ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESING CHALLENGES OF EXPORT FINANCING IN ETHIOPIAN COMMERCIAL BANKS

BY
DAMTEW HABTE
ENROLMENT No: SGS/0081/2006

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ETHIOPIA

ASSESING CHALLENGES OF EXPORT FINANCING IN ETHIOPIAN COMMERCIAL BANKS

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MBA PROGRAM

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BY

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Mesfin Lemma. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

______________________________ Name	______________________________ Signature

St. Mary's University, Addis Ababa **November 2015**

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor Signature

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For any errors or inadequacies that may remain in this work, of course, the responsibility is entirely my own.

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Abbreviations

AIB	Awash International Bank S.C
CBB	Construction and Business Bank
CBE	Commercial Bank of Ethiopia
DB	Dashen Bank S.C
DBE	Development Bank of Ethiopia
EBA	Ethiopian Banking Associations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ISHOPA	Imperial Savings and Home Ownerships Public Association
NBE	National Bank of Ethiopia
SUSTA	Southern United States Trade Association
SPSS	Statistical Package for Social Scientists
TOT	Terms of Trade

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Abstract

This study assessed the challenges faced while financing exporters in Ethiopian commercial banks. Two state-owned commercial banks and two private owned commercial banks were selected for consideration of the study: Commercial Bank of Ethiopia (CBE); Construction and Business Bank (CBB) and Awash International Bank (AIB) and Dashen Bank (DB). In order to assess the level of challenges and its resulted impact, the study has been conducted by designing five-point likert scale questionnaires and secondary data was used. The study adopted non-probability purposive sampling technique to select 120 respondents from bank experts and 40 exporters of which the responses of 101 respondents from credit experts and 26 from exporters were analyzed. The study found out that there is limited performance by exporters, the diversion of funds and export proceeds from the lending banks, prevalence of unsatisfied request of exporters for foreign currency, inadequate financing of export business by commercial banks, lack of flexibility of banks policy and procedure, inadequacy of support by government for the sector, unfair competition between commercial banks, lengthy loan processing time, inadequacy of infrastructural development, lack of education and training, inadequate IT support are observed. So as to improve the export financing level capacity building for commercial banks, policy changes by NBE and further attention requirement by government agencies are among the recommended solution.

Key words: *Challenges, Commercial Banks, Export financing*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Banks play a role of considerable economic significance as intermediaries in mobilizing public savings and canalizing the flow of funds for productive purposes, keeping on the process of the economic growth of the country (Bagylakshmi, 2014)

According to Goldsmith (1969), mobilizing liquid resource *"accelerates economic growth and improves economic performance to the extent that it facilitates the migration of funds to the best user, i.e. to the place in the economic system where the funds will find the highest social return".*

Banks channel part of their fund to exporters which enables the banks and the exporter in a good shape. Export is one of the growth drivers of all growing economies. The expansion of exports is well appreciated and takes a major place in the government policy (Kumar, 2013). Exports are major factors in the development of an economy, particularly developing nations (Bagylakshmi, 2014). According to (Aworemi, 2011) Most countries and company considered export performance as a tool to boost corporate growth, strengthen competitive edge, and ensure company survival in a highly competitive market place. Exporting is extremely attractive to most national governments because it allows the accumulation of foreign exchange reserves, enhances societal prosperity, and helps national industries to develop, improve productivity and create new jobs.

Studies by Thirlwall (1983) and Park (1981) as cited by (Aworemi, 2011) concluded that all the benefits provided by the exporting activity encourage national government (public policy makers) to implement export assistance programs with the sole objective of helping firms improve their strategy and ultimately enhance their performance in the international arena. Though export financing bring an enormous benefit to the nation in general and exporter and bank (financer) in particular, it has challenges in utilizing the required level of benefit from export financing.

1.2. Background of Banks Under Study

1.2.1. Commercial Bank of Ethiopia (CBE)

CBE is the leading bank in Ethiopia which was established back in 1942. It is pioneer to introduce modern banking to the country. Currently, CBE has more than 10.1 million account holders and more than 22,000 employees. As of April 30th 2015 the bank has 958 branches stretched across the country and it has opened four branches in South Sudan and has been in the business there since June, 2009 (www.combanketh.com accessed on August 24, 2015).

CBE extends the following credit facilities to its customers (www.combanketh.com accessed on August 24, 2015).

Overdraft: - it is a form of credit facility by which customers are allowed to draw cash beyond the deposits of their current accounts for the day to day operational needs of business.

- **Merchandise Loan Facility: -** it is a short term credit facility extended to customers against merchandise or its documentary evidence. Like Railway Receipts, Warehouse Receipts, Airway Bills.

- **Pre-shipment Export Credit Facility: -** it is a short term loan extended to customers engaged in export business for purchase of raw material, processing, warehousing, packing, transporting the finished goods to shipment. The facility can be granted to customers engaged in export sector and able to present receipts of export proceeds.

- **Revolving Export Credit Facility: -** it is an advance extended to exporters upon presentation of acceptable export documents except bill of loading. It is meant to solve working capital problems of exporters with continuous export transaction emanating from money tied up in goods in transit of shipment.

- **Special Truck Loan Financing: -** it is a term loan granted to coffee and /or sesame exporters mainly to overcome problems of transportation service prevailed in the export business.

- **Short Term Loans: -** it is a loan granted to customers to finance their working capital needs and /or other short term financial constraints.

- **Medium Term Loans: -** these loans are extended to customers to partially finance acquisition or leasing of fixed business assets, establishment of new projects and expansion of an existing business.

- **Long Term Loans: -** it has a maturity period longer than seven years but not exceeding a maximum period of fifteen years.

- **Agricultural Input Loans:** - it is a short term loan granted to customers for the purchase of fertilizers, improved seeds and agro-chemicals.

- **Agricultural Investment Loans:** - it is a short to long term loan granted to customers engaged in commercial farms or agro-processing industries for working capital as well as purchase of agro-processing machineries or equipment for plant, crop and animal production in small medium or large scale farming.
- **Coffee farming Term Loan Financing-** It is one form of credit facility granted to customers engaged in commercial coffee farming with minimum 30 hectares of land to finance working capital needs, or new and expansion of existing projects. The applicants have to present detailed feasibility study and must commit at least 40% of the total estimated project cost (www.combanketh.com accessed on August 24, 2015).

1.2.2. Construction and Business Bank (CBB)

Construction and Business Bank evolved from the merger of two financial institutions, the Savings and Mortgage Corporation of Ethiopia S.C and the Imperial Savings and Home Ownerships Public Association (ISHOPA), which were nationalized and formed Housing and Savings Bank on the onset of the Socialist Era of Ethiopia. Following the financial sector reform of the country in 1994, it has been transformed and renamed to Construction and Business Bank to provide a full-fledged universal banking service (www.cbb.com.et accessed on March 12, 2015).

As of June30, 2014, CBB has 110 branches across the country with total employees of 1,924.Capital and reserves level of the bank is Birr 731.2 million and its outstanding loans and advances of the Bank as at June 30, 2014 reached at Birr 3,201.3 million (www.cbb.com.et accessed on March 12, 2015).

CBB extends the following credit facilities to its esteemed customs (www.cbb.com.et accessed on March 12, 2015):

- Pre-shipment Export Credit facility
- Revolving Export Credit Facility
- Term loans
- Construction Machinery Loan
- Motor Vehicle loans
- Agricultural Input Loan-
- Agricultural Investment Loan-
- Coffee farming Term Loan Financing-
- Overdraft
- Merchandise loan facility

1.2.3. Awash International Bank SC (AIB)

Awash International Bank S.C was established after the dawn fall of the *Dergue* regime and introduction of market economic policy in 1991. Initially, it was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. It was licensed on November 10, 1994, and started banking operations on February 13, 1995 *(www.aib.com.et).*

The number of shareholders and paid up capital have been increasing continuously and significantly and currently stand at over paid-up 3436 and its capital currently stood at Birr 1.5 billion. Currently, the Bank has total of 181 branches of which 96 branches are located in Addis Ababa while the reaming 85 branches are located in regional towns, (as of February 28/2015) *(www.aib.com.et* accessed on March 15,2015*).*

AIB Extends loans and advances to the following sectors:

- Domestic Trade and Services (wholesales & retail);
- Import & Export trade;
- Industry; Agriculture;
- Hotel & Tourism;
- Construction;
- Transportation Services;
- Small & Medium Enterprises;
- Education, Health, Personal Loans *(www.aib.com.et)*

1.2.4. Dashen Bank (DB)

The Bank is a privately owned company established in 1995 in accordance with the "Licensing and Supervision of Banking Business" Proclamation No. 84/1994, now superseded by Proclamation No.592/2008, "A Proclamation to Provide for Banking Business" to undertake commercial banking activities (www.dashenbank.com accessed on February 20,2015).

The Bank obtained its license from the National Bank of Ethiopia (NBE) on 20 September 1995 and started normal business activities on 1 January 1996. The number of shareholders and paid up capital have been increasing continuously and significantly and currently its capital stood at 2.6 billion and a paid up capital of 1.1 billion (www.dashenbank.com accessed on February 20, 2015).

Major types of credit facilities:

- Overdraft (for working capital)
- Term loans (Short and project finance)
- Letter of credit facility
- Advance on import bills
- Revolving overdraft (for export bills)
- Merchandise loan
- Trade bills discounted
- Export credit guarantee scheme
- Letter of guarantee (Advance, Performance and Bid Bonds)

This study focuses on the above stated two government owned commercial banks and two private owned commercial banks. That is expected to help in getting representative data which help in finding the challenges and come up with solution.

1.3. Statement of the Problem

Following the competition in price of exportable items domestically the export business becomes less profitable. Hence, most of the exporters have import wing which compensate the export business. In many of Ethiopian commercial banks, exporters have priority to get hard currency to import items related or unrelated to their export business. Most of the exporters export their items even at loss (comparing the sales price and cost of goods sold) on relying on the benefit that they will get from their import business. The exporters were in need of the hard currency they have generated from export proceeds in the form of foreign currency (Geda, 2006). On the other hand, Banks mainly aimed at getting hard currencies through financing exporters at low interest rates as compared to other loan products. These hard currencies attract importers and it generate enormous amount of commission and further attract depositors which will need hard currency for their import.

Ethiopia has an enormous potential for the production of high-value export products, which can be competitive in the international market and it can earn foreign exchange that contribute for the development of the national economy. Though the potential of the country is vast, the contribution of the high-value exports to the Ethiopian economy is not very significant. The major reason for low contribution can be attributed to lack of competitiveness in high-value export products. Lack of competitiveness can be resulted from various constraints that hamper the development of the export. Without alleviating those constraints, the global competitive advantage and the export growth potential cannot be maintained (The World Bank, 2004).

Export sector need a well-organized assistance from its primary activities to its final stage activities. However, these activities were not well assisted by commercial banks and other institutions (Geda, 2006). Most of the exporters were not getting the required assistance from banks and banks also did not get the required benefit from the exporters. The study wonders if the basic challenges that hinder mutual benefits of the exporter and banks are materialize. It also asses the gaps that need to be filed in order to get the required benefit from the sector.

1.4. Research Questions

To systematically address the stated problem, the study raised the following research questions.

1. What are the challenges commercial banks faced in financing exporters?
2. What are the major challenges of exporters that hinder their export performance?
3. What are the key factors that influence banks in managing export financing?
4. What are the major benefits gained by banks in involving in the export financing sector?

1.5. Objectives of the Study

1.5.1. General Objective of the Study

The general objective of the study is to assess the overall export financing challenges faced by the banks and exporters.

1.5.2. Specific Objectives of the Study

The specific objectives of the study are:

1. To assess the challenges of financing export in the banks understudy
2. To assess challenges of exporters that hinder their export performance
3. To identify key factors that influence banks in managing export financing
4. To identify major benefits gained by commercial banks in involving in the export financing sector

1.6. Significance of the Study

The following are the major significances of the study:

1. The study provides some insight about export financing challenges by banks and a solution that need to be implemented in resolving such challenges by management of the banks under study;

2. It will serve as an indicator for decision makers to identify the gap between the expected benefits of export financing and the existing benefits that these banks are getting;

3. The study will suggest ways and means in overcoming the challenges faced by these banks while financing export sectors;

4. It will fill the current gaps in empirical literature and to shed some light for further studies especially in challenges that banks face on export financing.

1.7. Scope of the Study

The scope of the study is limited to assessing the challenges faced by banks in order to adequately financing the export sector and the challenges in getting the required benefit from export financing in commercial Bank of Ethiopia (CBE), Construction and Business Bank (CBB) and two privately owned commercial banks.

The study conducted the survey on employees and management of the stated banks located at their respective credit departments at head offices in Addis Ababa and exporters' works with the stated commercial banks. The study adopts a descriptive type of the study so that the results of this paper are framed with this methodology. The study period covers from January 2015 up to July 2015.

1.8. Limitations of the Study

The study limited in four selected commercial banks hence it doesn't fully represent the industry level. The major limitation of the study was shortage of relevant empirical literature since the challenges were not studied previously under Ethiopian context.

1.9. Organization of the Paper

The paper is organized into five chapters. The first chapter deals with introductory part consisting of the background of the study, statement of the problem, research questions, objectives of the study, methodology used significance of the study, and scope of the study.

The rest of the paper is organized as follows: chapter two presents empirical and theoretical review of the literature related to the concept of export financing and its challenges faced; chapter three provides research design and methods employed in the analysis; chapter four contains the data presentation, analysis and interpretation; and chapter five give the conclusion and recommendations. References of related literature are included after chapter five.

CHAPTER TWO

RELATED LITRATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. Concepts and Definition of Foreign Trade

As explained by Smith (1776) and Ricardo (1817), the term foreign trade indicates the exchange of goods and services between nations. Goods can be finished products, as intermediate goods used in producing other goods, or as agricultural products and food stuffs. International trade enables a nation to specialize in those goods it can produce most cheaply and efficiently. According to Seyoum (2009), it is the most traditional form of international business activity and has played a major role in shaping world history. Trade also enables a country to consume more than it would be able to produce if it depended only on its own resources. Besides, trade enlarges the potential market for the goods of a particular economy. Hence, trade has always been the major force behind the economic relations among nations (UNDP, 2012).

In view of the relevance of foreign trade, Kenen (2009) asserted as:

> Differences in prices from country to country are the basic cause of trade. They reflect differences in costs of production. Trade service in turn to minimize the real resource costs of worldwide production, which is the same as saying that trade service to maximize the real value of production by allocating worldwide resources most efficiently. It does so by permitting and encouraging producers in each trading countries to specialize in those economic activities that make the best use of their countries physical and human resources (p.19).

An enduring two-way flow of goods must reflect systematic international differences in structures of costs and prices. Some things must be cheaper to produce at home and will then be exported to other countries. Other things must be cheaper to produce abroad and will then be imported from other countries. In this regards, Kenen explains as *"In a world of competitive markets, trade will occur and will be beneficial whenever there are international differences in relative costs of production" (p.19).*

2.1.2. Risks in Foreign Trade

Rugman and Collinsson (2006) and Seyoum (2009) outlined the following major risks of foreign trade alongside with mitigating platforms.

Political risks: Many export-import businesses are potentially exposed to various types of political risks. Actions of government authorities, war, revolution, terrorism, strikes are part of political risks. Monitoring political development and insuring against political risks could be used as a mitigating solution.

Foreign credit risk: Risks of buyer's default or delay in payment. Payment periods vary across countries even within countries. The risk of delays in payment or nonpayment could have a crucial effect on cash flow and profits. Appropriate credit management, letter of credit and other conditions, insurance are suggested for managing foreign credit risk.

Foreign exchange risk: Changes in currency values that could reduce future exporter's receipts or increase importer's payments in foreign currency. As to mitigation foreign exchange risk, shifting the risk to the other party or to third parties could be applied.

Transportation risk: *A total or partial* loss or damage to merchandise during transit. Insurance is a major mitigating solution for transportation risk.

2.1.3. Export Financing

Export finance is short-term working capital finance granted to an exporter. Finance and credit are available not only to help export production but also to sell to overseas customers on credit. The expansion of exports is well appreciated and takes a major place in the government policy. Hence, this result in the growth of the exporters' requirements and their expectations from the organizations associated with them that provide different kinds of services (Kumar, 2013).

The main objectives behind export finance are to enable exporter to: procure raw materials, carry out manufacturing process, provide a secure warehouse for goods and raw materials, Process and pack the goods, ship the goods to the buyers, meet other financial cost of the business. The exporter may require short term, medium term or long term finance depending upon the types of goods to be exported and the terms of statement offered to overseas buyer. The exporter may also require “term finance”. The term finance or term loans, which is required for medium and long term financial needs such as purchase of fixed assets and long term working capital (Kumar, 2013).

According to Kumar (2013), banks are one of the most important links in this export business which participate right from the first step. They provide financial services to the exporters for smooth functioning of their business. However, Seyoum (2009) has outlined the role and involvement of different stakeholders for successful export operation. Table 1 shows the sources of export assistance.

Table 1: Sources of Export Assistance

Sources	**Services**
Commercial banks	Advice on export regulations, exchange of currencies, financing exports, collections, credit information and assistance.
Trading companies	Market research and promotion, shipping and documentation, financing sales, facilitating prompt payment, appointing overseas distributors.
World trade clubs	Education programs on international trade and organization of promotional events.
Chambers of commerce and trade associations	Chambers of commerce provides the following services: Export seminars, trade promotion, and contacts with foreign companies and distributors, issuance of certificates of origin, transportation routing, and consolidating shipments. Trade associations provide information on market demand and trends and other information on pertinent trade issues through newsletters.

Trade consultants	Advice on all aspects of exporting ranging from domestic/foreign regulations to market research and risk analysis

Source: Adopted from Seyoum (2009)

2.1.4. Types of Export Financing

2.1.4.1. Pre-Export Financing

Funds advanced by a lending institution (such as an export-import bank or trade development bank) against confirmed orders from qualified foreign buyers to enable the exporter to make and supply ordered goods. Pre Shipment Finance is issued by a financial institution when the seller wants the payment of the goods before shipment. The main objectives behind pre-shipment finance or pre-export finance are to enable exporter to procure, process and ship goods to the buyer (Kumar, 2013). Usually, the exporter arranges a commitment from the buyer to make the payment directly to the lender. Upon receipt of payment the lender deducts the loan amount plus interest and other charges and forwards the balance to the exporter (Business Dictionary, 2015).

Pre-export finance involves the extension of financing against orders that have been placed and confirmed by foreign buyers, after the lender has evaluated and qualified those buyers as being creditworthy. This type of financing situation allows the seller or exporter the chance to use the proceeds from the sale to manufacture and supply the items ordered without having to tie up other resources. This approach is very common in international trade and finance circles, and can help expedite and promote the process of that trade (SUSTA, 2010; (www.wisegeek.com, accessed on February 17, 2015).

The basic idea of pre-export finance is to allow a seller the opportunity to receive a loan that will cover all or most of the expenses associated with delivering an order placed by an international customer. As part of the process, the seller will approach a lending institution with documentation to demonstrate that the order has been placed, details about the seller, and the total amount of the order that he or she wishes to use for the financing. The lender will in turn evaluate both the seller and the buyer to determine what degree of risk is involved with granting the advance financing (SUSTA, 2010; www.wisegeek.com, accessed on February 17, 2015).

2.1.4.2. Post-Export Financing

In post-export financing, the exporter needs financing for the period between the shipment of the goods and receipt of payment from the importer. The exporter can ship under different payment terms such us open account, documents against acceptance or documents against payment, letters of credit (Seyoum, 2009; Qatar National Bank, 2015). According to Kumar (2013), this type of export finance is granted from the date of extending the credit after shipment of the goods to the realization date of the exporter proceeds.

2.1.5. Alternative Forms of Financing Mechanisms

The below table, Table 2, illustrates the widely used financing mechanisms which are frequently used; as complied from the works of Miller (2012), IFC (2012) and Seyoum (2009).

Table 2: ***Alternative Financing Mechanisms***

Instrument	Brief Description
	Receivables financing
Trade-receivables finance	A bank or other financier advances working capital to business companies against accounts receivable or confirmed orders to producers. Receivables financing takes into account purchase and repayment history.
Factoring[1]	It is a financial transaction whereby a business sells its accounts receivable at a discount to a specialized agency, called a factor. The factor pays the business the face value less a factor discount and collects the receivables when due.
Forfaiting	Forfaiting is the practice of purchasing deferred debts arising from international sales contracts without recourse to the exporter. A specialized forfaiter agency purchases an exporter's receivables of

[1] In export factoring, the exporter receives immediate payment and the burden of collection is eliminated. Factors have ties to banks and financial institutions in other countries through networks such as Factors Chain International, which enables them to check the creditworthiness of an overseas customer, to authorize credit, and to assume financial risk.

Instrument	Brief Description
	freely negotiable instruments; such as unconditionally guaranteed letters of credit and “to order” bills of exchange at a discount.
	Physical-asset collateralization
Warehouse receipts	Farmers or other value chain enterprises receive a receipt from a certified warehouse that can be used as collateral to access a loan from third-party financial institutions against the security of goods in an independently controlled warehouse.
Repurchase agreements (Repos)	A buyer gives securities as collateral and agrees to repurchase them at a later date. Commodities are stored with accredited collateral managers who issue receipts with agreed conditions for repurchase. Repurchase agreements provide a buy-back obligation on sales and are therefore employed by trading firms to obtain access to more and cheaper funding based on that security.
Financial lease (lease purchase)	This is a purchase on credit that is designed as a lease with an agreement of sale and ownership transfer once full payment is made. The financier retains ownership of the goods until full payment is made, while allowing agribusinesses and farmers to use and purchase machinery without requiring the collateral otherwise needed for such a purchase.
	Risk mitigation products
Insurance	Insurance products are used to reduce risks by pooling regular payments of many clients and paying out to those affected by losses.
Forward Contracts	A forward contract is a sales agreement between two parties to buy/sell an asset at a set price and at a specific point of time in the future, both variables agreed to at the time of sale. Forward contracts allow price hedging of risk and can also be used as collateral for obtaining credit.
Futures	Futures are forward contracts that are standardized to be traded in futures exchanges. Standardization facilitates ready trading through commodity exchanges. Futures provide price hedging, allowing trade companies to offset price risk of forward purchases with counterbalancing of futures sales.

Source: Compiled from Miller (2012), IFC (2012) and Seyoum (2009)

2.1.6. Significance of Export Financing

According to (Aworemi, 2011), majority of the countries and companies consider that export as a tool to boost business growth, strengthen competitive edge, and ensure company survival in a highly competitive market place. Hence, exporting is extremely attractive to most governments since it allows the accumulation of foreign exchange reserves, enhances community wealth, and helps national industries to develop, improve productivity and create new jobs (Aworemi, 2011; Bagyalakshmi, 2014).

Non–oil export has been recognized as a basis for promoting rapid economic transformation of a nation. Several empirical studies have been conducted to establish the strong link between export growth and the rate of growth of the (gross domestic product) GDP. The need for export promotion is more important to transition economies as they may use the resources for modernization of infrastructure and technology the growing trend of exports among developing countries needs promotion, financing and insurance to sustain and realize their export potential through their respective export credit agencies. Firms need assistance in export counseling, marketing and managing their international trade. Almost all countries put in considerable efforts in maintaining their competitive edge in the sectors that receive recognition abroad (Bhasin, 2014).

2.1.7. Factors Affecting Export Performance

Allaro (2011) defines export performance as *"Export performance is the relative success or failure of the efforts of a firm or nation to sell domestically produced goods and services in other nations".* Export performance as many scholars stated were (i) the success or failure of the efforts of a nation to sell domestically produced goods and services in other nations markets (Zou and Stan, 1998) as cited by (Allaro, 2011) ; (ii) the export effectiveness, export efficiency and continuous engagement in exporting (Shoham, 1991); (iii) the composite outcome a nation's international sales (Shoham, 1996); and (iv) the three sub-dimensions which encompasses sales, profit and growth (Madsen, 1987).

Various scholars have attempted to identify factors affecting export performance. The most critical factors are hereby listed below.

2.1.7.1. Economic Growth

Economic growth could increase exports. In a period of economic growth, firms have more money to invest. This investment could increase the long run productivity of the economy and therefore, could help boost exports. In a recession, firms will be more reluctant to invest and therefore, there will be a slower growth in exports. In theory it is also possible economic growth could harm exports. This is because high growth could cause inflationary pressures making exports less competitive. Also higher growth may lead to higher interest rates. Higher interest rates could cause an appreciation in the exchange rate which makes exports less competitive (UNICTAD, 2008; International Monetary Fund, 2014). Often countries may experience export led growth. For example, China's strong rate of growth is primarily caused by the strength of the Chinese manufacturing sector. In this case it is exports that are increasing economic growth, rather than the other way around.

2.1.7.2. Availability of Finance

The availability of finance and credit for the export sector has a positive impact on the performance of export. As exporters use the credit to purchase exportable commodities and facilitate the exports; its availability will have a positive impact on the performance. The availability of finance and credit to export sector will bridge short and long term financial gap of its participant and enhance the export performance of the nations (Mishkin, 2003).

2.1.7.3. Infrastructure Development

The availability and development of infrastructure have a positive impact on export performance. If the production areas were accessible to roads and power supply the products are easily shipped to foreign market. Internal transport infrastructure captured by the percentage of paved roads is an important Supply capacity element and is found to have a significant and positive impact in raising export performance (Fugazza, 2004).

2.1.7.4. Purchasing Power of the Nations or Citizens

The economic growth of the recipient (importer) nation's economy has a positive impact on the export performance of the exporter nation. The more the economic growth of the importer nation brings a rise in purchasing power of its citizens which in turn rise in demand of the products of imported goods (Mishkin 2003).

2.1.7.5. Geography

Geography may be expected to influence export performance in a number of ways. One way is through external geography; a country's location, in particular its proximity to rapidly growing export markets, and the consequent extent to which it is a recipient of international-demand linkages. Since most of the export were carried by ships through sea and sea ports; nations with close to sea and sea port have an advantage of reducing transportations costs and hence its commodities has relatively cheap prices as compared to nations distant to sea and sea ports. Hence, the closer the nation get to sea and sea ports it has a positive impact on export performance. For instance, as Venables (2004) noted that countries in Southeast Asia have been at the center of a fast growing region, which creates growing import demand. Given everything known about the importance of distance as a barrier to trade, the export opportunities created by these growing import demands are likely to be geographically concentrated, creating spillover effects between countries in the region.

2.1.7.6. Exchange Rate and Currency Devaluation

When countries devalue their currencies; the local currency price of a commodity at the export market increases by the full proportion of devaluation, if world price does not change. This makes the countries' commodities price competitive in the international market which enhances export performance of the countries. Exchange rate reforms induce export growth by providing the nations commodities competitive in international market (UNICTAD, 2008; Venables, 2004).

2.1.7.7. Product Quality and Diversity

The more quality products are readily available for export it has a positive impact on the export performance of a nation. On the other hand a Sub-standard quality hinders the price of exports and hence exports performance. This quality constraint is due to high transport, storage and handling costs and unsophisticated pre-production, production and post-production techniques (Venables, 2004).

2.1.7.8. Diversity of Product Exported

The more the nations export diversifies its export performance has increases. When Ones nation commodities for export diversifies the decline demand for one product might not affect the export performance of the nations (Fugazza, 2004).

2.1.7.9. Term and Tariffs

A tariff or duty (the words are used interchangeably) is a tax levied by governments on the value including freight and insurance of imported products. Different tariffs are applied on different products by different countries. National sales and local taxes, and in some instances customs fees, will often be charged in addition to the tariff. The tariff, along with the other assessments, is collected at the time of customs clearance in the foreign port. Tariffs and taxes increase the cost of product to the foreign buyer and affect competitiveness in the market. Some countries have very high duties and taxes; some have relatively low duties and taxes (UNICATD, 2008; International Monetary Fund, 2014).

2.1.7.10. Technological Development

Innovativeness and technological complexity and, at the same time, improve significantly their overall importance in world export. Such advancements in technological and export performance go along with a significant structural change in the economy. There are different specific ways in which technological activity can enhance or constrain export performance. In particular, technological specialization, national and international structural changes, foreign direct investments, skills, Research & Development, and productivity gains affect world shares in export markets (Montobbio, 2005).

2.1.8. Challenges of Export Financing

2.1.8.1.Challenges Faced by Financial Institution

According to Adedoyin and Sobodun (1991), as sited by Olokoyo (2011), "*lending is undoubtedly the heart of banking business. Therefore, its administration requires considerable skill and dexterity on the part of the bank management"*. While a bank is irrevocably committed to pay interest on deposits it mobilized from different sources, the ability to articulate loanable avenues where deposit funds could be placed to generate reasonable income; maintain liquidity and ensure safety requires a high degree of pragmatic policy formulation and application.

The Size, profitability, capital efficiency, competition with the public owned banks and backed collateral were the most significant factors for the reason why private banks in Ethiopia neglected agriculture financing. Credit utilizing capability of the borrower is also a moderately significant factor. Since, agriculture is the largest lion share sector in contributing to GDP growth and priority sector in Ethiopia. Under developed crop and weather index insurance is also one of the major reasons not to finance the agricultural sector which is the major export items for the country (Kistana, Aregawi & Abraha, 2014). The following are considered as major challenges critical for financial institutions.

- Information of exporters were not adequately presented
- Physical collateral were not presented up on financing the exporters (sales contract and personal guarantee and or DBE guarantee were taken as a collateral)
- Exporters persuade banks to get the export proceed for their import business
- Credit rationing policy of the NBE directive makes banks not to adequately assign budget in this sector
- Banks has to finance the export sector with less or no charges and interest rate as compared to other products of the banks
- Little or tiny nature of the banks deposit mobilization scheme

2.1.8.2. Challenges Faced by Exporters

Gada (2005) and other scholars had observed and noted some of the critical challenges faced by exporters in Ethiopia.

- Exporters doing business in unfamiliar territory can expect higher risk, and those additional financial and political risks may require extra financing.
- Exporters were faced challenges in getting adequate financial support and the required technical assistance from financial institutions.
- The lengthy of the process in getting the financial assistance from the banks.
- The period required by financial institution (financing banks) to get the hard currency proceeds and the shipment period.

- High cost of products makes the exporters less competitive in international market.
- The quality of the products makes exporters less competitive in the international market
- Challenges in fulfilling Minimum criterion required by banks in order to get financial support.

2.2. Ethiopia’s Export Performance Brief Trend

2.2.1. Pre- Reform

The Derg can be characterized as a controlled regime where all economic activities were based on the directives that came from the central (national) planning organ. Pre-reform period was characterized by discriminatory interest rates and foreign exchange as well as credit allocation policies Geda (2006). In this period, the NBE was actively involved in the direct control of all financial institutions by (a) fixing both deposit and lending interest rates, (b) directly controlling the foreign exchange and credit allocation which was done in a discriminatory manner, by favoring the public sector, and (c) directly financing the government deficit NBE (1998) as cited by Geda (2006). Bank supervision and regulation was largely limited to the irregular inspection of a few branches. There are also no private owned banks which support the export performance of Ethiopia.

Derge regime, has long been characterized by controlled foreign exchange allocation, import quotas, high tariffs, state owned marketing exports, export prohibitions, export subsidies and export taxes Naude and Girma (1994) as cited by Degefa(2001). For nearly half a century up until October 1992, the exchange rate of Ethiopian currency against its reference or reserve currency, the US dollar, was determined by government decree. Among the factors that underlie the poor performance of the Ethiopian economy in general and that of the export sector in particular, the over-valued exchange rate of the birr is considered to play a significant role.

Derge regime was characterized by persistent fall in real official exchange rate and steadily rising real parallel exchange rates, signifying the over-valuation of the currency. With an over-valued exchange rate, exports have been stagnating while imports have been rising over time since 1975/76. The Derge regime responded to the falling competitiveness of legal exports and to smuggling by tightening its control regime through stricter rationing of foreign exchange, by prohibiting the domestic trade of many exportable (notably coffee) and by providing export subsidies for loss-making state-owned exporters. In the history of the Derge regime, significant changes occurred in the exchange and trade system Degefa (2001).

2.2.2. Post – Reform

Since 1991 Ethiopia has been engaged in liberalizing its financial sector. The feature of the strategy is gradualism. Two other important liberalization schemes pursued by the Ethiopian government in the post-reform period were (a) the exchange rate policy, and (b) the introduction of an interbank money market. Interest rate was fairly liberalized and the NBE has set a floor only for the deposit rate, leaving all other rates to be determined by the market. Banks are now allowed to set any rate within a range (Geda, 2006).

Ethiopia's export sector has shown certain signs of improvement since 1991 despite the continued worsening in its current account balance. While exports and export sector jobs have increased fivefold and threefold respectively, it is possible that those poor Ethiopians engaged in labor intensive, tradable goods sector have benefited from increased export of goods and new market opportunities. But unlike the widely held view, whatever improvement was recorded in export growth, there is no evidence that this improvement is due to exchange rate reforms. Particularly, the coefficient on the real exchange rate was insignificant suggesting that real devaluation or overvaluation of Ethiopia's currency, Birr, has no visible association with trends in the country's export receipts (Ezezew, 2010).

Moreover, on top of the need for realistic and predictable monetary policy and practical fiscal management, intensive efforts should be directed towards expanding and raising the quality of physical and institutional infrastructures. For instance, poor transport infrastructure networks increase the cost of trade and reduce the country's international competitiveness while poor institutions (bureaucratic morass, rampant corruption, lack of transparency in public resource management and contract, etc.) raise the costs of starting business, discourage inventive entrepreneurship, and prevent private sector development, which are the engine of economic growth and prosperity for any economy Venables (2004); Ezezew (2010).

In a country like Ethiopia, where poverty is mainly concentrated in the rural areas and agriculture is the mainstay of the economy, agricultural and rural development is the quickest way of reducing not only rural poverty but also urban poverty. The Ethiopian government, including the private and donor communities, has been investing more and more on infrastructure, support services such as extension, rural finance, technology and information, market development, education, civil service reforms and resettlement programs to reverse the disappointing problems facing the people of Ethiopia (Geda, 2006).

For instance, with the objectives of implementing food security strategy a special program has been put in place and this program focuses on solving the problem of chronically food insecure sector of the society, which ranges 6-7 million every year. Bridging the gap between humanitarian aid and development is critically important under these schemes. Parallel to the aforementioned and various agricultural development programs which have been implemented throughout the country, the government of FDRE is also implementing different market development programs and strategies, which are believed to assist the agricultural commercialization process. In this regard the development of warehouse receipts system, interim market information system, Export promotion strategy and the institutional export development program, and several bilateral trade agreements and investment treaties are some of the efforts being made to improve domestic and international market of the country (Wale, 2006).

2.3. Empirical Literature Review

2.3.1. International Experience

Studies by Krueger (1985) and World Bank (1987) cited in Obadan (1994) examined the relationship between the growth of exports and the growth of the GDP for a group of ten developing countries and found that an increase in the growth rate of export earnings of 1% point annually was associated with an increase in the rate of growth of 0.1% point of GDP (Aworemi 2011). With respect of its significance, exporting has a sizeable impact on industry productivity growth (Kumar 2013; Aworemi 2011). Supporting this view, Lall (2000) as cited in Aworemi (2011) confirmed that exports are a major source of foreign exchange, a channel to maximize economies of scale and specialization and a channel to new technologies and knowledge spillovers in developing countries.

2.3.2. Ethiopia's Experience

The empirical evidence on the relationship between devaluation and export performance is generally mixed with the conclusions differing depending on the nature of the economies investigated, the type of methodology employed, and/or the sample size and data frequency used in the specific study Ayen, (2014). According to Ayen (2014) and Mehare (2012), export of oilseeds is found to be a negative function of Exchange rate variability. Therefore the continuous devaluation of Ethiopian birr was not in favour this produce. In addition to this, the theory of deteriorating Terms of Trade (TOT) was proved, implying that in an agrarian economy like Ethiopia, prices of primary agricultural products are bound to stack or decrease after a certain level while price of imports are ever increasing. Real Effective Exchange Rate (REER) was found to be insignificant, implying that continuous devaluation had no significant effect in improving competitiveness of the country. The study result revealed that it is the sub-standard equality which hinders the price of Ethiopian export. This quality constraint is due to high transport and handling costs and unsophisticated pre-production, production and post-production techniques. He further states, institutional factors which are embedded with rent seeking and adverse selection are also crucial constraints that are hampering Ethiopian exports.

Allaro (2011) has evaluated the magnitude of trends of oil-seeds export performance in Ethiopia over the period 1974 to 2009. In his study he investigates empirically the trends of export performance by analyzing prices (domestic and world), real output and nominal exchange rate. The evidence from his study suggests that real output and nominal exchange rate significantly influence oilseeds export performance. He also revealed that during the reform period oilseeds export has shown improvement. It was inferred that oilseeds export performance demands an appropriate macroeconomic incentive environment and complementary structural policies. Thus, Ethiopia's oilseeds export performance will be determined primarily by its domestic policies. It was scrutinized that despite the generally open trade regime, industrial countries tend to have restrictions on imports of agricultural products, where much of Ethiopia's export potential is concentrated. Further, it is argued that a country's oilseeds export may fail to grow as rapidly as the world average for three reasons. First, exports may be concentrated in commodity groups for which demand tends to grow relatively at a low rate. Second, export may be going mainly to relatively stagnant regions/blocs. Third, the country in question may have been unwilling or unable to compete effectively with other sources of supply in the international market.

Taye (2009), tried to see determinants of export performance of Ethiopia with decomposition of the growth in country's exports into the contribution from internal supply-side and external market access conditions. The author used a gravity model employed with panel data using 30 Ethiopia's trading partners for the period 1995–2007. The results suggest that supply side conditions are a major factor for Ethiopia's export performance. The results show that good institutional quality and internal transport infrastructure appear to be major determinants, whereas the real exchange rate and FDI have no statistically significant effect on Ethiopia's export performance. Furthermore, the growth of domestic national income affects Ethiopian exports positively. Foreign market access conditions also play a significant role. The results indicate that import barriers imposed by Ethiopia's trading partners do play an important role in determining the volume of Ethiopian exports. Moreover, export performance is positively related to Ethiopia's trading partners' national income, and distance, which is a proxy for transport costs, affects Ethiopian exports negatively.

Geography influence export performance in a number of ways (Venables, 2004). One way is through external geography - a country's location, in particular its proximity to rapidly growing export markets, and the consequent extent to which it is a recipient of international-demand linkages. Geography creates substantial cross-country variation in the ease of access to foreign markets, and this is an important determinant of countries' export performance. Export performance also depends on internal geography, which is measured by the proportion of the population close to the coast or navigable rivers.

Demissie (2012), in the study, come up to conclusion that in the long run export performance has found to be positively influenced by real effective exchange rate, openness, RGDP of home country, infrastructural development and private credit as a ratio of GDP (financial development). The RGDP of trading partner has found to be statistically insignificant. Hence, the long run elasticity of export performance with respect to real effective exchange rate, openness, RGDP of home country, infrastructural development and private credit as a ratio of GDP (financial development) are 0.7, 0.54, 1.7, 0.3 and 0.44 respectively.

2.4. Conceptual Framework

Export financing is granting and assisting exporter's financial and non-financial needs as quickly as possible in order to get the required level of benefit from export business. There are challenges that hinder the smooth operation of the financial institutions and the exporters which require the attention of all stake holders in order to utilize the sectors benefit well.

Export financing has faced challenges both at the commercial banks side and at the exporter's side. Banks' uses the proceeds of export as a major attraction for deposit mobilization from importers. As a result, all banks engaged export financing faced with its all challenges. Currently, all the four banks under study (Commercial Bank of Ethiopia (CBE), Construction and Business Bank (CBB), Awash International Bank (AIB) and Dashen Bank (DB) have export financing products in their loan products.

From the preliminary informal observation of the student researcher, the major repeatedly shown challenges are inadequate financing of exporters, substandard export items quality, quality of service delivery, luck of governments special consideration to exporters, luck of commitment by exporters in delivering the contractual agreement, problem of considering export as a means of getting foreign currency only not considering as an end to get wealth. However, these challenges are not systematically sorted out and the effect and depth of each of these challenges on the impact of the export business and its outcome were not structurally studied. Hence, it is not possible to work them out and deal with them accordingly for the smooth operation of the export business and commercial banking business.

Apart from these, the student researcher believes that the unhealthy competition among commercial banks deteriorate the desired benefit from export financing and this might be the other challenge that makes these banks unable to exert their effort fully on export financing and get harvest the benefits of export financing.

The student researcher believes that the challenges of export financing in Ethiopian commercial banks are not well studied in the nation. But, knowing and closely studying the challenges faced and its drawbacks of export financing practices will initiate decision makers to immediately address the challenges. It also helps new entrants of export and commercial banks and others similar organizations that work on export sector to take lessons for effectively utilization of export business without making similar mistakes made by the already existing actors of export sector.

In order to get the desired level of benefits from export business both by exporters and commercial banks, the following challenges has to be addressed adequately by the actors of the economy.

- **Service delivery by banks to exporters**: refers to the service delivery quality and adequacy of the commercial banks to customers who has engaged in export business. The researcher tried to measure this challenge by designing eight relevant questions.

- **Technical Assistance from Bank Side to Exporters:** refers to the technical assistance given by bank employees to exporters. Five questions about the detail assistance made to exporters on export related information and financial assistance were designed to measure the status of the stated challenge.

- **Special consideration for exporter financing**: Apart from other sectors export needs special attention on financing. The existence and adequacy of such attention has been measured using five relevant question and analyzing the responses given.

- **Loan Contract matters:** refers to the contractual agreement between the commercial banks and the exporters on the loan life, repayment modality and adequacy of clarity on procedural issues to exporters were analyzed based on the responses from the respondents.

- **Exporters' power over bank:** Exporters' ascendancy on banks has been shown frequently and the extent of this challenge has been analyzed by designing four relevant questions in the standard likert scale questionnaire.

- **Factors contributing to the inadequate financing** have been analyzed by listing major factors taken on financing by commercial banks and by giving standard rankings.

The student researcher believes that the factors contributing to challenges of export financing were not only from the commercial banks side but it also from the exporter's side. Hence, questionnaires designed and distributed to exporters on the following challenges.

- **Economic conditions:** refers to the economic standing and policy of the country challenges export business and this challenge has been analyzed by designing five relevant questions in the standard likert scale questionnaire.

- **Banks service delivery:** the banking service delivery quality and inadequacy also has a challenge to exporters in performing to the required level and getting adequate financing from them. To measure the same seven questions has been designed and analyzed based on the responses obtained from the exporters.

- **Availability of finance:** the availability of finance for export business from commercial banks is the major determinant for export business performance and it is a challenging for exporters to get such finance. And this challenge has been analyzed by designing five relevant questions in the standard likert scale questionnaire.

- **Infrastructure development:** the country's infrastructure level has an enormous impact on the performance of the exporters and hence on getting adequate financial support from commercial banks**.** The less development of infrastructure has a challenge on the performance of the exporter and this challenge has been analyzed by designing three relevant questions in the standard likert scale questionnaire.

- **Geographical Structure of the Country:** According to venables (2004) geographical location of the country affect export performance in a number of ways**.** The proximity of the country to developing economy which has a demand to the export products and the proximity of the country to sea ports. Both of them have a positive impact on export performance. To measure these three relevant questions has been designed and analyzed**.**

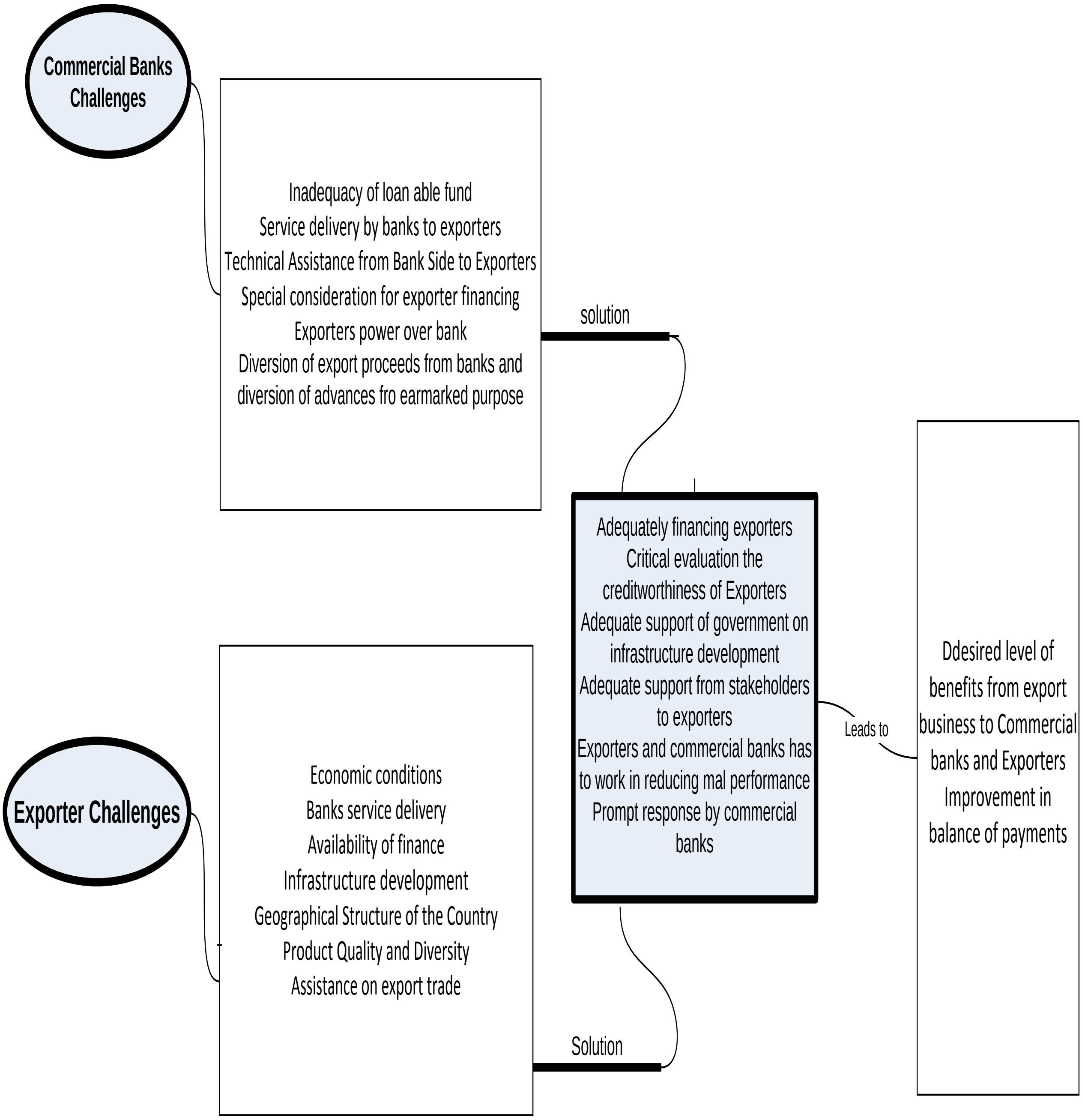
- **Product Quality and Diversity:** this refers to the quality of the exportable items and diversity which has an enormous impact on export performance. Getting quality and diversified exportable items is challenging for exporters. The extent of these challenges has been analyzed by designing five relevant questions in the standard likert scale questionnaires.

- **Assistance on export trade:** this refers to the existence of adequate assistance from government and other different stakeholders for exporters without of it is hardly to get the required level of benefit from the sector. The existence and extent of the same has been measured by designing four relevant questions and analyzing the responses gathered.

- **Loan size compared to request:** This refers to the percentage of loan requested by exporter to the approved or granted by commercial banks (Amount of loan request/amount of loan approved). This has a huge impact on the performance of the exporters. It is challenging in getting the requested level of loans by exporters from commercial banks which has an adverse impact on their performance. To measure this one questions has been designed and analyzed based on the responses gathered.

Hence, the study suppose that if such challenges are well addressed in the stated public banks, private banks and at the end of stakeholders, both commercial banks and exporters will be successful and the nation as well.

Figure 1: Conceptual Framework



Source: Self-Extracted

CHAPTER THREE

RESEARCH DESIGN AND METHODS

There is no general agreement on research design and methodology. There is no single blueprint for planning research. Research design is governed by the notion of fitness for purpose. The purposes of the research determine the methodology and design (Cohen, Manion, and Morrison, 2000). This implies that researchers plan, design and approach a given research problem in different ways in order to achieve the research objective and answer the research question.

This section discusses the research design and methodology that will be used to achieve the objective of the study. Research design, sample size and sampling method, source and method of data collection, procedure of data collection and method of data analysis is presented.

3.1. Research Design

In order to achieve the general objective of the study, the researcher used descriptive research method. Descriptive method is set out to describe and to interpret what is going on. Descriptive research is concerned with conditions or relationships that exist; practices that prevail; beliefs, points of views, or attitudes that are held; processes that are going on; effects that are being felt; or trends that are developing. The main objective of descriptive research is to analyze the state of affairs as it prevails at the time of the study. Hence, the descriptive research method is opted with the aim of assessing export financing and its associated challenges.

3.2. Data source

The research data collected from different sources using the various data collection tools. The study used both primary and secondary data sources and collection approaches.

Primary Data

The primary data comprised from the background, experience, attitude, and perception of respondents about the underlying facts of export financing challenges. Questionnaire used to collect the needed information from selected sample of credit experts from the banks and selected exporters.

Secondary Data

Secondary data collected through desk research to identify the extendibility dimension on the research construct and to clarify and substantiate the result from the primary data. Journal articles, case studies and reports, and research papers available on export financing will be used to carry out the study.

3.3. Population

The target population intended for this study is employees and export customers of commercial banks which are operating in Ethiopia. Currently there are sixteen (16) private and there (3) government owned banks in Ethiopia[2] (www.nbe.gov.et accessed on February 19, 2015). Among the three government's owned banks, Development Bank of Ethiopia[3] cannot be leveled as commercial bank. Hence, eighteen (18) banks employees and customers which fall under the category of commercial banks are considered as a population base for this study.

3.4. Sample Size and Sampling Techniques

With regard to sampling technique, non-probability sampling, specifically purposive sampling technique is used by purposely selecting individuals and groups which the researcher believed has better exposure on credit areas. The study adopts purposive or non-probability sampling method.

In view of the avaialbe commercial banks in Ethiopia, judgment, which is substantiated with the underlying fact, played a major role in selecting samples from the population. Hence, the following banks are belived to show the existing nature of export financing in commercial banks of Ethiopia. Table 3, therefore shows the bank name alongwith the reason for conideration for sample.

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[2] After the completion of these study Construction and Business Bank merged with Commercial Bank of Ethiopia

[3] As the name indicates, this Bank is formed to participate in selected areas of development area in which the government wants to intervene and it does not fulfill the criteria of commercial banks.

Table 3: Selected Sample Commercial Banks

No	Name of the Bank	Reason of Selection[4]
1	***Commercal Bank of Ethiopia (CBE)***	a. It is a fully government owned bank. b. The longest serving commercial bank in Ethiopia which spans beyond sixty (60) years. c. It is the largest bank in Ethiopia with customer base with the branch network which now reached over nine hundered (900) branches. It also accounts over sixty (60) percent of the overall commercial banks asset. d. Unlike other commercial banks, it gets some form of assistance from the government. For instance, it is exempted from a mandatroy requirment of 27 percent bond purchase for loan disbursement.
2	***Construction and Business Bank (CBB)***	a. Like CBE, it is a fully government owned bank. b. Unlike CBE, it does not get any support from government. Hence, it is opearting with the same fashin as private banks[8].
3	***Awash International Bank (AIB)***	a. It is a privately owned bank. b. The Bank is the pionner and longest serving private bank in Ethiopia. c. In terms of branch network, it is the largest private bank in Ethiopia exceding above 170 branches across the country.
4	***Dashen Bank***	a. It is a privately owned bank. b. The second oldest private bank in the country. c. Successful perivate bank in Ethiopia in terms profitablty trend.

Source: Author's own sample selection,2015

[4] Sources are collected from www.nbe.gov.et, www.cbe.gov.et, www.cbb.com.et, www.aib.com.et and www.db.com.et

On preliminary survey on the above banks the number of credit experts at head office level ranges from 35 to 45 and the operation made by these employees were similar. Furthermore, based on the reserchers experience and experts advise, i.e getting 70% to 75% openion of employees were advisale inorder to represent the banks openion the researcher randomly took equal number of samples from each of selected commercial banks.Accordingly, thirty (30) questionnaires were distributed which makes the total sample size one hundered twenty (120).

Inorder to include the openion of exporters, export customers of these banks were selected by purposive sampling which well represent the exporters interms of their experience and performance in export sector. Considering the managability top ten (10) exporters of each bank selected purpposively for questionaire which were well represent the exporters as these exporters have a major envolvement in the country's export sector.

3.5. Data Collection Tools

The researcher collected data from different sources using various data collection tools. He used both qualitative and quantitative data so that the data combination would result in a relatively consistent and cross checked results. Questionnaires distributed to randomly selected credit experts in the selected commercial banks. In addition, questionnaires also distributed to top exporters of these banks with intent of obtaining view of exporters about the challenges of export financing in Ethiopia. Secondary data was also collected through desk research to clarify most of the issues. Reports, journals and research papers also used to carry out the study.

3.6. Procedures of Data Collection

To collect relevant data for the study, the researcher followed the following procedure: Before distributing questionnaires to respondents, the researcher seeks the consent of respondents. Accordingly, the researcher clarify the purpose of the research, why the information is needed and give assurance that information collected kept confidential and used solely for this research.

The questionnaire arranged in standardized Likert scale, and in order to acquire additional information free format questions provided to respondents. .

Step 1: Questions that are believed to address the issues under consideration were incorporated. The questions commented by experts working at banks.

Step 2: The questionnaire reviewed by the advisor, and as per his comments revision done.

Step 3: As a next step, a pilot test [5] conducted with 30 questionnaires during the questionnaire development stage to ensure the internal consistency of the instrument.

Questionnaires pre-tested on small number of respondents before distributing to all respondents. The distribution of questionnaires to commercial banks equally shared for the reason that, there is no plausible ground to differentiate the number of questionnaires among these banks.

3.7. Reliability and Validity

In order to ensure validity and reliability, the questionnaire composed of carefully constructed questions classified in to clusters to avoid ambiguity and in order to answer all the research questions. The questionnaire and interviews designed for the study were reviewed and commented by credit experts working at the banks alongside with the suggestion of thesis advisor. These processes help to ensure the content validity of the instrument.

With regards to reliability of the instrument, Crombach‘s alpha coefficient used to measure internal consistency. The instrument insured to pass a minimum rating, which is 0.70. The reliability test run for the questionnaire of the study showed Cronbach’s alpha of 0.865 showing an acceptable internal consistency.

3.8. Methods of Data Analysis

After collecting and sorting the relevant data using data collection tools, qualitative responses sorted, coded, computed, and analyzed using SPSS version 20 statistical software. Microsoft Excel used alongside with SPSS software as appropriate. The appropriate statistical analysis used according to respective objectives and descriptions.

[5] In order to meet the audience need (i.e. for exporters) , the questionnaire was primarily translated into Amharic language

The analyzed data presented using tables which is the output of the software. The qualitative data collected from top exporters also analyzed using content analysis. A Likert scale of 5 used where 5 refer to a highest value and is assigned to strongly agree or excellent; whereas 1 is the lowest value, assigned to strongly disagree or poor.

3.9. Ethical Considerations

According to Saunders et al (2009), research ethics refers to the appropriate behavior of the researchers concerning to the rights of those who become the subjects of the work or affected by the work.

Hence, in conducting the research, the researcher considered the following ethical considerations:

- All data for the study was collected by issuing official letter to the concerned bank.
- Respondents were informed fully about the purpose, methods and intended possible uses of the research, what their participation in the research entails and what risks, if any are involved.
- The confidentiality of information supplied and the anonymity of respondents is respected.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETTION

The methodology which is applied in this study has been discussed in chapter three. The results obtained using this methodology is presented in this section according to the research questions, preceded by the background information.

4.1. General Profile of Respondents

The questionnaire sought to collect information concerning the respondents such as background information and questions pertaining to challenges of export financing. In an attempt to uncover challenges of export financing information was gathered from both exporters and bank experts. Hence, the general profile of respondents is presented in two separated sub headings.

4.1.1. General Profile of Bank Experts

General information regarding bank experts has been gathered. The study shows that most of the respondents have acquired extensive experience in the banking sector. In general, above 67% of respondents do have an experience above five years (From this generic explanation; 22.8% of the respondents have work experience between 6 to 10 years while 38.6% of them have experience of 11 to 15 years and the remaining 5.9% are between 16 to 20 years). Only 32.7% of the respondents are below 5 years of experience. Thus, it can be inferred that the respondents do have the required experience and eligibility to respond to the questionnaire.

Apart from general work experience, more specific experience regarding credit, 54.5% of the respondents do have the experience between 0 to 5 years. 39.5% of the respondents profile falls between 6 to 10 years while 5% of the respondents profile credit experience is between 11 to 15 years. Finally, only 1% (one in number) of the respondent is categorized with the experience between 16 to 20 years. In a nutshell, it can be said that the general banking experience and credit area experience is fair enough to relay on the responses of the respondents.

In relation with age group of respondents, 30.7% of the respondents are under the age of below 30 years. Around 70% of the respondents are above 31 years of age; specifically 60.4% age category falls between 31 to 40 years and the rest of 8.9% of respondents are categorized to age group of 41 to 50 years. With respect to sex of respondents; 79.2% of the respondents are attributed to male sex group and the rest 19.8% is attributed to females.

In attempt to pinpoint job position of respondents, question was forwarded to respondents through the questionnaire. The response shows that most of the respondents are comprised from Credit Analyst, Relation Manager and Loan Officer substantiated with the result of 34.7%, 30.7% and 13.9% respectively. 6.9% of the respondents is attributed to Branch Manager and the same lowest share is registered for Relationship Officer and Credit Committee Member with 6%.

With respect to educational background, above 83% of respondents acquire first degree and around 15% of them do have a second degree. Only 2% of the respondents are diploma holders.

Table 4: ***General profile of the respondents from bank experts***

Independent variable	**n**	**%**
Years of bank work experience		
Between 0-5 years	33	32.7
Between 6-10 years	23	22.8
Between 11-15 years	39	38.6
Between 16-20 years	6	5.9
Years of credit area experience		
Between 0-5 years	55	54.5
Between 6-10 years	40	39.5
Between 11-15 years	5	5
Between 16-20 years	1	1
Age of respondents		
Below 30 years	31	30.7
Between 31-40 years	61	60.4
Between 41-50 years	9	8.9

Independent variable	n	%
Sex		
Male	80	79.2
Female	21	20.8
Educational status		
Diploma	2	2
First Degree	84	83.2
Second Degree	15	14.9
Job position		
Credit Director	2	2
Branch Manager	7	6.9
Relation Manager	31	30.7
Loan Officer	14	13.9
Credit Analyst	35	34.7
Relationship Officer	6	5.9
Credit Committee Member	6	5.9

Source: Questionnaire (2015)

4.1.2. General Profile of Exporters

The level of export business experience, there was a question in the study and the study revealed that about 84.5% of the respondents said that they have more than 5 years of export experience. The remaining 15.4% of the respondents have less than 5 years export experience. Thus, it can be inferred that majority of the respondents do have ample experience on the sector and it is believed that they are capable of providing pertinent information for this study.

When we see the educational level of exporters 15.4% of the respondents have completed secondary education/from Grade 9 to 12/, 19.2% has got College Diploma, 42.3% of the respondent has got University Degree and 23.1% has got Master's Degree. This implies that there is a fair level of understanding from exporters' side to understand questions and give feedback as well.

In terms of participating in import business 92.3% of the respondents have import business and 7.7% has no import business. It is also revealed from distributed questionnaires that 50% of the respondents participate in agricultural business.

Table 5: ***General profile of the respondents from Exporters***

Independent variable	**n**	**%**
Export business experience		
Between 0-5 years	4	15.4
Between 6-10 years	20	76.9
Between 11-15 years	1	3.8
Between 16-20 years	0	0
Above 20 years	1	3.8
Educational status		
Secondary school education	4	15.4
Diploma	5	19.2
First Degree	11	42.3
Second Degree	6	23.1

Source: Questionnaire (2015)

4.2. Bank Services and its Challenges

4.2.1. Service Delivery by the Bank

The response reveals that the mean value for the category in average is 3.29. The highest result under this category is obtained 3.78 with standard deviation of 0.965 saying that the Bank employees are helpful in dealing with exporters. Followed by this, Bank employees' advice the exporter on improvement of export performance regularly has got a mean response value of 3.66 with standard deviation 0.92. A low standard deviation among the category is registered for pertinent information is shared by employees to exporters. This implies that a relative consensus among respondents for pertinent information is shared by employees to exporters. As the qualitative information received through questionnaire, the problem is highly attributed lack of integrated information sharing among stakeholders including National Bank of Ethiopia, Customs Authority and other agencies. This has resulted in a problem in provision of adequate and timely information.

Table 6: Service Delivery by the Bank

Service Delivery by the Bank	N	Mean	Standard Deviation
Loan processing time is short for exporters	101	2.93	1.022
Bank employees understand the very complex nature of export and advise exporters	101	3.39	0.883
Bank employees are helpful in dealing with exporters	101	3.78	0.965
Pertinent information is shared by employees to exporters	101	3.63	0.880
There is a fair treatment among export customers of the Bank	101	3.58	1.022
There is regular advice on improvement of export performance	101	3.66	0.920
Lending criterion financing is easily manageable	101	3.04	0.882
Foreign currency request of the importers is adequately satisfied	101	2.33	1.274
Total items mean		**3.29**	

Source: Questionnaire (2015)

Among the variables under service delivery of the banks to exporters, loan processing time to exporters and foreign currency request for importers has got a mean value of 2.93 and 2.33 which is below the average mean value of the category with the standard deviation 1.022 and 1.274. This implies that there is a lengthy loan processing time banks has took in order to deliver the loan to exporters which has a deviation among respondents. Foreign currency request of the importers for foreign currency were not satisfied. This implies that there is a gap between the demand for foreign currency and supply of foreign currency at the banks end. This is further strengthened by the result of high standard deviation as it implies that a little consensus has been reached among respondents with respect to unsatisfactory foreign currency supply to importers. In any instances the respondents discussed and as questionnaire result revealed most of the exporters has import business and has high demand for foreign currency.

4.2.2. Technical Assistance from Bank Side to Exporters

The overall mean score for technical assistance from Bank side to exporters is 3.23. Among the variables of technical assistance from bank side to exporters, availability of advice for fulfillment of documents has got mean score of 3.68 and standard deviation of 0.987. This implies that bank employees advise exporters on regular basis for fulfillment of the required documents in order to ease the loan process. The next highest result is obtained for adequate facilitation of payment system with mean score of 3.43 accompanied with standard deviation of 0.829. This entails that most of the respondents have a common consensus that the banks' have a well facilitated payment system. Advices on the optimal level of portfolio to be held by exporters and full-fledged information provision to exporters by the bank has got a mean value of 3.06 and 3.09 with a standard deviation of 0.915 and 0.873 respectively which has below the mean average of this category.

Table 7: Technical Assistance from Bank Side to Exporters

Technical Assistance from Bank Side to Exporters	**N**	**Mean**	**Standard Deviation**
Full-fledged information provision to exporters by the bank	101	3.09	0.873
Advise to the optimal level of portfolio to be held by exporters	101	3.06	0.915
The facilitation of payment system is adequate by the bank	101	3.43	0.829
Bank experts advise the exporters on in fulfillment of documents on regular basis	101	3.68	0.987
Banks do finance to the level of customer request (need)	101	2.90	1.136
Total items mean		**3.23**	

Source: Questionnaire (2015)

The result implies that the level of information provision and advice on the portfolio management is unsatisfactorily. The smallest mean obtained under this category is on the level of banks financing (as compared to customer need) with the mean value of 2.90 and with standard deviation of 1.136. This implies that banks do not finance the exporters up to their request or need; but the respondents do not have common consensus on the level of financing.

Based on the respondents' response, it has been noticed that the difference on the financing level has resulted from the fact that banks capacity differs each other. For instance, the capacity of CBE is an outstanding; and hence customers of CBE might get the required level while other banks' customers could not get adequate financing.

4.2.3. Special Consideration for Export Financing

As per response from exporters, the overall mean score is 3.65 for special consideration for export financing. And the result shows that there is a special consideration for export financing. Five independent items are included under the category of special consideration for export financing. Highest mean value of 3.88 is noted for the banks gives prior attention for export financing with a standard deviation of 1.003. This entails that priority has been given for exporters from other businesses for financing by banks as explained by the results of mean value. However, the standard deviation indicates inconsistent understanding among the respondents.

The next higher mean value is scored for liberal collateral requirement with 3.77 and standard deviation of 0.847. Relatively low mean score, 3.18 with standard deviation 0.942, is obtained for effect of credit rationing policy. This can be attributed by the fact that NBE is taking a lead for making a determining the optimal level of credit portfolio making banks to weaken their position in determining portfolio. The adequacy of budget allocation for export financing has got a mean value of 3.70 and standard deviation of 1.054. The highest standard deviation is obtained for this item. This shows that varied responses are obtained from the respondents with regards to budget allocation. The variance might be resulted, as it is obtained from the questionnaire, most of the respondents believe that budget allocation is adequate stating that National Bank of Ethiopia force banks to hold 40% of their credit at short term and 60% of their credit long term. The rationale mentioned for this is that most of the loan requests of the exporters are short term loan and it is adequately satisfied by the banks budget allocation. Contrary to this view, however, some of the respondents do not believe the banks adequately assign budget for export financing by stating nearly 50 percent of their requested loan were approved.

Table 8 Special Consideration for Export Financing

Special Consideration for Export Financing	N	Mean	Standard Deviation
Financing of export sector with less or no charges and interest rate as compared to other products of the banks	101	3.71	1.152
Allocation of adequate budget for export financing	101	3.70	1.054
Liberal collateral requirement is in place for exporters	101	3.77	0.847
Prior attention for export financing	101	3.88	1.003
Credit rationing policy prohibit banks to adequately assign budget for export sector	101	3.18	0.942
Total items mean		**3.65**	

Source: Questionnaire (2015)

A relatively high result is registered for banks' financing for export sector with less or no charges and interest rate (as compared to other bank products) which is explained by mean score of 3.71 and standard deviation of 1.152. The result shows that there is special treatment for exports in terms of service charge considerations. The respondents in many instances indicated that banks finance exporters with less interest rate for the purpose of getting foreign currency they have brought.

4.2.4 Loan Contract Matters

The overall mean score for loan contract matters is 3.79 for this category. This is a highest score when it is compared to other categories. Among the variables of loan contract matters, interest rate for export related loans is low (which is compared to other loan products) has got mean score of 4.03 and standard deviation of 1.195. Though this item has registered high mean score, it registered maximum standard deviation. This entails that most of the respondents do have a common consensus that the interest rate for export related loans is low compared to other loan products. The next highest result is obtained for sufficiency of loan life of export loans with mean score of 3.77 with accompanied standard deviation of 0.870. This implies that banks' have given the required level of loan life for export related loans. Availability of clear policy and procedure for export financing and loan repayment modality has registered similar mean value of 3.67 but with different standard deviation of 1.001 and 0.929 respectively. This denotes that banks are not good enough in setting-up clear credit policy and procedure and comfortable loan repayment modality for exporters.

Table 9: Loan Contract Matters

Loan Contract Matters	N	Mean	Standard Deviation
Loan life given for export loans is sufficient	101	3.77	0.870
Loan repayment modality is in considerate of the export business	101	3.67	0.929
Interest rate for export related loans is low compared to other loan products	101	4.03	1.195
Clear policy and procedure for export financing is in place	101	3.67	1.001
Total items mean		**3.79**	

Source: Questionnaire (2015)

The result obtained from open-end questionnaires from respondents also supports this inference. Most of the loan repayments are determined to be paid on monthly basis and respondents have cited this point as a shortcoming for the business of exporters. Flexible repayment modality has been suggested in consideration of their typical business nature.

4.2.5. Exporters Power Over Bank

Under the exporters power over bank category, a mean score 3.23 is attained which is similar mean score with the technical assistance from bank side to exporters category. Among the variables which are included under exporters power over bank, existence of export fund diversion to other own business has registered a highest mean value of 3.58. This same variable has got the lowest standard deviation 0.816 which entails the high level of consensuses among respondents in a way that existence of fund diversion. Existence of diversion of export proceed to another bank has received the next high level of mean values of 3.46 with the corresponding standard deviation value of 0.889. Hence, the results suggested that the control of banks over exporters is loose or in other words the power of exporters over the bank is well commanding.

Exporters persuade banks to get the export proceed for their import business has received a mean value of 3.26 with standard deviation of 1.189.

Table 10 Exporters Power Over Bank

Exporters Power over Bank	**N**	**Mean**	**Standard Deviation**
Exporters persuade banks to use export proceed for their import	101	3.26	1.189
Existence of export fund diversion to other business	101	3.58	0.816
Existence of diversion of export proceed to another bank	101	3.46	0.889
Financed exporters perform as expected by the bank	101	2.68	0.937
Total items mean		**3.23**	

Source: Questionnaire (2015)

This result implies that exporters have an import business which requires a foreign currency. The reason associated to this case is an ever increasing cost of exporting items at local market makes export business less profitable and hence most of exporters export items in order to get foreign currency to their import business. Some exporters noted that the profit from import business is by far huge which may even compensate the risks and loss of export business. Hence, in the line with NBE directive to use their export business proceed to import business; almost every exporter uses the foreign currency. These gave exporters in persuading banks to get the export proceeds to their import business.

4.3. Results of Exporters Survey

40 questionnaires have been distributed to export customers of the four banks under study and 26 (65%) of them were responded and the result of the responses presented below.

4.3.1. Economic Conditions

Table 11 shows the respondents result summary on economic conditions. The overall mean score under this category is 2.71 which make the result low of all categories stated above to questionnaires distributed to bank experts. In general, it could be inferred that economic condition of the country is not good enough for export business. In specific terms, among the variables in the category, existing cost of production in relation to international competitiveness scored the smallest mean which is 2.12 with the standard deviation of 1.033. This implies that the existing cost of production in the country makes exported items less competitive in the international market. In this case the respondents do not reach to a common consensus that some of them believe that it is not the cost that makes the items less competitive rather the substandard qualities that makes the export items less competitive. Some others suggested that availability of cheap labor market in the country would imply that lower costs of production. However, pertaining to technological involvement in the production cycle, production cost would be high. Moderate result is received for purchasing power of the currency which is explained by mean score of 3.04 along with standard deviation of 0.958.

Relatively close result is obtained for rise of export market and for availability of sustainable economic conditions with mean score value of 2.88 and 2.77 and standard deviation of 0.993 and 0.951 respectively.

Table 11: Economic Conditions

Economic Conditions	**N**	**Mean**	**Standard Deviation**
Economic conditions of the country is favorable for export market	26	2.77	0.951
Existing cost of production in the country makes exporter items competitive in the international market	26	2.12	1.033
Export market rising and becoming favorable to work in it	26	2.88	0.993
Purchasing power of the currency is favorable to exporters	26	3.04	0.958
Exchange rate management of the country favors export business	26	2.73	0.724
Total items mean		**2.71**	

Source: Questionnaire (2015)

The result entails that the rise of export market and macro-economic condition is not as such pleasant. In addition to these variables, exchange rate management of the country is not well perceived by exporters; as a mean score of 2.73 and standard deviation of 0.724.

4.3.2. Service Delivery to Exporters

Table 12 depicts responses of exporters on the service delivery of the banks to exporters. It reveals that the mean value for the category is 2.68 and this result could be leveled as a minimum result in general. The highest result under this category is obtained 3.27 with standard deviation of 1.151 saying that the bank employees are helpful in dealing with exporters. This implies that both the respondents of exporters and bank experts believe that bank employees are helpful in dealing with exporters. However, high standard deviation is noted for this category which implies a low level of consensus among respondents. Followed by this, sharing of pertinent information by employees to exporters has got a mean response value of 2.92 with standard deviation 0.977. This entails that from the exporter's perspective the information shared by bank employees are not as such pertinent or it is not applicable to their business. A mean score among the variables in the category is registered for banks advice the exporter on improvement of export performance on regular basis which is explained by mean of 2.23 and standard deviation of 0.863. This implies that a relative consensus among respondents for banks advice the exporter on improvement of export performance on regular basis. This entails exporters were not regularly advised by bank experts to improve their export performance. Among the variables under service delivery of the banks to exporters, loan processing time to exporters and lending criterion set by banks for financing is easily manageable have got a mean value of 2.50 and 2.38 which is below the average mean value of the category with the standard deviation of 1.030 and 1.023. Thus, the questionnaire analysis shows that banks are not good enough in loan processing time and processing of loan has took lengthy time. The standard deviation of two items (both of the items do have high standard deviation) further shows that the level of consensus of respondents on the loan processing time and the manageability of lending criteria by banks is too minimal. Exporters has little knowledge on the lending criteria set by banks they only focus on getting of loans only and the lengthiness of the delivery of the loan is a relative term .

Table 12: Service Delivery to Exporters

Service Delivery	N	Mean	Standard Deviation
Loan processing time by banks is short	26	2.50	1.030
Bank employees are capable to understand the very complex nature of export	26	2.77	1.070
Bank employees are helpful in dealing with exporters	26	3.27	1.151
Pertinent information is shared by employees to exporters	26	2.92	0.977
There is a fair treatment among export customers at the banks	26	2.69	0.970
Banks advise the exporter on improvement of export performance on regular basis	26	2.23	0.863
Lending criterion set by banks for financing is easily manageable	26	2.38	1.023
Total items mean		**2.68**	

Source: Questionnaire (2015)

The capability of bank employees to understand the very complex nature of export has received a mean value of 2.86 with standard deviation of 1.070. Thus, perception of exporters about capability of bank employees is below the standard. The reason associated to this case is an ever changing nature of export business and the bank employees were not in a position to understand it as stated in many instances the respondents stated that if they understand the nature of export business they would have been flexible and adjusting their procedure accordingly. The respondents also believe that there is no fair treatment at the banks end. Exporters believe that they are not equally served by the banks. Some of the exporters served well while some of them are marginalized and this is well explained by mean of 2.69 and standard deviation of 0.970.

4.3.3. Availability of Finance

The overall mean score under this category is about 2.74 which is slightly lower below the average. In general, it could be inferred that availability of finance by banks to export business is below the average. In specific terms, availing of adequate hard currency for exporters has got the lowest mean 2.04 with the standard deviation of 1.216. This tells that though exporters have brought foreign currencies to banks they are not served on their request of the hard currencies. High standard deviation in this response tells us that respondents did not reach to the same consensus that some of the exporters have no import business and they did not request hard currency from banks before. Pre shipment and post shipment loan availability have scored an equal mean of 2.96 with varied standard deviations of 0.871 and 0.916 respectively. This implies that banks are not working well on availing adequate loans for exporters in terms of pre-shipment and post shipment. Term loan also has a scored a mean value of 2.85 with a standard deviation of 0.967. Thus, banks works poorly on availing required level of term loan to exporters. This is further strengthen by a question on the requested to approved loan to exporters that only 50% of their request were approved. The existence of corruption on export financing scheme has got 2.85 mean values with standard deviations of 0.993. This implies that banks worked well on reduction of corruption on financing of export business.

Table 13: **Availability of Finance**

Availability of Finance	N	Mean	Standard Deviation
Pre shipment financing is comfortably available	26	2.96	0.871
Post shipment financing is comfortably available	26	2.96	0.916
Adequate term loan is obtained from banks	26	2.85	0.967
Adequate hard currency availed for exporters when requested	26	2.04	1.216
There exist corruption in the export financing stream at banks	26	2.88	0.993
Total items mean		**2.74**	

Source: Questionnaire (2015)

4.3.4. Infrastructure Development

Under the infrastructure development, a mean score 2.79 is attained which is lower than average mean score. In general, the result implies that less attention is being given to infrastructure development. Coming to specific indicators, availability of communications network relevant for export business have received lowest mean values of 2.27 with standard deviation of 0.962. The other variable, availability of infrastructure facilities has got a mean of 2.42 with a standard deviation of 0.809. This implies that the availability of communication networks and the sub-standard infrastructure development of the country adversely affect the performance of the exporters which in turn has an adverse impact on getting the required level of finance. From this category power interruption has got the highest mean of 3.69 with a standard deviation of 0.884. This implies exporters' performance was adversely affected by the interruption on the power supply.

Table 14: Infrastructure Development

Infrastructure Development	**N**	**Mean**	**Standard Deviation**
The infrastructure facilities are up to the standard for export business	26	2.42	0.809
Communications network relevant for export is well availed	26	2.27	0.962
There is substantial power interruption which causes delays in delivery of products	26	3.69	0.884
Total items mean		**2.79**	

Source: Questionnaire (2015)

4.3.5 Geographical Structure of the Country

The overall mean score for geographical structure of the country category is about 2.37 which tend to be one of the smallest results among the categories. Most of the respondents believe that geographical location of the country did not ease the transportation of exportable materials as explained by a mean result of 2.27 accompanied by standard deviation 1.919. Thus, it can be said that, in general, there is no shared value by respondents on having geographical location impacts transportation of the exportable items. Nearly half of the respondents have believe; it is not the location of the country that ease the transportation of exportable items rather the type of transportation that we use that ease the transportation of exportable items while the rest of them have whatever type of transportation type we use it is the location of the country that matters most.

Table 15: Geographical Structure of the Country

Geographical Structure of the Country	N	Mean	Standard Deviation
Distance between production area to port area for export is manageable	26	2.31	1.011
Distances from warehouse to harvest areas are in comfortable distance to producers	26	2.54	1.067
Geographical location of the country ease the transportation of exportable materials	26	2.27	1.919
Total items mean		**2.37**	

Source: Questionnaire (2015)

Manageability of distance between production areas to port area for export; has got a mean value of 2.31 with standard deviation of 1.011. This means the production areas and the outlet or ports are in unmanageable distance.

This has an adverse impact on the export performance. Distances from warehouse to harvest areas were in comfortable distance to producers has got a mean value of 2.54 with a standard deviation of 1.067. This also implies the distance from harvest areas to warehouses were not in comfortable distance that means government has a lot to do in improving the infrastructure.

4.3.6. Product Quality and Diversity

Under Product quality and diversity category, a mean score 2.43 is attained which is the second lowest average mean score compared to other categories. In general, a low result for all of the variables under consideration implies that less attention is being given to product quality and diversity at the producers end. Coming to specific indicators, the current technological development level makes the exports competitive enough in international market has received lowest mean values of 2.08 with standard deviation of 0.796. The second smallest mean scored in this category is the product harvesting techniques quality has got a mean value of 2.35 with a standard deviation of 0.892. Considering the agricultural products country's major export items, such as coffee and oilseeds, for many decades; technological development and methods of harvesting could have a direct implication on export performance. This entails there is much work needed in improving product harvesting technique and improving the current technological level.

Table 16: Product Quality and Diversity

Product Quality and Diversity	N	Mean	Standard Deviation
The product harvesting techniques quality is good	26	2.35	0.892
Export material quality is competitive in international market	26	2.69	1.225
The packaging quality is competitive in international market	26	2.50	0.906
The existing product diversity is fair enough to mitigate risks	26	2.54	0.811
The current technological development level makes the exports competitive enough in international market	26	2.08	0.796
Total items mean		**2.43**	

Source: Questionnaire (2015)

The existing product diversity has got a mean value of 2.54 with a standard deviation of 0.811. This clearly implies that the export diversity is not good enough to mitigate a fall in demand of a certain products. As some respondents noted that whenever there is surplus coffee production in Brazil, for instance, the export amount and price of Ethiopia's coffee export highly affects which in turn has a huge implication on Ethiopia's overall export performance. This calls for exporters and involved stakeholders to work a lot in diversifying exportable items. The competitiveness of packaging quality in international market has got a mean value of 2.50 with the standard deviation of 0.906. This tells that less attention has been given on packaging quality; which has adverse impact on export items quality. The competitiveness of export material quality in international market has got a mean value of 2.69 with a relatively high standard deviation of 1.225. The result shows that less attention has given on exportable material quality while some of the respondents are in favor of having good export quality. The response variation comes out of the fact that the country is endowed for some of commodities which gives comparative advantage in the international market. Hence, though there is lack of technological advancement in product processing, the very nature of products (organic nature of agricultural products) gives a competitive edge in the international market.

4.3.7. Export Assistance

In this category, a mean score of 2.45 is attained; which is the one of the lower average mean score compared to other categories. In general, the result implies that less attention is being given to export assistance while it needs high attention in order to get the required level of benefit from the sector. Coming to specific indicators, government delivers technological support has received lowest mean values of 2.04 with standard deviation of 0.958. Government assistance for finding export market also has got a mean value of 2.12, which is the next lowest result under category, with a standard deviation of 0.993. Government has given less attention in delivering the required level of assistance on technology and market search to exporters. Government also has less worked on easing terms and tariff levied on export business which is explained by a mean result of 2.92 and standard deviation of 1.230. The sufficiency of support from chambers of commerce for exporters has got a mean value of 2.73 with a standard deviation of 0.962. This implies the support from chamber of commerce is not adequate and more work has to be done. In a nutshell, the level of export assistance for exporters is minimal and this could be considered as one of the impeding factor for good export performance.

Table 17: Export Assistance

Export Assistance	N	Mean	Standard Deviation
Support from chambers of commerce available for exporters	26	2.73	0.962
Government delivers the required level of technological support to exporters	26	2.04	0.958
Government assist the exporter through finding export market	26	2.12	0.993
Government works well on easing terms and tariff levied on export	26	2.92	1.230
Total items mean		**2.45**	

Source: Questionnaire (2015)

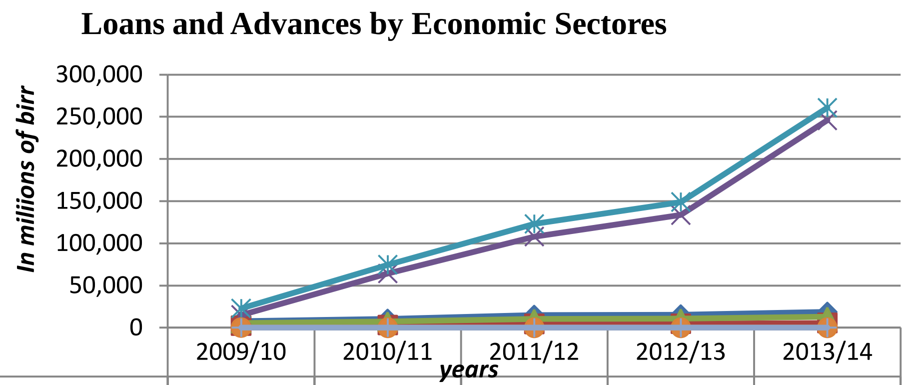
4.4. Secondary Data Presentation

4.4.1. /CBE/ Loans and Advances by Economic Sectors

Figure 2 indicates loans and advances granted to International trade (Import and Export) economic sectors for the past five years as a comparison of all loans and advances granted to other sectors.

As depicted in *Figure 2* the loans and advances given by Commercial Bank of Ethiopia for export business shows a decreasing trend in terms of percentage from year 2009/10 to 2013/14 i.e. from 10.2% to 2.1%.However the amount of loans and advances granted for export sector by the bank shows an increasing trend for the stated years. The percentage share and amount of the loans granted to import sector was greater than the loan granted to export sector.

Figure 2: /CBE/ Loans and Advances by Economic Sectors



	2009/10	2010/11	2011/12	2012/13	2013/14
International trade	7,770	10,346	14,940	15,479	18,575
Export	2,331	3,104	4,482	4,644	5,573
Import	5,439	7,242	10,458	10,835	13,003
Other Sectors	15,091	64,270	108,052	133,527	245,821
Total	22,861	74,615	122,992	149,007	260,761
%age of Export loans	10.2	4.2	3.6	3.1	2.1
%age of Export loans	23.8	9.7	8.5	7.3	5.0

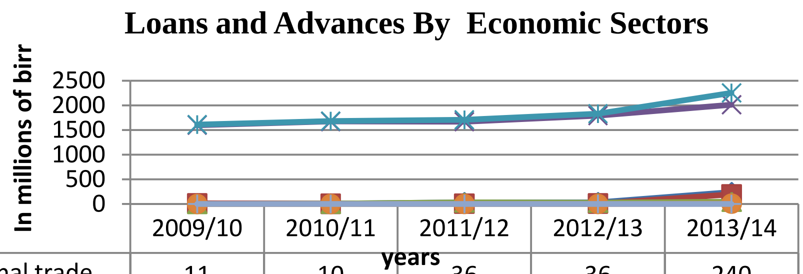
Source: CBE annual reports

As showed above in the table and graph the trend of export indicates that adequate attention was not given for this sector.

4.4.2. /CBB/ Loans and Advances by Economic Sectors

Figure 3 below indicates loans and advances granted to international trade (import and export) economic sectors for the past five years as a comparison of all loans and advances granted to other sectors.

Figure 3: /CBB/Loans and Advances by Economic Sectors



	2009/10	2010/11	2011/12	2012/13	2013/14
International trade	11	10	36	36	240
Export	11	4	5	9	194
Import	1	6	31	27	46
Other Sectors	1599	1670	1669	1792	2011
Total	1610	1680	1704	1828	2251
%age of Export loans	0.66	0.24	0.29	0.50	8.60
%age of Import loans	0.05	0.33	1.79	1.47	2.06

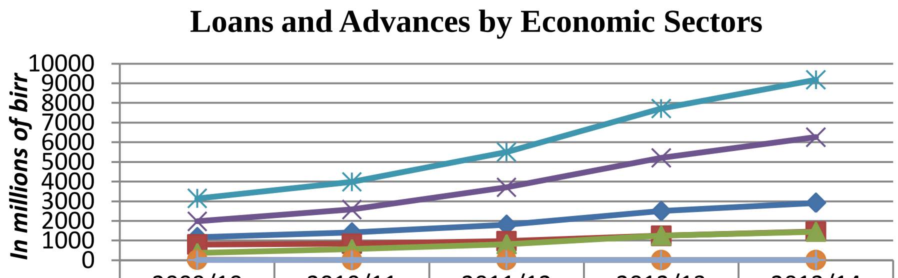
Source: CBB annual reports

As depicted in the above Figure 3 the loans and advances given by Construction and Business Bank for export business shows a decreasing trend in terms of percentage and amount from year 2009/10 to 2010/11 and shows a rising trend since then. As indicated in the graph the percentage share of export sector loan ranges from 0.24 % to 8.6% of the total loans. This implies that though there is high demand for export sector loans, the bank did not grant to the required level.

4.4.3. /AIB/ Loans and Advances by Economic Sectors

As depicted in the Figure 4 the loans and advances given by Awash International Bank for export business shows a rising trend in terms of amount from year 2009/10 to 2013/14.However the percentage share of Loans and Advances granted for export sector shows a decreasing trend from year 2009/10 to 2013/14.

Figure 4: /AIB/ Loans and Advances by Economic Sectors



	2009/10	2010/11	2011/12	2012/13	2013/14
International trade	1169	1406	1798	2498	2919
Export	802	840	979	1244	1467
Import	367	566	819	1254	1452
Other Sectors	1976	2580	3707	5212	6257
Total	3145	3986	5505	7710	9176
%age of Export loans	25.50	21.07	17.78	16.13	15.99
%age of Import loans	11.67	14.20	14.88	16.26	15.82

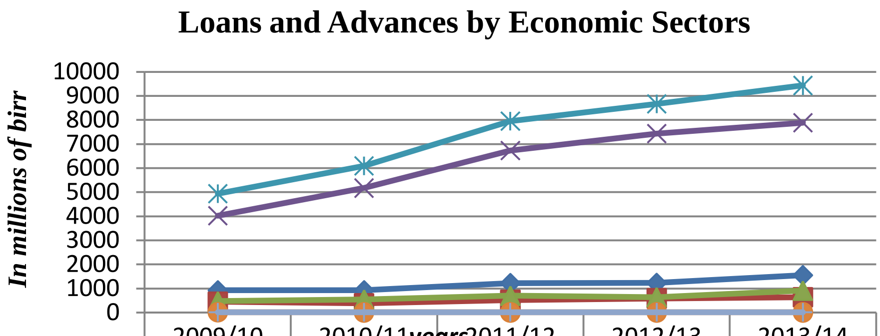
Source: Awash Bank yearly reports

4.4.4. /DB/ Loans and Advances by Economic Sectors

The table indicates Loans and advances granted to International trade (Import and Export) economic sectors for the past five years as a comparison of all loans and advances granted to all sectors.

As depicted in Figure 5, the loans and advances given by Dashen Bank for export business shows a decreasing trend both in terms of amount and percentage from year 2009/10 to 2010/11 i.e. from 452 million to 378 million or from 9.15% to 6.20%.However from years 2010/11 to 2013/14 Loans and advances granted to export sector has showed an increased trend both in terms of amount and percentage.

Figure 5: /DB/Loans and Advances by Economic Sectors



	2009/10	2010/11	2011/12	2012/13	2013/14
International trade	922	924	1222	1229	1550
Export	452	378	522	588	638
Import	470	546	700	641	912
Other Sectors	4017	5170	6727	7434	7880
Total	4939	6094	7949	8663	9430
%age of Export loans	9.15	6.20	6.57	6.79	6.77
%age of Import loans	9.52	8.96	8.81	7.40	9.67

Source: Dashen Bank yearly reports

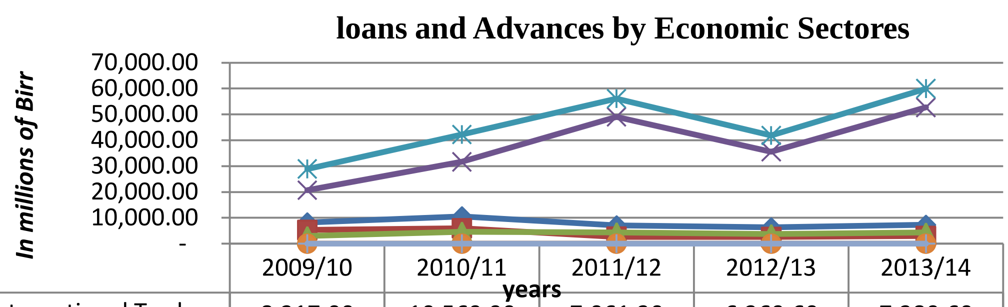
As showed above in Figure 5, loans and advances granted to export sector has showed an increasing trend in terms of percentage share and amount of loan granted. When we see the percentage of loans and advances granted to export sector ranges from 6 to 9 percent of total loans and advances and amount. These indicate that the required levels of attention were not given for export sectors.

4.4.5. /All Banks/ Loans and Advances by Economic Sectors

Figure 6 below indicates loans and advances granted to international trade (import and export) economic sectors for the past five years as a comparison of all loans and advances granted to all sectors**.** The data represent all government and private Banks.

As depicted in the figure, the loans and advances given by all banks for export business shows a rising trend in terms of amount from 5.2 billion to 5.9 billion from year 2009/10 to 2010/11. However, in terms of percentage a loan and advances granted for export sector has showed a decreasing trend i.e. from 18.26% in the year 2009/10 to 14.03% in the year 2010/11.It further declines both in terms of amount and percentage share from year 2010/11 to 2011/12.The Loan and Advances granted to export sector has shown a slight increase from 4.74% share to 6.14% share from the total loans and advances from year 2011/12 to year 2012/13. On the other hand, the amount of loans and advances granted to this sector shows a slight decline from Birr rise 2.6 billion to Birr 2.5 billion for the same year.

Figure 6: /All Banks/ Loans and Advances by Economic Sectors[6]



	2009/10	2010/11	2011/12	2012/13	2013/14
International Trade	8,217.00	10,569.90	7,061.30	6,269.60	7,280.60
Export	5,279.50	5,921.40	2,659.50	2,569.10	2,973.30
Import	2,937.50	4,648.50	4,401.80	3,700.50	4,307.30
Other sectores	20,688.10	31,638.00	49,040.80	35,550.60	52,684.80
Total Loans	28,905.10	42,207.90	56,102.10	41,820.20	59,965.40
%age of Export loans	18.26	14.03	4.74	6.14	4.96
%age of Import loans	10.16	11.01	7.85	8.85	7.18

Source: All banks yearly reports

As showed above in Figure 6, loans and advances granted to export sector has showed a decreasing trend in terms of percentage share of total loans and advances and amount. These indicate that the required levels of attention were not given for export sectors.

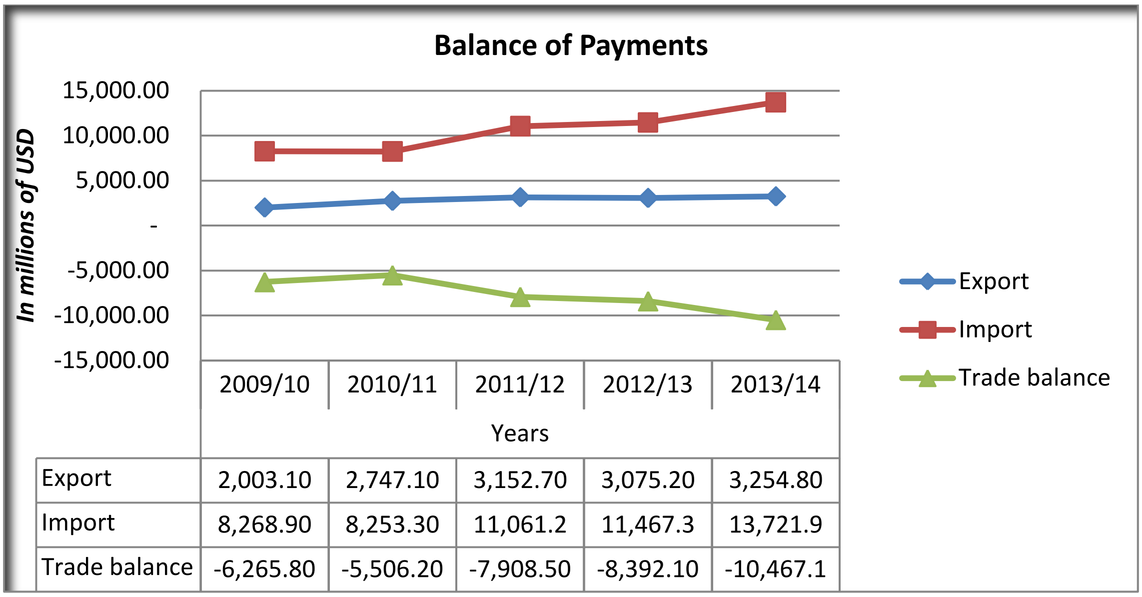
4.4.6. Balance of Payments

As depicted in Figure 7, the country's export income has showed a rising trend from years 2009/10 to 2011/12.There is a slight decline showed on the income from export of the country from year 2011/12 to 2012/13.It showed a rising trend from year 2012/13 to year 2013/14.The countries import expense also showed a rising trend 2011/12 to 2013/14. When we see the export performance of the country it shows a rising trend. The export

[6] N.B: Report in the table indicates loans and advances granted by all commercial banks and Development bank of Ethiopia less collection made for the years

performance increases from year to years at a decreasing trend. On the other hand the import of the country shows an increase from year to year at an increasing rate. These lead to a deteriorating balance of payments.

Figure 7: Balance of Payments[7]



	2009/10	2010/11	2011/12	2012/13	2013/14
Export	2,003.10	2,747.10	3,152.70	3,075.20	3,254.80
Import	8,268.90	8,253.30	11,061.2	11,467.3	13,721.9
Trade balance	-6,265.80	-5,506.20	-7,908.50	-8,392.10	-10,467.1

Source: NBE annual bulletins

The overall performance of export sector coupled with low level of attention to export sector lead to deteriorating balance of payments. It further indicates that the countries import rose at an increasing rate and the export sector rose at a decreasing rate which creates a gap need to be filled by increasing the export performance of the country.

[7] N.B: It is the narrowed measurement of balance of payments

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the findings of the study are systematically summarized, pertinent conclusions are drawn from the findings and the study has also tried to foreword relevant recommendations.

5.1. Summary of Major Findings

The main purpose of this study is to assess the overall challenges faced by commercial banks and exporters on financing and on getting finance. The study conducted in two states owned and two private owned commercial banks i.e. Commercial Bank of Ethiopia (CBE); Construction and Business Bank (CBB); Awash International Bank(AIB) and Dashen Bank (DB).

The study tries to evaluate the challenges faced by commercial banks in financing exporters and getting back adequate benefit from exporters and the challenges faced by exporters in getting adequate finance and services from banks as compared to the standard literatures of the system.

Standardized questionnaire with 26 questions organized in five themes in five-point likert scale and 2 with open end questions were prepared and distributed to 120 respondents selected from the banks under study. While taking sample, non-probability purposive sampling has been adopted to purposively select respondents who are credit experts (Directors, Credit Analysts, Branch Managers, Customer Relation Managers and Loan officers and Credit Committee Members) and have the working knowledge of the credit areas. Of the total questionnaire, it was managed to collect 101 of them, i.e. 84% response rate. To include the exporters side standardized questionnaire with 32 questions organized in seven themes in five-point likert scale and 2 with open end questions were prepared and distributed to 40 respondents selected from the exporter’s side and 26 questionnaire was managed to collect i.e. 65% of the questionnaires were collected.

Accordingly, the analysis was conducted by taking each theme which is challenge for better performance of the export business. Each challenge/theme has 4 to 8 questions that are suitably designed to measure the challenges the exporters and banks have faced and subsequent relevant analysis was made.

In addition to this, secondary data that indicate the performance of export business were collected and analyzed.

The major findings of the study results from secondary and primary data analysis are summarized as follows:

- From the service delivery by banks to exporters' loan processing time were lengthy and it is not up to expectation of the exporters and the providing of foreign currency to exporters also not to the expectation of exporters. The other services provided by banks to the exporters were satisfactory as respondents have significantly agreed. On the other hand all services delivered by banks to exporters were not satisfactory and to their expectation as exporters responded in their questionnaire.

- With regard to availability of finance for pre shipment, post shipment, term loans and foreign currency requests were not adequate as most of the respondents agreed nearly 50 percent of their request were granted.

- Though bank experts agreed exporters were financed with less interest rate and charges as compared to other sector loans with due priority and attention given to them through clear procedure. On the contrary, exporters were not performing as expected by banks by diversion of funds and export proceeds from the intended purpose and from the lending bank.

- As explained in many instances by the respondents some exporters were exporting only for getting foreign currency for their import business not doing export business to get profit from it. These adversely affect those who have only export business by setting high prices on exportable items.

- With the regard to product quality and diversity theme, respondents agreed that the products harvesting technique ,the technological development, the packaging quality and undiversified export product contribute adverse effect on the competitiveness of the countries product on international market and the performance as well.

- The economic condition of the country also found to be unfavorable to exporters i.e. the exchange rate management, the purchasing power of the currency, high cost of production and volatile nature of the price of the export products.

- On the infrastructural development and geographical structure of the country's themes the respondents highly agreed that infrastructure development level and the location of the country adversely affect the performance of the exporters which intern adversely affect their relation and the performance of financing banks.

The required levels of assistance were not provided by government to exporters in the technological assistance, in finding of market for their products, and the ease of term and tariffs imposed by importing countries.

From the secondary data collected, it has been managed to summarize the following findings:

In all banks under study the export loans and advances granted shows a rising trend in terms of amount. However the percentage share of the export loans shows a decreasing trend and it has accounted 0.66 percent to 15% of loans given by these banks. On the other hand loans and advances granted to Import business shows a rising trend both in terms of amount and percentage share in the periods under study.

Loans and advances granted by all commercial banks and Development Bank of Ethiopia shows that loans and advances granted to export sector shows a decreasing trend for the first two years under study in terms of percentage share and amount and shows a slight increases then after. Though there is high demand for the export loans as responded in most of the questionnaires; these commercial banks finance only up to 50% of exporters request. The countries import increases at an increasing rate. On the other hand the export trend increased at a decreasing trend which leads to deteriorating balance of payments.

5.2. Conclusion

With respect to service delivery by banks, the study found that, bank employees are helpful in dealing with exporters. Bank's advice the exporter on improvement of export performance is relatively good. It can be inferred that pertinent information is shared by employees to exporters; however, lack of integrated information from NBE, customs authority and other agencies has hampered the quality of information. Bank employees are helpful in dealing with exporters. Foreign currency request of the importers for foreign currency were not satisfied. Though bank experts have a consensus as provision of good service, exporters believe otherwise in general terms. Hence, it can be inferred that bank experts' perception of good service quality does not fit with what actually being rendered. Adequate advice is not availed by bank employees' in addition to taking lengthy time loan processing. Capability of employees found to be below optimal level.

Among variables of technical assistance from bank side to exporters, bank employees doing well in advising exporters on regular basis for fulfillment of the required documents in order to ease the loan process. It is possible to infer that banks' have a well facilitated payment system. However, the level of information provision and advice on the portfolio management is unsatisfactorily. It is also found that banks do not finance the exporters up to their request or need.

With regards to credit policy, the study found out that there is reasonable level of special consideration for exporters in the form of export financing. Not only special consideration is given for exporters, but also banks are somewhat giving top priority for export business on top of other products in search of foreign currency though some variations are noticed in budget allocation. In connection with special consideration, banks are applying liberal form of collateral. Nonetheless due to the NBE policy for credit portfolio, the level of support is not extended to the expected level. In terms of charge applications, it is found that there is special treatment for exports in terms of service charge considerations. In terms of loan contract matters banks are found to be diligent enough in determining critical factors in a loan contract. Among the variables of loan contract matters, interest rate for export related loans is low as compared to other loan products. The study also found that banks' are giving the required level of loan life for export related loans. Banks' have given the required level of loan life for export related loans. Most of the loan repayments are determined to be paid on monthly basis and this modality is creating inconvenience from exporters' side.

Exporters' power over banks is found to be increasing through time. Among the variables which are included under exporters power over bank, the study found that, there existence of export fund diversion to other own business. With the same token, it is also found that there also diversion of export proceed to another bank. On top of this, the study revealed that exporters persuade banks to get the export proceed for their import business. The reason associated to this case is an ever increasing cost of exporting items at local market makes export business less profitable and hence most of exporters export items in order to get foreign currency to their import business. Hence, it could be inferred that exporters' power over the banks is an ever increasing scenario which is even a forcing mechanism for banks to violate rules and procedures of NBE.

It can be inferred that, in general, there is shared value by respondents that economic condition of the country is not good enough for export business. Rationale for this situation, as the study has revealed it, is that existing cost of production in the country makes exported items less competitive in the international market and substandard qualities of products. The purchasing power of currency is also attributed for not having good economic condition. In addition to these variables, exchange rate management of the country is not well perceived by exporters. Availability of finance, in a nutshell, is found to be under jeopardy. Supply of foreign currency is not up to the required level. This implies that though exporters have brought foreign currencies to banks they are not served on their request of the hard currencies. Furthermore Banks are not working well on availing adequate loans for exporters in terms of pre shipment, post shipment and short term loans.

With respect to infrastructure development, less attention is being given to infrastructure development. The availability of communication networks and the sub-standard infrastructure development of the country adversely affect the performance of the exporters which in turn has an adverse impact on getting the required level of finance. On top of these, the study revealed that exporters' performance was adversely affected by the interruption on the power supply. From the perspective of geographical structure, the study found that the country's topology is not comfortable for export business which has implication on transportation time and cost. Production areas and the outlet or ports are in unmanageable distance. This has an adverse impact on the export performance.

In general, a low result for product quality and diversity is registered and it implies that less attention is being given to product quality and diversity at the produces end. The current technological development level makes hard on exports to become competitive enough in international market. Considering the agricultural products country's major export items, such as coffee and oilseeds, for many decades; technological development and methods of harvesting could have a direct implication on export performance. Export diversity is not good enough to mitigate a fall in demand of a certain products. Less attention has been given on packaging quality; which has adverse impact on export items quality.

With regards to availability of export assistance by stakeholders, the study revealed that less attention is being given to export assistance though it needs high attention in order to get the required level of benefit from the sector. In general, the result implies that less attention is being given to export assistance while it needs high attention in order to get the required level of benefit from the sector. Support from chamber of commerce is not adequate and more work has to be done. In a nutshell, the level of export assistance for exporters is minimal and this could be considered as one of the impeding factor for good export performance.

Secondary data analysis shows that on all banks under study the export loans and advances granted shows a rising trend in terms of amount. However, the percentage share of the export loans shows a decreasing trend. On the other hand loans and advances granted to import business shows a rising trend both in terms of amount and percentage share in the same periods. Loans and advances granted by all commercial banks and Development Bank of Ethiopia shows that loans and advances granted to export sector shows a decreasing trend in terms of percentage share and amount for the first two years and a slight increases since then. The Country's import increases at an increasing rate for the periods understudy. On the other hand the export trend increased at a decreasing rate which leads to deteriorating balance of payments.

5.3. Recommendations

Based on the analysis and subsequent findings from the study, the following recommendations are forwarded which Ethiopian commercial banks consider in their attempt to excel in export financing.

- Commercial banks are highly expected to improve their service delivery focusing especially in the areas of shortening loan processing time and making their employees' competent. As Ethiopia commercial banks are currently investing immense amount of capital in acquiring modern information technologies, these technologies should be harnessed in utmost manner so as to increase service quality. As to employees' competence, appropriate trainings and benchmarking best practices from overseas shall be employed.

- A concerted effort has to be made by commercial banks in collaboration with National Bank of Ethiopia for consistent information provision so that coherence in information supply will be insured. Banks shall use their association, Ethiopian Banks Association (EBA) as a lobbying and follow-up entity in their work with NBE, Customs Authority and other governmental agencies.

- Though banks are trying to give their attention for export financing, the level of export promotion is not up to the expected level. This entails the need for further strengthening of additional efforts to raise it. Thus, banks should consider innovative ways of promoting export apart from the existing efforts. Conversely, exporters' power over banks shall be monitored as it may result in unfair and unlawful market competition in the banking industry in an effort to gain foreign currency.

- As supply of finance is a major issue, banks need to expand portfolio of sources of finance. From local finance perspective, banks shall exert due effort in reaching unbanked segment of the society instead of snatching an already acquired segment of the society. From foreign currency perspective, the effect of black market (parallel market) shall be substantially reduced. Banks, through their association, shall lobby NBE for effective policy change consideration and enforcement.

- Exchange rate determination has an impact on the performance of export. Hence, NBE shall monitor the real exchange rate of birr and avoid overvaluation[8] of birr against major foreign currencies. Routing all financial resources through formal line is also expected from NBE by discouraging black market through integrated complain and policy changes.

- Government role for export performance is pivotal. This role shall be further explained in diversification of exportable materials, enhancement of service quality, provision of production site which is compatible with transportation and export. Hence, all due attention has to be given in light of improving these important aspects.

- Performance of export financing could not be solely enhanced with the effort of commercial banks. Rather, a concerted effort of all stakeholders involving in the export sector. Hence, government in its specialized agencies such as Ministry of Trade, Investment Agency, and Ministry of Foreign Affairs with chamber of commerce shall promote exporters in coordinated manner. In doing so, the overall export financing aspect will be further enhanced.

- Since some of exporters divert the fund to unproductive areas and/or to another bank rather than financing bank to unintended purpose, commercial banks have to work well on how to make a less costly follow up on exporters after financing for their export business weather there advances are used for the earmarked purpose.

- Commercial banks should not be short sighted by focusing on funds that is owed to any bank rather they should strengthen their research and development to provide new products to customers and raise their capacity. Furthermore, instead of snatching the existing customers in unlawful manner which adversely affect these banks eventually they should expand their customer base.

[8] According to IMF report Ethiopia's birr is overvalued by over 30 percent (www.hornaffairs.com)

- Commercial banks should critically evaluate and identify the credit worthiness of the exporters and adequately finance them based on their request promptly. This helps them to reduce the costs related to the delay on the decision of the banks, which has an adverse impact on their performance.

Finally, the researcher would like to recommend future researchers to further study the challenges faced with export financing and other factors that determine the performance of export sector of the economy.

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Official website of the Dashen Bank i.e. www.dashenbank.com.et

Annex

APPENDIX – I: Questionnaire to bank experts

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

Questionnaire filled by bank credit experts

Dear Respondent,

I'm conducting MBA research on "Assessing challenges of export financing in Ethiopia Banks" one of the main objectives of the research among others is to investigate the challenges of export financing from the lenders and borrowers endeavor. And it is for the requirements of the thesis for the Masters in Business Administration program at St. Mary's University.

The outcome of the study will be used to suggest possible solutions for problems identified on the captioned topic. Thus, your free will and cooperation in giving the reliable information is very important. Any information provided by you will only be used for academic purpose and confidentiality will be maintained with utmost anonymity. Thus, I appreciate your cooperation to give me your time for the success of this research thesis.

N.B.

- No need of writing your name;
- Please respond as accurately as possible and at your earliest possible time.

Thank you in advance for taking your time to fill out this questionnaire!

This Questionnaire has two parts, Part one contains Personal profile (Demographic characteristics of respondents) and Part Two enclosed specific questions related to challenges of export financing.

Thank you for your cooperation.

Yours Sincerely,

Damtew Habte

Part I: General Information

1) Gender: Male ☐ Female ☐

2) Age:

< 30 ☐ 31-40 ☐ 41-50 ☐ >51 ☐

3) Highest educational level obtained

High School Complete ☐ Certificate ☐ Diploma ☐

Bachelor Degree ☐ Master's Degree ☐ PhD ☐

Please specify if other ____________

4) Years of work experience (Total years)

0-5 years ☐ 6-10 years ☐ 11-15 years ☐ 15-20 ☐ More than 20 years ☐

5) Years of work experience in credit area

0-5 years ☐ 6-10 years ☐ 11-15 years ☐ 15-20 ☐ More than 20 years ☐

5) Which of the following job title best describes your position?

Credit Director ☐ Branch Manager ☐ Relationship Manager ☐

Loan Officer ☐ Credit Analyst ☐ Relationship Officer ☐

Credit Committee Member ☐

6) Name of the bank which you are working for? ________________________________.

7) Ownership of the bank Government owned ☐ Private owned ☐

Part II: Specific questions about export financing

Directions: Please read the following questions and rate your level of agreement by encircling the following scale.

Level of Agreement:1= strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree

No	Questions	Level of Agreement				
Service Delivery						
1	Loan processing time is short as expected by exporters	1	2	3	4	5
2	Bank employees are capable to understand the very complex nature of export and advise exporters	1	2	3	4	5
3	Bank employees are helpful in dealing with exporters	1	2	3	4	5
4	Pertinent information is shared by employees to exporters	1	2	3	4	5
5	There is a fair treatment among export customers of the Bank	1	2	3	4	5
6	Bank's advise the exporter on improvement of export performance regularly	1	2	3	4	5
7	Lending criterion set by banks for financing is easily manageable	1	2	3	4	5
8	Foreign currency request of the importers is adequately satisfied by the bank	1	2	3	4	5
Technical Assistance from Bank Side to Exporters						
9	Full-fledged information provision to exporters by the bank	1	2	3	4	5
10	Bank advices on the optimal level of portfolio to be held by exporters	1	2	3	4	5
11	The facilitation of payment system is adequate by the bank	1	2	3	4	5
12	Bank experts advise the exporters on in fulfillment of documents on regular basis	1	2	3	4	5
13	Banks do finance to the level of customer request (need)	1	2	3	4	5
Special Consideration for Export Financing						
14	Banks finances the export sector with less or no charges and interest rate as compared to other products of the banks	1	2	3	4	5
15	The bank allocate adequate budget for export financing	1	2	3	4	5
16	Liberal collateral requirement is in place for exporters	1	2	3	4	5
17	The bank gives prior attention for export financing	1	2	3	4	5
18	Credit rationing policy of the NBE directive prohibit banks to adequately assign budget in export sector	1	2	3	4	5
Loan Contract Matters						
19	Loan life given for export loans is sufficient	1	2	3	4	5
20	Loan repayment modality is in considerate of the export business	1	2	3	4	5

No	Questions	Level of Agreement				
21	Interest rate for export related loans is low compared to other loan products	1	2	3	4	5
22	Clear policy and procedure for export financing is in place	1	2	3	4	5
Exporters Power over Bank						
23	Exporters persuade banks to get the export proceed for their import business	1	2	3	4	5
24	Existence of fund diversion by exporter to other own business from export financing scheme	1	2	3	4	5
25	Existence of diversion of export proceed to another bank frequently	1	2	3	4	5
26	Borrowers, financed for export business, perform as expected by the bank	1	2	3	4	5

27) Which of the following factors contributing to inadequate financing; please give ranking to the factors listed from 1-6(please give 1 for the highest and 6 for the lowest)

☐ Inadequate financial status of the exporters

☐ Performance of the borrower on past relation with the bank

☐ Regulatory restrictions

☐ Past loan size

☐ Credit score/Grade of the borrower

☐ Ethiopian Credit Reference Bureau information

28) Any point to discuss about export financing challenges, please write down in the space provided below.

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Thank you for filling out this questionnaire!!!

APPENDIX – II: Questionnaire to exporters

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

Questionnaire filled by exporters

Dear Respondent,

I'm conducting MBA research on "Assessing challenges of export financing" one of the main objectives of the research among others to investigate the challenges of export financing from the lenders and borrowers endeavor. And it is for the requirements of the thesis for the Masters in Business Administration program at St. Mary's University.

The outcome of the study will be used to suggest possible solutions for problems identified on the captioned topic. Thus, your free will and cooperation in giving the reliable information is very important. Any information provided by you will only be used for academic purpose and confidentiality will be maintained with utmost anonymity. Thus, I appreciate your cooperation to give me your time for the success of this research thesis.

N.B.

- No need of writing your name;
- Please respond as accurately as possible and at your earliest possible time.

Thank you in advance for taking your time to fill out this questionnaire!

This Questionnaire has two parts, Part one contains General Information and Part Two enclosed specific questions related to challenges of export financing.

Thank you for your cooperation.

Yours Sincerely,

Damtew Habte

Part I: General Information

1) Name of the exporting company ________________________________

2) Years of work experience in export business

0-5 years ☐ 6-10 years ☐ 11-15 years ☐ 16-20 ☐ More than 20 years ☐

3) In which of the banks have you worked in relation with export business? Kindly list them

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4) Do you have import business?

Yes ☐ No ☐

5) Do you have agricultural production business?

Yes ☐ No ☐

Part II: Specific questions about export financing

Directions: Please read the following questions and rate your level of agreement by encircling the following scale.

Level of Agreement:1= strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree

No	**Questions**	**Level of Agreement**				
	Economic Conditions					
1	Economic conditions of the country is favorable for export market	1	2	3	4	5
2	Existing cost of production in the country makes exporter items competitive in the international market	1	2	3	4	5
3	Export market rising and becoming favorable to work in it	1	2	3	4	5
4	Purchasing power the currency is favorable to exporters	1	2	3	4	5

No	Questions	Level of Agreement				
5	Exchange rate management of the country favors export business	1	2	3	4	5
	Service Delivery					
6	Loan processing time by banks is short	1	2	3	4	5
7	Bank employees are capable to understand the very complex nature of export	1	2	3	4	5
8	Bank employees are helpful in dealing with exporters	1	2	3	4	5
9	Pertinent information is shared by employees to exporters	1	2	3	4	5
10	There is a fair treatment among export customers at the Banks	1	2	3	4	5
11	Banks advise the exporter on improvement of export performance on regular basis	1	2	3	4	5
12	Lending criterion set by banks for financing is easily manageable	1	2	3	4	5
	Availability of Finance					
13	Pre-shipment financing is easily available	1	2	3	4	5
14	Post-shipment financing is easily available	1	2	3	4	5
15	Adequate term loan is obtained from banks	1	2	3	4	5
16	Adequate hard currency availed for exporters when requested	1	2	3	4	5
17	There exist corruption in the export financing stream at banks	1	2	3	4	5
	Infrastructure Development					
18	The infrastructure facilities are up to the standard for export business	1	2	3	4	5
19	Communications network relevant for export is well availed	1	2	3	4	5
20	There is substantial power interruption which causes delays in delivery of products	1	2	3	4	5
	Geographical Structure of the Country					
21	Distance between production area to port area for export is manageable	1	2	3	4	5
22	A distance from warehouse to harvest areas is in comfortable distance to producers.	1	2	3	4	5

No	Questions	Level of Agreement				
23	Geographical location of the country ease the transportation of exportable materials	1	2	3	4	5
	Product Quality and Diversity					
24	The product harvesting techniques quality is good	1	2	3	4	5
25	Export material quality is competitive enough in international market	1	2	3	4	5
26	The packaging quality is competitive in international market	1	2	3	4	5
27	The existing product diversity is fair enough to mitigate risks in export market	1	2	3	4	5
28	The current technological development level in production makes the exports competitive enough in international market	1	2	3	4	5
	Export Assistance					
29	Support from chambers of commerce sufficiently available for exporters	1	2	3	4	5
30	Government delivers the required level of technological support to exporters	1	2	3	4	5
31	Government assist the exporter through finding a market for their products	1	2	3	4	5
32	Government works well on ease of Terms and Tariff levied on export	1	2	3	4	5

33) The percentage of loan approval to you as compared to your request

>=25 ☐ 25-50 ☐ 51-75 ☐ 76-100 ☐

34) Any point to discuss about export financing challenges, please write down in the space provided below.

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Thank you* for *filling out this questionnaire !!!