compliance. (May), pp.2–3.

Manova, K. (2013), *Credit Constraints, Heterogeneous Firms and International Trade. Stanford University and NBER Published in The Review of Economic Studies (2013) 80, p.711-744.*

Kerr, S. (2014), *Forecasting Credit Card Portfolio Losses in the in the Great Recession (2014).*

Kowit, R.M., May, W. and Rengifo, E. (2016), Trade finance as a financial asset: *Risks and Mitigants for non-bank investors*. 9.

Ksoll, C. (2015), Guns and Roses: *Flower Exports and Electoral Violence in Kenya*., (March, 2014).

Lamy, P. (2012), Global governance: from theory to practice. *Multi-level governance of independent public goods, theories, rules and institutions for the central policy challenge in the*

21st century, pp.25–30. Available at: http://cadmus.eui.eu/bitstream/handle/1814/22275/RSCAS _2012_23 final.pdf? sequence=2.

Lewis, A. and Pretorius, R. (2014), Outsourcing by UK-based Fund Managers: *Identifying and Applying the Rules.* (October), pp.1–24.

Little, A.W. (2007), Education and Development in a Global Era: *Strategies for Successful Globalization.*

Mae, F. (2016), *Home Affordable Refinance* (DU Refi Plus and Refi Plus). pp.1–30.

Mahembe, E. (2014), *Foreign Direct Investment Inflows and Economic Growth in SADC Countries;* (August).

Malaket, A.R. (2015), *Leveraging Supply Chain Finance for Development*., (September). Martinez, P. (2013). Trade Finance Production Manager

Martín-Oliver, A and Saurina, J. (2007), *Why do banks securitize assets*. XV Spanish Finance Forum. pp.1–33. Available at: http://www.finance-innovation.org/risk08/files/3433996.pdf.

Mashindano, O. (2013), Taping Export Opportunities for Horticulture Products in Tanzania: *Do*

We Have Supporting Policies and Institutional Frameworks? By Vivian Kazi, Specioza Mashauri and Solomon Baregu Economic and Social Research Foundation Dar es Salaam, Tanzania., (October).

Mcleay, M., Radia, A and Thomas, R. (2014), *Bank of England Quarterly Bulletin 2014* Q1, (1), pp.14–27.

Meir Liraz, (2014), Export Goods: *Methods of Exporting and Channels of Distribution*; *Bizmove Small Business Guide*

Miglo, A. (2012), Managers versus Students: *New Approach in Improving Capital Structure Education*. 3(11), pp. 353–369.

Mills, K.G. (2014). *The State of Small Business Lending:* Credit Access during the Recovery and How Technology May Change the Game the State of Small Business Lending

Nabwire, L. (2015), Uganda' s Dilemmas in the Transition to Modern Commercial Agriculture:

Implications for the Poverty Reduction Agenda. (February).

Nanto, D.K. (2009), The Global Financial Crisis: *Analysis and Policy Implications*.

Nelson, R.M. (2012), Multilateral development banks: *Overview and issues for congress*. International Economic Cooperation: Institutions, Funds, and Banks, pp.67–92.

Narain Sailendra, (2015), *Trade Finance for Sustainable Development in Asia and the Pacific*., MPDD Working Paper WP/15/04: Available from; www.Sailendra.org/our-work/macroeconomic-policy-development/ financing-development.

Niepmann, F. and Schmidt-Eisenlohr, T. (2014), International Trade: *Risk and the Role of*

Banks. Federal Reserve Bank of New York Staff Reports, 633(October).

Nixon, H. (2015), Outlook 2015

OCC, 2013. http://www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html accessed on 2016, 02, 22 The Office of the Comptroller of the Currency (OCC

OECD, (2015). Taxation of SMEs in OECD and G20 Countries, OECD Tax Policy Studies.,

Office of the Prime Minister, (2012), *Government annual performance report*. 2 (November).

Ogalo, V. (2011), *Foreign Investment in Agriculture in Eastern Africa*

Polit, D.F., Beck, C.T. and Hungler, B.P. (2001), Essentials of Nursing Research: *Methods, Appraisal and Utilization*. 5th Ed., Philadelphia: Lippincott Williams & Wilkins

PwC, (2015), *Global Financial Markets Liquidity Study*., (August).

Raude, J.M., Wesonga, W. and Wawire, P. (2015), *Equity Financing Strategy and the Performance of Small and Medium Enterprises in Kenya* 10(4), pp.193–202.

Rose, A.K. (2010). International Linkages and American Exposure Saaid, E. (2013), *The Challenges of Islamic Trade Finance in Promoting SMES in IDB Member Countries*., (2004), pp.24–26.

Sheburne, R.C (2010) 'The Global Financial Crisis and Its Impact on Trade: The World and the European Emerging Economies', *United Nations Economic Commission for Europe,* Discussion Paper Series No. 2010 (2), pp. 1-30

Sikkel, M.W., (2010). *Integrating SMEs into the global & regional value chains*, Da Silva, C.A. (2009). Agro-industries for Development

Silicon Valley Bank (2014), *Trade Finance Guide: A Guide and Overview to Export Financing,* Available at: *http://www.Sbv.com* (Accessed: 21st July 2016).

Ssewanyana, S., Matovu, J.M. and Twimukye, E. (2009); Building on Growth in Uganda. Statistics of 2014.

The Uganda Bureau of Statistics-UBOS (2014); *Statistical Abstract*: Available at http://www.ubos.org/onlinefiles/uploads/ubos/statistical_abstracts/Statistical%20Abstract%202015.pdf

The Uganda Bureau of Statistics-UBOS (2000); *Statistical Abstract*: Available at http://www.ubos.org/onlinefiles/uploads/ubos/statistical_abstracts/Statistical%20Abstract%202000.pdf

The World Bank, (2009). Africa's Pulse: 7(April)., Available at: http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/Africas-Pulse-brochure_Vol11.pdf.

The World Bank, 2012. *Transformation through Infrastructure*.

The World Bank Group, (2015). Withdrawal from Correspondent Banking; *Where, Why, and What to Do About It*, November 2015

Uganda Investment Authority (2009). Floriculture sector profile: Available on; http://www.ugandainvest.go.ug/uia/images/Download_Center/SECTOR_PROFILE/Floriculture_Sector_Profile.pdf

UNCTAD, 1989. *Trade and development*. II(September), pp.1981–2011.

United Nations, U. (2008). *Mainstreaming Gender into Trade and Development Strategies in Africa*. (4).

United Nations, (2007). United Nations Conference on Trade and Development Trade and Development; *Aspects of insurance*.

Veer, K. Van Der, 2015. Loss shocks and the quantity and price of private export credit insurance: *Evidence from a global insurer.*, (462).

Ward, M. and Rhodes, C (2015), *Small businesses and the UK economy.*, Available at: *http://www.myveryownblog.co.uk/wp-content/uploads/2015/01 /sme_stats_2014.pdf.*

(Accessed: 2nd November 2015).

Wehinger, G., Nassr, I.K. and Laboul, A. (2015), *Opportunities and constraints of market-based Financing for SMEs.* pp.1–29.

Weyman, J. (2016), Risks in Faster Payments, (May).

World Economic Forum, (2013), Strategic infrastructure in Africa: *A business approach to project acceleration*, (May), pp.1–44.

World Trade Organization (WTO) (2016) *Trade Finance and SMEs; Bridging the Gap in provision*, WTO Discussion Paper edn., Geneva: WTO

World Trade Organization (WTO) (2015) *Improving the availability of trade finance during financial crises, WTO Discussion Paper.*, WTO Discussion Paper edn., Geneva

World Trade Organization (WTO) (2014), *Trade finance in periods of crisis: what have we learned in recent years? ERSD Working* Paper by Auboin, M., and Engemann, M., Geneva: WTO.

Zerban, A., Elkady, E.H. and Omar, R.F (2012) *Islamic Finance and Global Financial Crises: How to Keep Finance on Track*, September edn pp.190–222.

Appendices

Appendix I

Self- Administered Questionnaire to Respondents

Dear respondents

This is an academic study and all information collected shall be utilized purely for this purpose. You have been carefully selected to participate in this study because of your wealth of experience in this area and your response will be handled with utmost confidentiality. Thank you for taking time to record your insight on the subject.

(Tick where appropriate)

SECTION A

BACKGROUND FORMATION

Tick where appropriate

1. Gender:

Male	Female

2. Age (in years)

Below 20	21-30	31-40	41-50	Over 51

3. Highest level of Education

O/A Level	Diploma & certificate	Degrees	Post-Graduate	Other (Specify)

5. State the years of experience you have worked with this firm

Less than 5 years	6-10 years	11 and above years

6. State the years of existence of this firm

6 – 10 years	11 and above years

7. State the total number of the workers of the firm

50 – 100 workers	100 and above workers

8. **Which market do you target in your production?**

Domestic Market	Foreign market	Not sure

Give reasons supporting the answer

……

……...

9. **Which legal category best describe the firm (Ownership)**

Partnership	Sole proprietorship	Limited company	Subsidiary of multinational co.	Other, (Specify)

10. **Which currency are your export transactions frequently quoted in?**

Euro	US$ (Dollar)	Japanese Yen	Other specify

11. What is the annual export sales turnover of this firm?

Below US$ 5 million	US$ 6 to 10 million	Above US$ 11 million.

12. What is the annual total sales turner over of the firm?

Below US$ 15 million	US$ 16 to 30 million	Above US$ 31 million

SECTION B

PRE-SHIPMENT FINANCE AND EXPORT TRADE

14 (a). State annual pre-shipment finance borrowed for the firm?

Below US$ 5 million.	US$ 6 to 10 million	Above US$ 11 million

Use the following to answer the question:
1 = Strongly disagree, 2 = Disagree 3 = Not Sure 4 = Agree 5 = Strongly agree

		1	**2**	**3**	**4**	**5**
14(b)	Pre-shipment finance increase the general activities of the firm					
14(c)	Pre-shipment finance increase export of the firm					

SECTION C

POST-SHIPMENT FINANCE AND EXPORT TRADE

15 (a). State annual post-shipment finance borrowed for the firm?

Below US$ 5 million	US$ 6 to 10 million	Above US$ 11 million

Use the following to answer the question:
1 = Strongly disagree, 2 = Disagree 3 = Not Sure 4 = Agree 5 =Strongly agree

		1	2	3	4	5
15(b)	Post-shipment finance increase the general activities of the firm					
15(c)	Post-shipment finance increase export of the firm					

SECTION D

EXPORT CREDIT INSURANCE AND EXPORT TRADE

16 (a). State annual credit finance paid in insuring exports of the firm?

Below US$ 5 million	US$ 6 to 10 million	Above US$ 11 million

Use the following to answer the question:
1 = Strongly disagree, 2 = Disagree 3 = Not Sure 4 = Agree 5 =Strongly agree

		1	2	3	4	5
16(b)	Credit insurance increase exports of the firm					
16(c)	Credit insurance increase customers of floriculture					

SECTION E

CHALLENGES IN ACCESSING TRADE FINANCE BY EXPORTERS

Use the following to answer the question:
1 = Strongly disagree, 2 = Disagree 3 = Not Sure 4 = Agree 5 =Strongly agree

		1	2	3	4	5
17(a)	The size of the firm hinders exporters to access trade finance					
17(b)	Bank interest rates hinders exporters to access trade finance					
17(c)	Political instability hinders exporters to access trade finance					
17(d)	Economic restrictions hinder exporters to access trade finance					

17 (e). Mention other factors that hinder exporters from accessing trade finance

……
……
……

Thank you for your cooperation

END

Appendix II

Consent Form for Respondents

Information to respondents

Dear Respondent,

I am Phillips Rogers Opwonya, a student of Uganda Martyrs University - Kampala, pursuing a Master's degree in International Trade, Policy and Law and I am carrying out an academic research on trade finance and export trade in floriculture sector in Uganda. You are fully informed that participation in the study is entirely voluntary as you will not be given material rewards for participation as well as withdrawal of participation at any stage of the involvement may be granted on request by the respondent. Be assured that all information obtained from you will be treated with the strictest confidence and will be used for academic purposes only. Your participation is highly appreciated.

Statement of Consent:

I have been requested to participate in the above mentioned research. In addition to the above explanation, the researcher has ably answered all my queries about the research. I have understood all the conditions for participation in the research. Without any form of coercion or intimidation, I hereby willingly offer to participate in the research as a respondent

Signature/thumbprint……. Date……

Researcher/research assistant.... …… Date…….