

**DETERMINANTS OF ZAMBIA NATIONAL COMMERCIAL BANK (ZANACO)
TRADE FINANCE ACCESS BY SMALL AND MEDIUM ENTERPRISES.**

BY

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**A dissertation submitted to the University of Zambia in partial fulfilment of the
requirements for the Degree of Master of Business Administration in Management
Strategy.**

THE UNIVERSITY OF ZAMBIA

LUSAKA

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DECLARATION

I, **Luke Mbewe**, do hereby declare that this dissertation is the result of my own work and to the best of my knowledge, no portion of this report has been submitted for any qualification to any university by another person.

Signed: _____

Date: _____

APPROVAL

This dissertation by **Luke Mbewe** has been approved as partial fulfilment of the requirements for the award of Master of Business Administration in Management Strategy degree by the University of Zambia.

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DEDICATION

This dissertation is dedicated to my family and many friends. A special feeling of gratitude to my loving wife, children, parents and guardians.

With much love for you, I dedicate this master dissertation to you all and thank you for the strong wonderful support as it has brought me this far!

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My sincere appreciation to my Supervisor, Dr. Lubinda Haabazoka for his guidance during the process of this thesis. I have so far enjoyed reading Dr. Haabazoka's valuable feedback on my report.

To my dearest wife, Mumba Mwansa-Mbewe, thank you very much for showing confidence in me all the time. You lightened the burden on the family during the time that I was busy preparing the report away from home.

To my children, you endured my absence during the period when I was busy with the research and report preparation.

ABSTRACT

Small and Medium Enterprises (SMEs) play an important role in the economic development of Zambia. Access to trade finance is important for the growth of SMEs. This study, therefore, was undertaken to assess the significance of the major determinants of Zambia National Commercial Bank (ZANACO)'s access to trade finance by Small and Medium Enterprises (SMEs). The study followed the explanatory research design. The quantitative approach was employed, particularly correlation, mean scores and percentages. SPSS and Excel were used to analyse the data. Questionnaires were circulated to 152 respondents who SMEs are holding active bank accounts with ZANACO. The major determinants being collateral, information asymmetry, regulatory authority and awareness of funding. The research found that collateral requirement had a strong positive relationship with the accessibility to trade finance. When mean and standard deviation were computed on primary data, it was established that collateral requirement was a significant determinant of access to trade finance at ZANACO by SMEs. Further, the research determined that information asymmetry had positive but less significance on accessibility to trade finance. This shows that information asymmetry is a weak determinant of accessibility to trade finance by SMEs at ZANACO. The factor, regulatory authority, showed different effect on the dependent variable. The relationship between regulatory authority and access to trade finance by SMEs was found to be negative and insignificant. This shows that a regulatory authority plays a very insignificant role in SMEs' access to trade finance. On the last objective, the research discovered a very strong and positive relationship between the independent and the dependent variables. The awareness of funding opportunities was found to be a strong determinant of access to trade finance by SMEs at ZANACO. The study concludes with some recommendations based on the research findings. The research recommended that there is need for ZANACO to review the collateral requirement so that it facilitates more SMEs' access to trade finance while taking care of the bank's risk exposure. Credit guarantee schemes or insurance could be one other mitigant to managing credit risk by SMEs hence the regulators and banks themselves could look at such options to increase accessibility of trade finance by SMEs. Further, the study recommends that trade finance awareness campaigns should be undertaken by banks to bridge the information gap. Additionally, more research should be done in investigating the determinants of accessing trade finance from the banks' perspective.

Key words: Trade Finance, Small and Medium Enterprises (SMEs), Zambia National Commercial Bank (ZANACO), Significance, Assess.

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LIST OF ABBREVIATIONS AND ACRONYMS

Afrexim	African Import-Export Bank
AfDB	African Development Bank
ADB	Asian Development Bank
DBZ	Development Bank of Zambia
DFI	Development Financial Institutions
EU	European Union
FSP	Financial Service Provider
GDP	Gross Domestic Product
ICC	International Chamber of Commerce
KCB	Kenya Commercial Bank
MSME	Micro, Small and Medium-sized Enterprise
SME	Small and Medium Enterprises
UNEP FI	United Nations Environment Programme Finance Initiative
WTO	World Trade Organisation
ZANACO	Zambia National Commercial Bank

CHAPTER 1

INTRODUCTION

1.1 Background

Small and Medium Enterprises (SMEs) play a pivotal role in the global economy particularly in developing countries like Zambia through job creation, increasing or broadening tax base and improving incomes. Therefore, access to trade finance in order to actualise the benefits listed above is critical.

This study was aimed at assessing the significance of the major determinants of Zambia National Commercial Bank (ZANACO)'s access to trade finance by Small and Medium Enterprises (SMEs).

Murphy (2020) postulates that Trade Finance represents the financial instruments and products that are used by companies to facilitate international trade and commerce. Trade finance is meant to mitigate risk, ensure payment security, balance sheet management and maximise the working capital for both buyers and sellers.

In a recent report by the Asian Development Bank (ADB 2018), the global gap in trade finance (the amount of trade finance requested by importers and exporters but rejected) is estimated at \$1.5 trillion. The global trade finance gap grew to an all-time high of \$1.7 trillion in 2020, a 15% increase from two years earlier, as the pandemic heightened economic and financial uncertainties and devastated global trade, according to the latest trade finance Gaps, Growth, and Jobs Survey 2021, released by the Asian Development Bank (ADB). The survey showed that small and medium sized enterprises (SMEs) were hardest hit accounting for 40% of rejected trade finance requests.

With the current financing challenges that most businesses are having as a result of the negative macro and microeconomic fundamentals like high-interest rates, liquidity strain, diminishing disposable income and generally low economic growth, short term working capital solutions in form of trade finance tend to be important for the business cycle to continue running if used shrewdly.

SMEs in Zambia need such kind of financing to facilitate business growth and ultimately contribute to the country's socio-economic development. However, global statistics show that there is an increasing number of trade finance requests made by SMEs to financiers which keep getting rejected.

1.2 Background of Study

Trade is an important driver of development. However, to be effective, adequate financing is essential. According to the World Trade Organisation publication (2016), up to 80 per cent of trade is financed by credit or credit insurance, but coverage is not uniform. A lack of trade finance is a significant non-tariff barrier to trade, particularly (but not exclusively) in developing countries.

SMEs face the greatest hurdles in accessing affordable trade financing. In some large developed countries, up to a third of SMEs face such challenges. SMEs account for 20 per cent of US exports, and 40 per cent of European Union (EU) exports. SMEs in developing countries face even greater challenges in accessing trade finance. The estimated value of unmet demand for trade finance in Africa is US\$ 120 billion (one third of the continent's trade finance market) and US\$ 700 billion in developing Asia (Ibid). Bridging these gaps would unlock the trading potential of many thousands of SMEs not only in Zambia but globally.

1.3 Statement of the Problem

In a recent report by the Asian Development Bank (ADB), the global gap in trade finance (the amount of trade finance requested by importers and exporters but rejected) is estimated at \$1.5 trillion. This could reach \$2.5 trillion by 2025 according to the World Trade Organisation (WTO 2019). The global gap is a major barrier to global trade and economic growth affecting particularly developing countries, mid-market firms and SMEs.

In 2018, the WTO reported that 60% of trade finance requests by SMEs were rejected. As a result, trade finance is regularly listed as one of the top three obstacles to exporting according to Marco Polo (2020). Ambrose 2012 cites collateral and regulatory framework as some of the barriers to accessing financing. Dhliwayo & Radipere (2014) further identify information asymmetry and awareness as some of the factors that hinder SMEs from access to financing.

In Zambia, there is limited or no study done specifically on trade finance in terms of what determines its accessibility by SMEs. Most studies have looked at SMEs' access to finance generally. This research, therefore, seeks to add to the body of knowledge by zeroing in on the above mentioned four determinants to assess the extent to which they affect SMEs' access to trade finance.

1.4 Research Objectives

1.4.1 General Objective

The objective of the research is to assess the determinants of trade finance access by SMEs from commercial banks in Zambia.

1.4.2 Specific Objectives

The following specific objectives of the research were identified;

- (i) To assess the extent to which collateral requirement affects SMEs' access to trade finance.
- (ii) To assess the extent to which information asymmetry affects SMEs' access to trade finance.
- (iii) To assess the extent to which regulatory administration affects SMEs' access to trade finance.
- (iv) To assess the extent to which awareness of funding opportunities affects SMEs' access to trade finance.

1.5 Research Questions

- (i) To what extent does collateral requirement affect SMEs' access to trade finance?
- (ii) To what extent does information asymmetry affect SMEs' access to trade finance?
- (iii) To what extent does regulatory administration affect SMEs' access to trade finance?
- (iv) To what extent does awareness of funding opportunities affect SMEs' access to trade finance?

1.6 Scope of Study

The study involved SMEs registered as clients of ZANACO for the period 2010 – 2020. The top officials of the SMEs were targeted as research subjects who answered the questionnaire.

1.7 Significance of the Study

Trade is a very important aspect of every economy. Trade finance are key facilitators of trade. Any challenge associated with compromising access to trade finance is worth investigating and eliminating. This study could be significant as it may generate data about the factors that

affect SMEs in accessing Trade finance from local commercial banks in Zambia. Several research studies have been done and several challenges have been documented but not specific to Zambia. This current study will measure the extent to which selected factors such as collateral affect access to Trade finance in Zambia by SMEs. This current study measured the extent to which selected factors affect access to trade finance in Zambia.

1.8 Structure of the report

This thesis, in its preliminary pages, contains an abstract, table of contents, list of tables and figures, acronyms and abbreviations, and acknowledgements. Chapter one of the dissertation contains the introduction of the topic of discussion as well as the background. Chapter one also contains the statement of the problem, general and specific objectives, research questions and the rationale of the study.

In chapter two, there is literature review, where case studies of different regions and countries relating to the subject of Trade Finance are presented. Chapter three provides the conceptual and theoretical frameworks of the study.

Chapter four presents the research methodology. The research methodology talks about the approach to research that has been used and why that approach was selected. Chapter five presents the research findings. Inferential statistics were used to analyse data, so data in form of tables have been presented. Chapter six discusses the findings and compares the findings with the empirical data captured in chapter two. Chapter seven gives the conclusions to the study findings based on each of the specific objectives of the study. The chapter also gives recommendations based on the findings.

Finally, the references come after chapter seven.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The previous chapter presented the introduction and the background of the study. It also presented the objectives, research questions and the scope of the study. This chapter, however, is set to review and present some literature from a number of previous works on the subject of Trade Finance and SMEs. The subject matter will be discussed from theoretical to empirical information with an emphasis on Trade Finance and SMEs.

2.2. Overview of Trade Finance

2.2.1. Definition

Murphy (2020) defines trade finance as the financial instruments and products that are used by companies to facilitate international trade and commerce. According to International Chamber of Commerce (ICC 2020), Trade finance signifies financing for trade, and it concerns both domestic and international trade transactions. The former definition was adopted for purposes of this report

Trade finance facilitates the import and export and export of goods and services. Though trade is thought to occur between or among countries, it also happens domestically. For the goods and services to be bought or sold and be moved from one place to the other, financing becomes a critical component.

SMEs tend to have challenges with their working capital to finance their trade to an extent that even banks sometime would reject SMEs applications to credit facilitates because of their poor credit worthiness.

With confirmed orders, it is usually better to avoid using business's own money to finance a shipment that may take five months, for example. It is not good to tie up cash in such as transaction and that is why accessing trade finance or solutions becomes an option for most business that import or buy goods and services. On the other hand, firms that are export oriented cannot all the time wait until the goods are received by the buyer for them to be paid. Sometimes, the volumes of goods can be up to huge sums of money hence impacting the liquidity of the exporter.

Financial intermediaries, therefore, such as commercial banks are better placed to mitigate the risks and provide financing by filling the gap faced by both suppliers and buyers.

2.2.2. Trade Finance Global Perspective

According to the World Trade Organisation (2020), some 80 to 90 per cent of world trade relies on trade finance (trade credit and insurance/guarantees), mostly of a shortterm nature. Therefore, seeking to encourage the revival of the complex links and networks involved in the trade finance market in order to keep finance flowing for trade, thereby mitigating at least one reason for the shrinkage of trade flows is critical for the global economy to grow. The actors (countries, firms, SMEs) require access to trade finance to foster this development.

2.2.3. Trade Finance: Africa Perspective

With the operationalisation of the African Continental Free Trade Area (AfCFTA) in 2021, it has the potential of being one of the biggest markets and trade finance will be a key driver of intra-Africa trade. Trade finance transactions have been showing a downwards trend in Africa. According to the 9 years' survey study done by the African

Development Bank (AfDB) and African Import-Export Bank (Afrexim), from 2011 to 2019, the average size of the trade finance gap in Africa was estimated to be USD 91 billion. It decreased slowly but steadily from USD120 billion in 2011 to USD70 billion as at end-2016. Additionally, the survey notes that since total African trade for the same period averaged USD1, 077 billion, banks intermediated an average of 40% of Africa's trade. In comparison, 80% of world trade is bank intermediated, suggesting that African trade is significantly underserved by banks. The survey further states that there has been a slow decline in trade finance contribution to total bank earnings – from a peak of 17% in 2011–12 to 10% in 2018–19 which could also speak to the increase in the share of SME trade finance applications rejected by banks increased from 20% in 2013 to 40% in 2019.

2.2.4. Trade Finance: Zambia perspective

In Zambia, several banks do offer trade finance to their clients with a large chunk being large corporations and only on a small scale basis to SMEs. For Commercial banks and Development Financial Institutions (DFIs) like DBZ have been supporting businesses with trade finance facilities in Zambia but information is still scanty specifically on trade finance and its gap. This research helps add to the body of knowledge on trade finance. According to

ZANACO's Annual Report (2020) trade finance only account for 7.58% of their total loans and advances (ZMW7.6billion).

2.3. Overview of SMEs

2.3.1. Definition

According to Ward (2005) there is no universal definition for SMEs since the definition depends on who is defining it and where it is being defined. For example, in Canada SME is defined as an enterprise that has fewer than 500 employees and small enterprise as one that has less than 100 employees. On the other hand, the World Bank defines SMEs as having no more than 500 employees. In this regard, the SME business at ZANACO categorises such business as ones with annual turnover of between K5million and K150million. For the purpose of this research, the typology of SMEs at ZANACO will be adopted.

2.3.2. SMEs: Global Perspective

The role of SMEs in the modern global economy cannot be overemphasized. SMEs are considered key engines of economic growth and primary creators of jobs and are essential for efficient and competitive markets. In fact, having a large core of thriving SMEs is seen as a sign of economic development in a country. SMEs help to absorb large numbers of skilled and unskilled workers, leading to overall productivity and a reduction in the rates of crime and anti-social behaviour.

SMEs make up the vast majority of businesses in most countries. According to the World Bank, SMEs account for around 95% of global businesses and contribute approximately 40% of the GDP.

2.3.3. SMEs Africa Perspective

SMEs form the backbone of Africa's economy, accounting for a big percentage of businesses across the continent. Muzoora (2022) states that in the developing world, it is estimated that SMEs make up 90% of the private sector and provide an estimated

80% of jobs across the African continent, representing an important driver of economic growth. For these enterprises to grow, create more jobs and generate economic growth, they need access to financing including trade finance.

2.3.4. SMEs: Zambia Perspective

In Zambia and in many other developing countries in the world, Small and Medium Enterprises (SMEs) are perceived to be economic drivers as they reliably create employment providing opportunities for low-income poor people, thereby increasing financial inclusion. Financial Sector Deepening Zambia (2017), notes that the SME sector is estimated to account for 97 percent of all businesses in Zambia. Although 9 out of 10 are said to operate in the informal sector. Inevitably both formal and informal SMEs in Zambia contribute to the GDP by creating opportunities for future growth and an innovative diversified economy. SMEs in Zambia play a vital role in the production of goods and services, promotion of employment creation and income generation for the majority of people. SMEs represent 70 percent of GDP, 88 percent of employment and 97 percent of all business are in the form of SMEs (ITC Survey,

2018). Acknowledging the importance of SMEs, the government under its Seventh National Development Plan (2017-2021) emphasizes the creation of a credit guarantee scheme for issuance of low interest, long-term loans to Zambian SMEs.

2.4. SMEs and Trade Finance: Review of Similar Research Studies

The availability of finance is essential for a healthy trading system. According to World Trade Organisation (2020), up to 80 per cent of global trade is supported by some sort of financing or credit insurance. However, there are significant gaps in provision and therefore many companies cannot access the financial tools that they need. Without adequate trade finance, opportunities for growth and development are missed; businesses are deprived of the fuel they need to trade and expand. Small and medium sized Enterprises (SMEs) face the greatest challenges in accessing financing on affordable terms. This is of particular concern as SMEs are a leading driver of trade, employment and economic development.

2.4.1. Empirical Studies

Garralda and Vasishtha (2019) used novel data to determine the determinants of trade financing intermediated by banks. The data was sought from 10 banks. The research looked at both the influence of country-specific and international factors on trade financing. The outcomes of the study showed that factors that were specific to a given country such as availability of funds to banks; the development of trade flows, and international factors, that include the growth of imports globally, and the financial conditions in the globe all determined the growth of trade finance. The outcomes were shown to depend on the model

specification. The study also noted that trade financing was highly affected by international financing factors compared to other bank activities. The current research focussed on trade finance vis-a-vie its access by SMEs. Further, trade finance is not more sensitive to global financial conditions like other sources of financing and this presented a gap for study since other variables were not considered. Thus, the current study sought to fill the gap by examining the factors affecting accessibility of trade finance by SMEs from commercial banks.

In Mozambique, a study done by Osono (2016) found that collateral requirements influence access to finance by SMEs. Further, the study found that awareness of funding affects access to finance. The banking systems and regulatory structure impede access to finance by SMEs. The study was based on access to credit generally by SMEs and not specific to trade finance. Further, the study did not state to what extent these impediments or factors that hinder access to credit stifle accessibility. This research fills that gap by specifically looking at trade finance and not just financing generally.

The study by Inonda (2012) on the trade finance offered by Kenya Commercial Bank (KCB) to SMEs and the utilisation thereof shows that the stringent conditions by the bank impedes SMEs from utilising the products. The study concluded that the considerations that KCB gives while dealing with international trade finance provided to small and medium sized enterprises were collateral requirement, nature of business, number of years that the SME had been a customer at KCB, customers experience in the area of specialization, whether the customer was doing business with a sanctioned country. The lack of SMEs' awareness of how trade products work was the other impediment. The gap in this study is that the research focused on the commercial bank and not the SMEs.

Another study by Osano & Languitane (2016) with a study entitled, 'Factors influencing access to finance by SMEs in Mozambique: case of SMEs in Maputo central business district'. In the study factors that were addressed included the structure of financial sector, awareness of funding opportunities, collateral requirements, and small business support services. The target population was 2725 which comprised of 2075 staff of three Banks, namely BIM Bank, BCI Bank, and Standard Bank and 650 SMEs in Maputo Central Business District. The research focused on a sample size of 242 SMEs and 324 staff of the named Banks.

Descriptive and inferential research design was used. Structured questionnaires were used to collect the primary data. The findings from the study were that there is a relationship between

the structure of the financial sector and access to finance by SMEs; there is a relationship between awareness of funding and access to finance by

SMEs; there is a relationship between collateral requirements and access to finance by SMEs; and there is a relationship between small business support and access to finance by SMEs.

The gap in the above study is that the customers' (SMEs) view was not considered as the research subjects were bank members of staff. The current study is based on clients of the bank who are the SMEs who are banking with ZANACO Bank and this gives the perspective from the bank's customers. Further this study will not generally look at SME financing but more specifically trade finance.

Another study was done by Secilia Indileni Shiwoshetu Shilyomunhu (2017) with the title, 'The Challenges in Accessing Finance by the Small and Medium Enterprises (SMEs) At Bokamoso Entrepreneurial Centre, Windhoek'. This research investigated the challenges in accessing finance by SMEs in Namibia, focusing on the SMEs operating in the Bokamoso Entrepreneurial Centre in Windhoek. The study used an exploratory and descriptive research design, which involved the use of a structured questionnaire survey of 38 SMEs operating at the Bokamoso Entrepreneurial Centre. The study found that the factors that affecting access to finance in Namibian SMEs are related to human, social and financial capital, where technical and management skills determine the amount of social and financial capital generated for the SMEs.

The study also revealed that the challenges of access to finance faced by SMEs in Bokamoso Entrepreneurial Centre are related to the years in operation, major constraints, the information requested by the bank and the reasons for refusal. The study concludes that these financial challenges, affect the overall performance of the SMEs in the Bokamoso Entrepreneurial Centre in Windhoek. Although this study focused on SMEs and respondents, the SMEs that were targeted were not those with bank accounts but those with businesses operating in a target locality. This group of SMEs may not have a greater chance of accessing credit from the banks because considering their credit history may not be properly documented.

Arising from the empirical data expounded above, this research comes in handy to fill the gaps and contribute to the body of knowledge regarding this or other related topics.

2.5. Chapter Summary

This chapter looked at the concepts of TF and the SME. The chapter also looked at the empirical studies that SMEs face in accessing trade finance. It has been revealed in this chapter that trade finance is life blood of several SMEs. It has also been reviewed that SMEs play a critical role in the global economy contributing substantially towards GDP growth and employment creation. More than 40% of the global GDP comes from SMEs and up to 66% of the global population is employed in SMEs. The chapter has further reviewed that a number of studies that have been done on the relationship between SMEs and the TF indicates that SMEs have not had it easy to access trade finance. This study is aimed at establishing the limiting factors of SMEs towards accessing trade finance from commercial banks in Zambia.

CHAPTER 3

THEORETICAL AND CONCEPTUAL FRAMEWORK

3.1. Introduction

The previous chapter was looking at the literature review. It focussed on examining the previous research studies on SMEs and their access to financing. It also defined and described the concepts of TF and SMEs and their respective typologies. This chapter is presenting the conceptual framework as well as the theoretical framework. It begins by presenting the theoretical framework and then later it presents the conceptual framework.

3.2. Theoretical Framework

The main and adopted theory of this study is the Information Asymmetry Theory which will be supported by other classical theories namely Absolute Advantage Theory and Heckscher-Ohlin Theory.

3.2.1 Information Asymmetry Theory

Information asymmetry theory assumes that when two parties are making decisions or transactions, there exists a situation where when one party has more or better information than the other. Thus, information asymmetry may cause price negotiations to skew in favour of a more informed party.

In this context, for example, the lenders (banks) are more likely to have more information than the borrowers (SMEs) when it comes to knowing the requirements for accessing trade financing and the cost thereof.

Furthermore, Matthews and Thompson (2008), state that, to overcome these issues, the financial intermediaries such as banks use three major ways such as providing the commitment for long-term relationship with the clients. The second way is through the sharing of the information. Lastly is through the delegation and monitoring of the credit applicants. When the customers borrow money directly from banks, the banks should consider the need for relevant information to be addressed and so as to redress the asymmetry of the information (ibid).

It is argued that the acuteness of information asymmetries between bankers and entrepreneurs is the main stumbling block to SME financing in Sub-Saharan Africa. However, the gap

between banks and SMEs can be narrowed by developing financial systems that are more adapted to local contexts. In addition, avenues should be explored for sharing of risks and reduction of perceived risks by banks by promoting sustainable guarantee funds to facilitate better access to financing by SMEs (Leffleur, 2009).

This study adopted this theory to support the research.

3.2.2 Absolute Advantage Theory

In 1776, Adam Smith questioned the leading mercantile theory of the time in the *Wealth of Nations*. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London: W. Strahan and T. Cadell, 1776). Smith offered a new trade theory called absolute advantage, which focused on the ability of a country to produce a good more efficiently than another nation. Smith reasoned that trade between countries shouldn't be regulated or restricted by government policy or intervention. He stated that trade should flow naturally according to market forces. In a hypothetical two country world, if Country A could produce a good cheaper or faster (or both) than Country B, then Country A had the advantage and could focus on specializing on producing that good. Similarly, if Country B was better at producing another good, it could focus on specialization as well. By specialization, countries would generate efficiencies, because their labour force would become more skilled by doing the same tasks. Production would also become more efficient, because there would be an incentive to create faster and better production methods to increase the specialization.

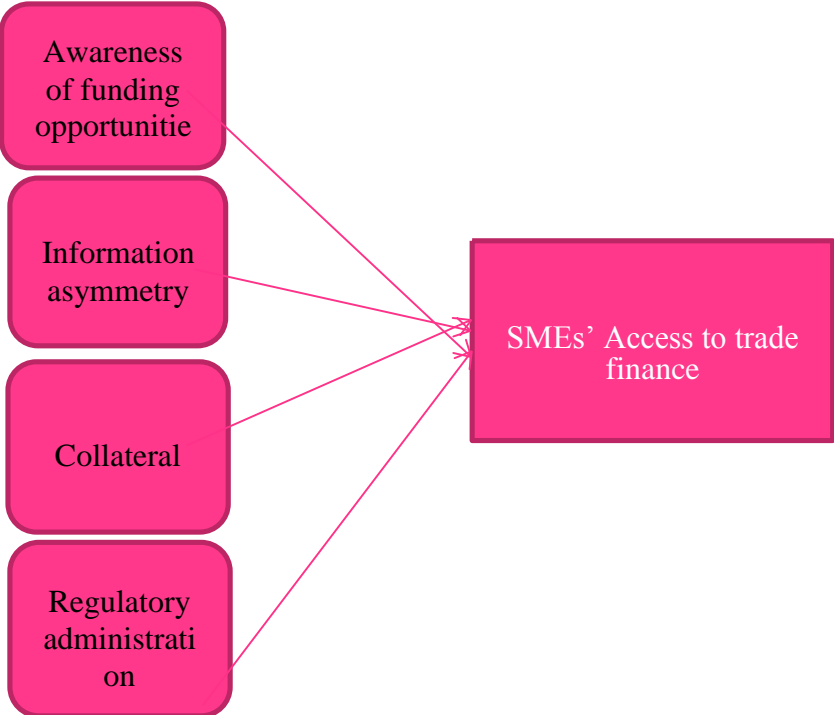
Smith's theory reasoned that with increased efficiencies, people in both countries would benefit and trade should be encouraged. Therefore, if trade finance were used an efficient working capital solution, the ultimate value that SMEs would generate from their businesses would help develop the country's economy.

3.2.3 Heckscher-Ohlin Theory (Factor Proportions Theory)

The theories of Smith and Ricardo didn't help countries determine which products would give a country an advantage. Both theories assumed that free and open markets would lead countries and producers to determine which goods they could produce more efficiently. In the early 1900s, two Swedish economists, Eli Heckscher and Bertil Ohlin, focused their attention on how a country could gain comparative advantage by producing products that utilized factors that were in abundance in the country. Their theory is based on a country's production factors—land, labour, and capital, which provide the funds for investment in plants and equipment. They determined that the cost of any factor or resource was a function of supply

and demand. Factors that were in great supply relative to demand would be cheaper; factors in great demand relative to supply would be more expensive. Their theory, also called the factor proportions theory, stated that countries would produce and export goods that required resources or factors that were in great supply and, therefore, cheaper production factors. In contrast, countries would import goods that required resources that were in short supply, but higher demand. However, for free markets to exist, there must be inter alia free flow of information.

3.3. Conceptual Framework



Source: *researcher's perspective (2020)*.

The chart above shows the independent variables involved in affecting accessibility to product trading finance by SME's in Zambia. It is based on the literature that has been presented under the subheading of conceptual framework in which different variables that could influence access to financing of SMEs has been well investigated.

3.4. Research Hypotheses

1. Awareness of funding opportunities does not positively affect SMEs' trade finance access.
2. Information asymmetry does not positively affect access to trade finance by SMEs in Zambia.

3. Availability of Collateral does not positively affect access to trade finance by SMEs in Zambia
4. regulatory administration does not positively affect access to trade finance by SMEs in Zambia

3.5. Operationalisation of the Hypotheses

The study bases its rationale on the following understanding;

i) Awareness of funding opportunities, as postulated by Osano and Languitone (2016), means that the SMEs are privy to the various types of financing and the financial service providers from who they can access this financing. Awareness of funding opportunities: The flow of information in the financial market is crucial for both SMEs and financial providers (Falkena et al. 2001). In order for SMEs to identify potential supplier of financial services, they require enough information. The financial institutions require information to enable them to evaluate the potential risks associated with the SMEs that apply for bank financing and also to access the location where the same SMEs will be operating and its market segments (Othieno, 2010). Information is concerned with awareness of funding opportunities by SMEs. ii) Information asymmetry as operationalised by Osano and Languitone (2016) means that SMEs possess material knowledge about trade finance, how the various products work and what the costs are so that they are well equipped for negotiation with commercial banks for such trade finance facilities. In addition, information asymmetry is that relevant information is not available and known to all players in the financial market (Agostino, 2008). Information asymmetries are actually concerned with the two players in the financial market. In this case, the borrowers know more about their business cases and the bankers may not know more about it on one hand. On the other hand, it entails the lack of timely, accurate, quality, quantity, and complete information regarding the ability of the applicants to repay back the loan and to access financial products from the banking institutions (Bazibu, 2005). A study by Agostino (2008), conducted on agricultural sector, pointed out that the failure of the current African market is because of the number of the current agricultural credit problems. These problems are associated with the imperfection of the information in the risk presences. The failures of the market mostly occur due to the fact that it is costly to screen credit applicants. The imperfections of the information affect almost all small holder farmers who are in most cases African women.

- iii) Collateral means an asset that is provided to a lender to secure a loan and help manage credit risk. Collateral could be in physical property, government bonds/T-bills or stock. Collateral refers to the extent to which assets are committed by borrowers to a lender as security for debt payment (Gitman, 2003). The security assets should be used to recover the principal in case of default. SMEs in particular provide security in form of properties (houses, the businesses, the car, and anything that could actually bring back the principal) in case of default on loans (Garrett, 2009). Security for loans must actually be capable of being sold under the normal conditions of the market, at a fair market value and also with reasonable promptness. However, in most banks, in order to finance SMEs and to accept loan proposals, the collateral must be 100 % or more, equal to the amount of credit extension or finance product (Mullei and Bokea, 2000). Moral hazard issues can be reduced by collateral requirements by increasing and adding a potential cost to borrowers when those are not making their best effort. Sometimes the borrowers extract the funds provided by the lenders for their own personal and private use. Therefore, the collateral requirements when in place can reduce negative consequences that can rise due to an improper utilization of the funds by SMEs. It is evident that most SMEs are denied and discriminated by the lenders in providing financing. This is because of high risk and for not having adequate resources to provide as collateral (Kihimbo et al. 2012).
- iv) The banking System Regulatory Structure should have a greater implication between concentration of the market and access to finance. It is important to note that when there is a high regulatory regime, then entry barriers may increase. In most cases, the competitiveness of the banking system will not rely on the actual market structure but will rely on the regulatory regime of the country (Black and Philip, 2002). There is no clear relation between regulatory restriction, interference of the government on the process of intermediation and banking system's competitiveness and SMEs' access to finance. However, the regulatory restrictions may reduce the efficiency and competitiveness in the banking system and further block banks from using their information advantages (Scott and William, 2001). The ownership structure of banks may influence the relation between access to finance, market power, and costs of external financing. Local domestic banks are more likely to pursue more

information, better enforcement mechanisms than the foreign owned banks, and foreign banks may be willing to lend to opaque borrowers.

3.6. Chapter Summary

This chapter presented the theories that underpin this subject of study. The theory of comparative advantage was brought to light to help support this current study. The chapter also presented the conceptual framework in which four factors were identified to have influence on the accessibility by SMEs to the TF of commercial banks in Zambia.

CHAPTER 4

RESEARCH METHODOLOGY

4.1. Introduction

The previous chapter presented the theoretical as well as conceptual frameworks of the study. It also presented the hypotheses as well as the Operationalization of the independent variables. This chapter focuses on the methodology to be used in the study. It is structured into research design, research methods, sampling procedure and data gathering methods. Kothari (2004) states that research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it, we study the various steps that are generally adopted by a researcher in studying his or her research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology.

4.2. Research Design

This is an explanatory study. Unlike descriptive study that seeks to investigate the makeup of the phenomenon, explanatory research study seeks to establish the cause effect relationship between variables. Explanatory studies seek to make inferences and as such involve the use of hypotheses. According to Kothari, (2004) explanatory studies involve the testing of a hypothesis of a causal relationship between variables and require a design which will permit inferences about causality in addition to the minimisation of bias and maximisation of reliability. This study shall also be based on the causal research design as it will statistically assess the cause and effect of the prevailing problem.

Only quantitative approach shall be used in the study. According to Babbie (2013), the distinction between quantitative and qualitative data in social research is essentially the distinction between numerical and non-numerical data. This study will follow a case study approach. According to Msabila and Nalaila (2013: 28-29), a researcher in this type of research design can use the case study approach. A case study approach entails an investigation that seeks to describe in detail a unit in context and holistically. The aim is to bring a deeper insight and better understanding of the problem prevailing (Ibid).

4.3. Target population

The target population was ZANACO SME customers with annual turnover of between ZMW5million to K150million who had been with the bank since 2010. This group is appropriate for this study because they have had made a considerable number of transactions

with the bank. There were 250 SME customers in this category at the time the research was being conducted.

4.4. Sampling Technique

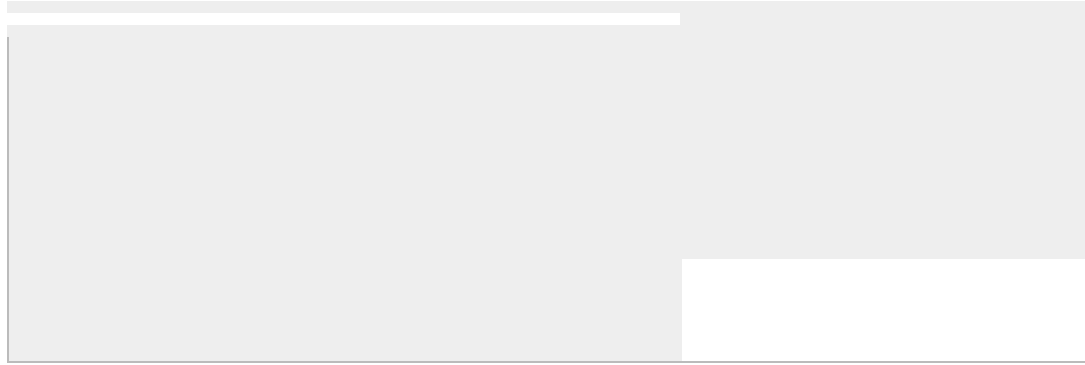
A simple random sampling will be employed to select the respondents. This is to avoid biases in the sample. Simple random sampling method is appropriate for such kind of a population where there is a sampling frame available.

4.5 Sample Size

The sample size was determined by the on line sample size calculator using the Cochran (1976) method of sample size determination

The image shows a screenshot of an online sample size calculator. The interface is light gray with white text and input fields. The inputs are as follows:

- Confidence Level: 95 %
- Margin of Error: 5
- Population Proportion: 50
- Population Size: 250



This means 152 or more measurements/surveys are needed to have a confidence level of 95% that the real value is within $\pm 5\%$ of the measured/surveyed value.

4.6 Data Collection Instruments

In collecting data from respondents, a 5 point Likert scale questionnaire was used. This tool had rated questions from strongly disagree to strongly agree. Secondary data was also considered for 152 clients as per sample size. This tool is appropriate because the study is correlational. Thereafter, the data was numbered and respondents' responses enabled the researcher to pre-code the data gathered from the responses obtained.

4.7 Data Analysis

Data was analysed using SPSS to generate the correlation coefficient. Correlation between the accessibility to the Trade finance and the independent variables were examined using SPSS computer software. The primary data from the questionnaire were analysed using SPSS to generate simple frequency tables as well as to find the mean scores and the Standard deviations. The primary data was meant to reinforce the findings from the secondary data.

4.8 Chapter Summary

This chapter presented the methods and procedure for collecting and analysing data. The chapter identified the target population, computed the sample size, identified the appropriate research design and the data collection tool and discussed the data analysis methodologies that were used. The next chapter looks at data presentation and analysis.

CHAPTER 5

DATA ANALYSIS AND INTERPRETATION

5.1. Introduction

The previous chapter discussed the research methodology in which appropriate research design; target population and sample size were discussed. This chapter presents the findings from both primary and secondary data sources. The chapter is based on the sample of 152 clients of ZANACO in the category of SMEs engaged. All the 152 clients were captured and answered the questionnaire representing 100% response.

5.2. Characteristics of the Targeted SMEs

Table 5.2a: categories of SMEs registered with ZANACO

Business Category	Frequency	Percentage
Commercial Agriculture	14	9%
Emerging Corporate Agriculture	7	5%
Emerging Local Corporate	62	41%
SME Tier 1	69	45%
Grand Total	152	100%

Table 5.2a shows that out of 152 SMEs, 14 of them representing 9% were commercial agriculture firms, 7 of them representing 5% were emerging corporate Agriculture firms, 62 of them representing 41% were emerging local corporate firms while 69 of them representing 45% were classified as SME tier 1.

Figure 5.2 b: Type of Account held

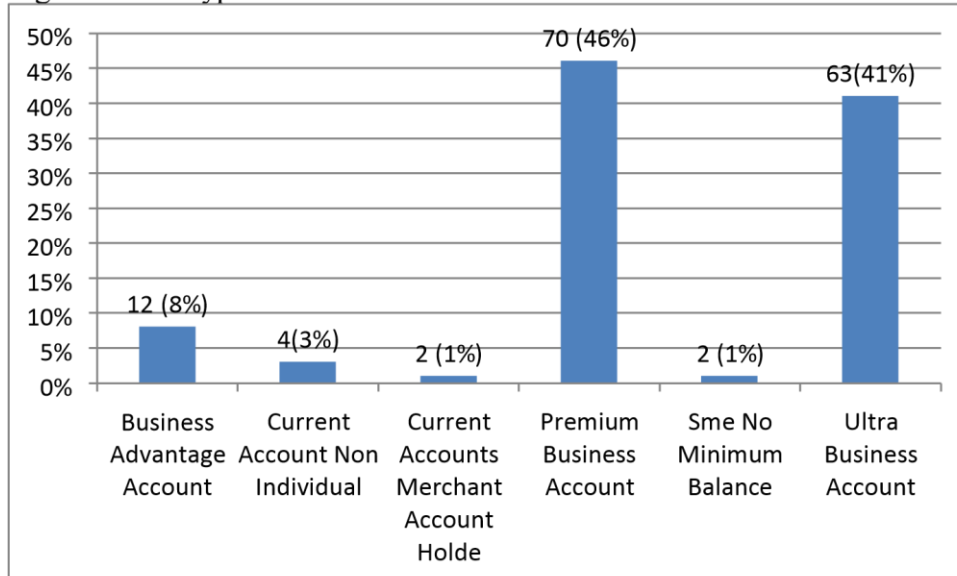


Figure 5.2b Above shows that 12 SMEs representing 8% held Business advantage account, 4 of those representing 3% held current account non individual, 2 of them representing 1% held Current account merchant account holder. 70 SMEs representing 46% held Premium business accounts while 2 of them representing 1% held SME No Minimum balance account. Those SMEs who held ultra-Business Account were 63 representing 41%. This data is also shown in table 5.2c below.

Table 5.2c: Type of account held by SMEs

Type of Account	Frequency	Percent
Business Advantage Account	12	8%
Current Account Non Individual	4	3%
Current Accounts Merchant Account Holder	2	1%
Premium Business Account	70	46%
SMEs No Minimum Balance	1	1%
Ultra Business Account	63	41%
Grand Total	152	100%

Table 5.2d: the currency in which SMEs hold their Account

Currency of account	Frequency	Percent
EUR	3	2%
USD	50	33%
ZMW	99	65%
Grand Total	152	100%

Table 5.2d shows that out of 152 SMEs 3 of them representing 2% had a Euro account, 50 respondents representing 33% held their account in UD\$, while 99 respondents representing 65% held their account in ZMW. This is also shown in figure 5.2d above.

Table 5.2e: Branch where the account is held.

Branch Acc Held	Frequency	Percent
Acacia Park Branch	37	24%
Cairo Road Business Centre	22	14%
Cosmopolitan Agency	5	3%
Easy Banking Agency	2	1%
Findeco House	3	2%
Government Complex	2	1%
Lusaka Business Centre	18	12%
Lusaka Centre	4	3%
Lusaka Civic Centre	1	1%
Manda Hill Branch	16	11%
Northmead Branch	23	15%
Premium House Branch	8	5%
Twin Palms Branch	7	5%
Woodlands Agency	2	1%
Woodlands Branch	1	1%
Xapit Branch	1	1%

Grand Total	152	100%
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Table 5.3. Shows that majority of the SMEs' accounts (24%) were held at Acacia Park, followed by those that held their account at North-mead (15%). This was followed by Cairo Business Centre (14%), Lusaka Business Centre (12%) and Manda Hill branch (11%). The rest were 5% or below.

Table 5.3 Correlation Analysis

		Correlations				
		Regulatory administration is a significant factor in accessing TF product	Information Assymetry is a significant factor in accessing TF products at ZANACO bank	Collateral is a significant factor in accessing TF products at ZANACO	Awareness of funding opportunities is a significant factor towards accessing TF products at ZANACO	FT products are significantly accessible by SMEs at ZANACO bank
Regulatory administration is a significant factor in accessing TF product	Pearson Correlation	1	-.225**	.066	-.106	-.410
	Sig. (2-tailed)		.005	.418	.195	.045*
	N	152	152	152	152	152
Information Assymetry is a significant factor in accessing TF products at ZANACO bank	Pearson Correlation	-.225**	1	-.415**	.193 [†]	.320
	Sig. (2-tailed)	.005		.000	.017	.010*
	N	152	152	152	152	152
Collateral is a significant factor in accessing TF products at ZANACO	Pearson Correlation	.066	-.415**	1	.147	.510
	Sig. (2-tailed)	.418	.000		.070	.002*
	N	152	152	152	152	152
Awareness of funding opportunities is a significant factor towards accessing TF products at ZANACO	Pearson Correlation	-.106	.193 [†]	.147	1	.710
	Sig. (2-tailed)	.195	.017	.070		.000*
	N	152	152	152	152	152
FT products are significantly accessible by SMEs at ZANACO bank	Pearson Correlation	-.073	.149	.065	.109	1
	Sig. (2-tailed)	.373	.066	.425	.180	
	N	152	152	152	152	152

** Correlation is significant at the 0.01 level (2-tailed).
[†] Correlation is significant at the 0.05 level (2-tailed).

Table 5.3 above shows the correlation coefficients between the four dependent variables that were being examined and the dependent variable. The independent variables were: Collateral as a factor that determine how easy it is to access Trade Finance at ZANACO; Information asymmetry as a factor that attract firms to access Trade Finance; Regulatory administration in the banking sector as determining factor of easy accessibility to Trade Finance; as well as the Awareness of funding opportunities such as Trade Finance as a determining factor for accessibility towards Trade Finance at ZANACO. The dependent variable was the level of accessibility of SMEs to the facility of Trade finance at ZANACO. Table 5.3 shows that the correlation between accessibility and collateral was found to be $r=0.510$; with Information asymmetry, $r=0.320$; with regulatory administration $r=-0.410$, and awareness of funding, $r=0.710$. Significant.

5.4 Frequency and Percentages

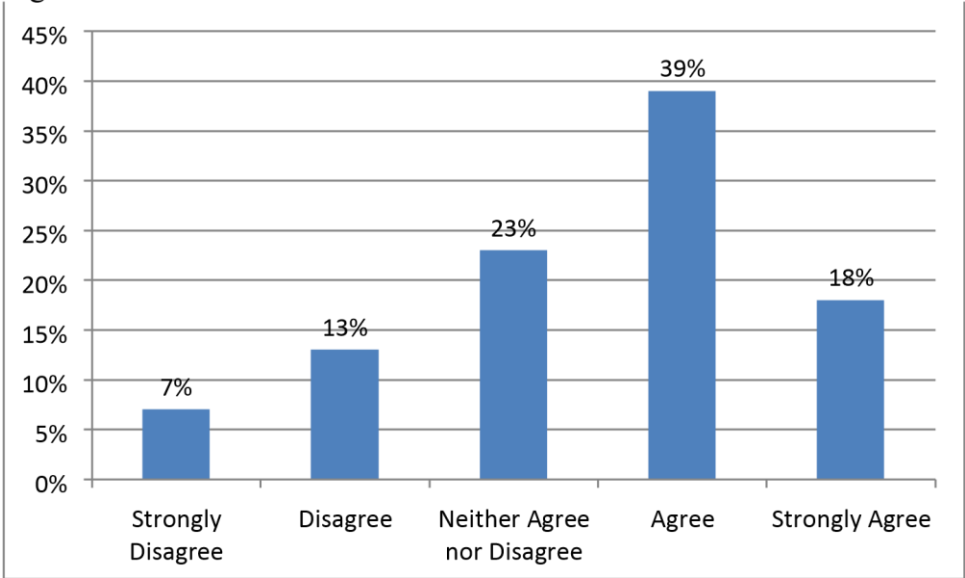
Table 5.4a: Collateral

Collateral	Frequency	Percentage
Strongly Disagree	10	7%
Disagree	20	13%
Neither Agree nor Disagree	35	23%
Agree	60	39%
Strongly Agree	27	18%
Totals	152	100%

Table 5.4a. above shows that 10 respondents representing 7% strongly disagree to the assertion that collateral is a determining factor in accessing Trade Finance services, 20 respondents representing 13% disagree to the assertion. However, 57% of the respondents agree that collateral is a determining factor in accessing Trade Finance.

This is also shown in table 5.4b below.

Figure 5. 4b: Collateral



5.5. To Assess the Significance of the Role of Collateral in Accessing the Trade Product Finance by SMEs at ZANACO Bank.

This objective was examined using correlation between the level of accessibility to FTP as a dependent variable and acquisition of collateral to support the credit as an independent variable. The findings from correlation were collaborated by the measures of the mean scores and the standard deviation as shown in chapter four.

On this objective, the research found a positive correlation between acquisition of collateral by the SME and successful access to FTP at ZANACO bank. This means that SMEs that have collateral to support the borrowing of money are more likely to successfully acquire FTP from the bank than those that do not present collateral. Further, according to table 5.3 in chapter four, the correlation coefficient was found to be moderately strong ($r=0.510$, $p=0.002$) suggesting that collateral is a moderately stronger determinant of accessibility to Trade Finance by SMEs, the research has found.

The correlation coefficient is between -1 and +1 and is denoted as (r). If r is closer to a positive figure, then there is a direct relationship between variables and if it is a negative, then there is an inverse relationship between the variables. If r is closer to +1, then the relationship is stronger positive relationship and if r is -1, then there is a stronger negative relationship between variables involved.

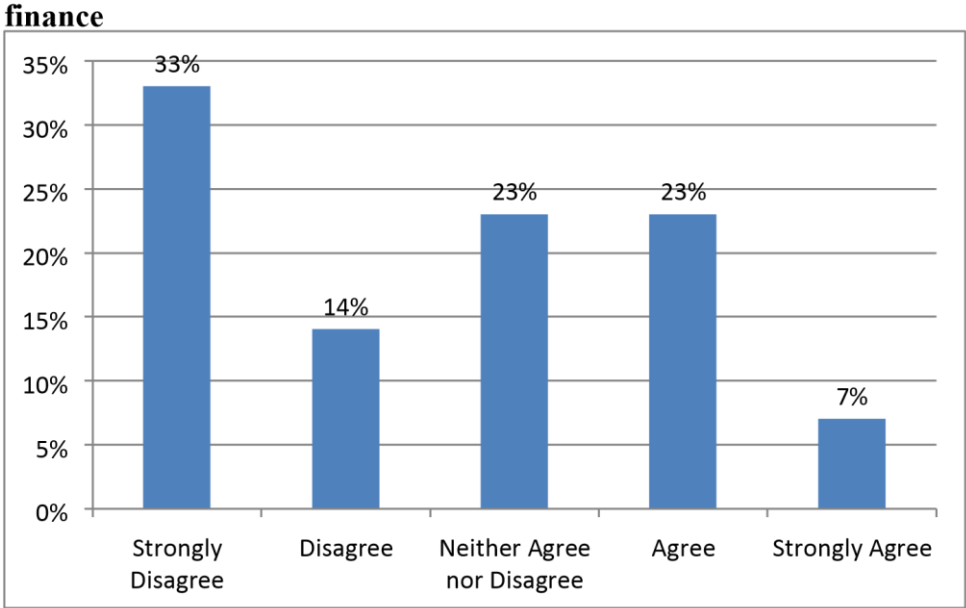
5.6 To Determine the Importance of information asymmetry in Influencing accessibility

Table 5.6a: Information Asymmetry

Information Asymmetry	Frequency	Percentage
Strongly Disagree	50	33%
Disagree	22	14%
Neither Agree nor Disagree	35	23%
Agree	35	23%
Strongly Agree	10	7%
Totals	152	100%

Table 5.6a above shows that 50 respondents representing 33% said that they strongly disagree to the assertion that information asymmetry improves accessibility of SMEs to Trade Finance, 22 respondents representing 14% they disagree, 35 respondents representing 23% said they neither agree nor disagree while another 35 respondents said that they agree. 10 respondents representing 7% strongly agree. This is also shown in figure 5.6a below.

Figure 5.6a: information asymmetry as a determinant of accessibility to Trade



Like the role of collateral in borrowing from banks, Pearson correlation coefficient (r) Was used to examine the relationship between information asymmetry provided by the banks and accessibility of SMEs towards Trade finance. The research was examining how information asymmetry influences SMEs to successfully access the Trade finance. The research found out that the correlations coefficient between the two variables was $r=0.320$, $p=0.02$ suggesting a positive but a weak relationship. This means that information asymmetry influence accessibility by SMEs to Trade finance in a positive but very weak way. There is a positive but weak relationship between the two variables.

Table 5.9. Shows that the mean score on information asymmetry was 2.130 SD=0.8812 suggesting that information asymmetry was not a significant factor in accessing credit in form of TF by SMEs at ZANACO.

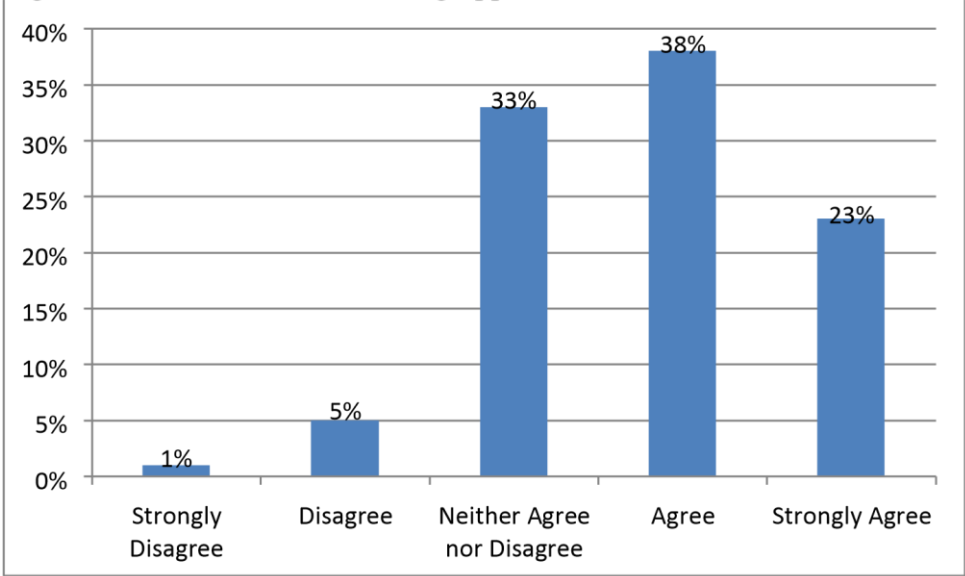
5.7. To Examine the Role Played by Awareness of Funding Opportunities for SMEs.

Table 5.7a: Awareness of funding opportunities

Awareness of funding opportunities	Frequency	Percentage
Strongly Disagree	2	1%
Disagree	7	5%
Neither Agree nor Disagree	50	33%
Agree	58	38%
Strongly Agree	35	23%
Totals	152	100%

Table 5.7a shows that 2 respondents representing 1% strongly disagree to the assertion that awareness of funding opportunities determines the extent to which SMEs can access the Trade finance, 7 respondents representing 5% said that they disagree, 50 respondents representing 33% neither agree nor disagree while 58 respondents representing 38% agree to the assertion. 35 respondents representing 23% said that they strongly agree. This graphically shown in figure 5.7b.

Figure 5.7b. Awareness of funding opportunities



The awareness of funding opportunities for SMEs is related to information asymmetry as access to information relating funding opportunities is treated as small business support services. In this study, using Pearson Correlation Coefficient (r), a strong and positive relationship was found to exist between the accessibility to Trade finance as a dependent variable and Awareness of funding opportunities as a dependent variable. The correlation coefficient was found to be $r=0.710$, $p=0.002$ (table 5.3). This means that more

awareness of funding opportunities cause rise in accessibility to Trade finance. This shows that awareness of funding opportunities is a significant determinant of access to trade finance by SMEs at ZANACO.

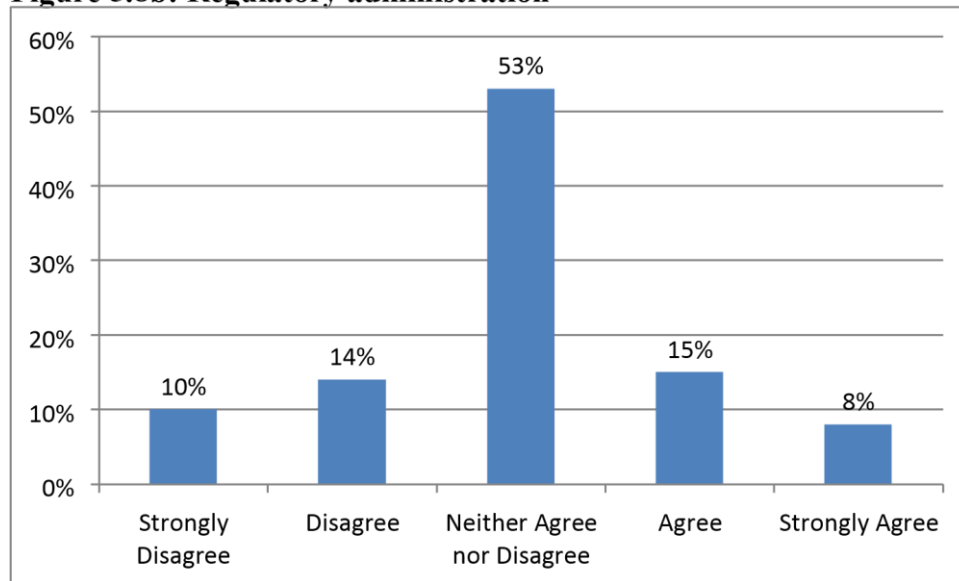
5.8 To Establish the Relevance of the Regulatory Administration towards Accessibility to trade finance

Table 5.8a Regulatory Administration

Regulatory administration	Frequency	Percentage
Strongly Disagree	15	10%
Disagree	22	14%
Neither Agree nor Disagree	80	53%
Agree	23	15%
Strongly Agree	12	8%
Totals	152	100%

Table 5.8a above shows that 15 respondents representing 10% said that they strongly disagree to the assertion that regulatory administration determines the extent to which they are able to access Trade finance from ZANACO, 22 respondents representing 14% said they disagree, 80 respondents neither agree nor disagree to the assertion while 23 respondents representing 15% agree. 12 respondents strongly agree that regulatory administration affects accessibility to trade finance.

Figure 5.8b: Regulatory administration



The research was examining the Relevance of the Regulatory Administration in ensuring more access to Trade finance of ZANACO bank - Zambia. The research found out that the correlations coefficient between the two variables was negative and weak with the correlation coefficient $r=-0.410$, $p=002$ suggesting a negative and relatively weak relationship. This means that Regulatory Administration in the economy influence accessibility by SMEs to Trade finance in a negative and relatively weak way.

5.9. Mean Score and Standard Deviation

Table 5.8 Mean Score and Standard Deviation

Factor (Trade finance)	Sample Size	Mean	SD
Collateral	152	2.510	1.1101
Small Business Support services	152	2.130	0.8812
Regulatory administration	152	2.431	0.9898
Awareness of funding opportunities	152	3.895	0.7768
Grand Average		2.7415	0.9395

Table 5.8 above shows that collateral as a determinant of accessibility to FTP scored a mean of 2.510 with $SD=1.1101$, Small Business Support services scored the mean of 2.130 with $SD=0.8812$ while Regulatory administration scored the mean of 2.431 $SD=0.9898$, while

Awareness of funding opportunities scored the mean of 3.895 SD=0.9395. The mean score is out 5, since the data was collected using the 5 point Likert scale questionnaire.

5.10. Chapter Summary

This chapter presented the findings of the study. The correlations were collaborated with percentage statistics and frequencies using frequency tables and bar charts. This was further reinforced with the measure of the mean score and the standard deviation on each of the four variables. The chapter also presented the study findings vis-à-vis the key determinants.

CHAPTER 6

DISCUSSION

6.1 Introduction

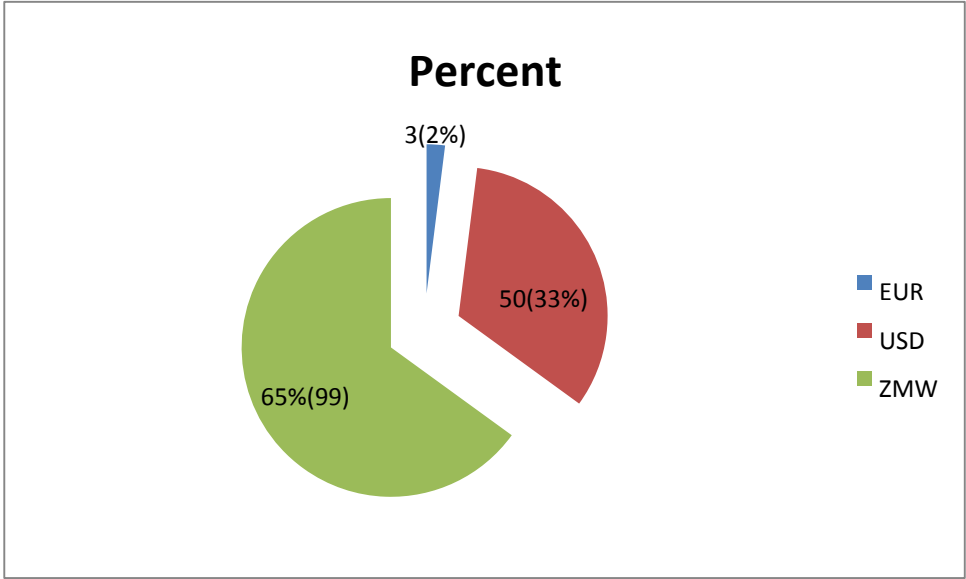
The previous chapter presented the findings of the research and the interpretation thereof. This chapter presents the discussions of key findings as depicted in the study.

6.2 Characteristics of the Targeted SMEs

From table 5.1a above majority (86%) of ZANACO's SMEs are top tier and Emerging Local Corporates. This category of SMEs are even more likely to be eligible for trade financing considering that they have larger in business size with an annual turnover of over K100 million. These are largely SMEs in trading, construction or service industries. However, SMEs on the books of ZANACO in agriculture sector a fewer, accounting for only 14% of the sampled SMEs at ZANACO. Commercial agriculture SMEs are largely involved in primary agriculture while emerging corporate agriculture SMEs are involved in secondary agriculture. More often than not, agriculture SMEs are smaller in terms of their turnover hence making it even more difficult to access credit like trade finance.

While the SMEs held different types of accounts at ZANACO, it was noted that over two-thirds (65%) of the SMEs held local currency accounts (Zambian Kwacha) and only a third (33%) held accounts in United States Dollar (USD). This indicates that most of the business done by these SMEs is in local currency and that they trade more with other local counterparties. This is because, if they generated their revenue in foreign currencies, the SMEs could have opened more foreign currency accounts to hedge against foreign currency risk. However, since trade finance is both local and international, it does not stop the SMEs from accessing this type of credit.

Figure 6.2a



6.3 Determinants of Access to Trade Finance by SMEs

The inability of SMEs in Zambia to readily have access to trade finance from the country’s financial institutions (banks) are largely attributed collateral requirements, information asymmetry, awareness of funding and regulatory administration

6.3.1 Collateral

Collateral is one of the key determinants to accessing trade finance. This was examined using correlation between the level of accessibility to trade finance as a dependent variable and collateral to support the credit as an independent variable. The findings from correlation were collaborated by the measures of the mean scores and the standard deviation as shown in chapter four.

The research found a positive correlation between collateral and successful access to trade finance at ZANACO bank by SMEs. This means that SMEs that have collateral to support access to trade finance are more likely to successfully access it from the bank than those that do not present collateral. However, the objective of the research was to understand to what extent collateral was a determinant to access trade finance by SMEs. Therefore, according to table 5.4 in chapter five, the correlation coefficient was found to be moderately strong ($r=0.510$, $p=0.002$) suggesting that collateral is a moderately stronger determinant of accessibility to Trade Finance by SMEs, the research has found.

This finding is consistent with the study done by Osono (2016) in Mozambique which found that collateral was a key determinant to accessing finance. However, this research goes a step further to show the extent to which collateral is a key determinant to accessing trade finance as perceived by SMEs. Several other studies have tended to examine collateral as it relates to access to financing. One such other study is by Inonda (2012) on the trade finance offered by Kenya Commercial Bank(KCB) to SMEs and the utilisation thereof which showed that the stringent conditions by the bank impedes SMEs from utilising the products. The study concluded that one of the considerations that KCB gives while dealing with international trade finance provided to small and medium sized enterprises was the collateral requirement.

6.3.2 Information Asymmetry

The research also examined how information asymmetry influences SMEs to successfully access trade finance from ZANACO. The research found out that the correlations coefficient between the dependent variable (access to trade finance) and independent variable (information asymmetry) was $r=0.320$, $p=002$ suggesting a positive but a weak relationship. This means that information asymmetry influences accessibility by SMEs to trade finance in a positive but weak way. There is a positive but weak relationship between the two variables. SMEs feel that information asymmetry is a key determinant to accessing trade finance at ZANACO though the extent to which it influences accessibility does not surpass collateral.

Similar findings were established by Osano and Languitane (2016). Using multiple regression in their study in Mozambique entitled, ‘Factors influencing access to finance by SMEs in Mozambique: case of SMEs in Maputo central business district’, the study found that information asymmetry influences access to finance by SMEs, although it did not bring out the magnitude of the influence and the direction of the relationship between the dependent and the independent variables. Further, this study focussed specifically on trade finance and not financing in general.

The information asymmetry is linked to the issue of ‘awareness of funding opportunities’ by SMEs. Information asymmetry is largely composed of information dissemination to SMEs such product knowledge and what opportunities exist. In order for SMEs to identify potential supplier of financial services, they require enough information. The financial institutions require information to enable them to evaluate the potential risks associated with the SMEs that apply for bank financing and also to access the location where the same SMEs will be operating and its market segments (Othieno, 2010). A study by Agostino (2008), conducted

on agricultural sector, pointed out that the failure of the current African market is because of the number of the current agricultural credit problems. These problems are associated with the imperfection of the information in the risk management. The failures of the market mostly occur due to the fact that it is costly to screen credit applicants. The imperfections of the information affect almost all small holder farmers who are in most cases African women.

6.3.3 Awareness of Funding

In this study, using Pearson Correlation Coefficient (r), a strong and positive relationship was found to exist between the accessibility to Trade finance as a dependent variable and Awareness of funding opportunities as a dependent variable. The correlation coefficient was found to be $r=0.710$, $p=0.002$ (table 4). This means that more awareness of funding opportunities increases the chances of an SME accessing trade finance. This ($r=0.710$) shows that awareness of funding opportunities has a very strong positive relationship with the dependent variable. The more aware an SME is to the available funding opportunities the higher the chances of accessing and utilising the opportunities. This is so because the more are one is on the opportunities, the more they probe to see how they can benefit from them.

The study done by Osano and Languitane (2016) in Mozambique also found similar findings that awareness of funding affects access to finance although they used multiple regression other than correlation coefficient as it is in this current study.

The flow of information in the financial market is crucial for both SMEs and financial providers (Falkena et al. 2001). Awareness of these opportunities becomes a critical factor in jumping at these opportunities. Considering that a number of SMEs do not fully understand how some of the trade finance solutions work, they rush to accessing more expensive loans. Therefore, creating awareness could see the uptake of trade finance solutions by SMEs.

6.3.4 Regulatory Administration

The majority (53%) of SMEs were indifferent as to whether the regulatory administration significantly affect as to trade finance by SMEs. The research found that the correlation coefficient between the regulatory administration and access to trade finance was negative and weak with the correlation coefficient $r=-0.410$, $p=0.002$ suggesting a negative and relatively weak relationship. This entails that the more the regulations needed to follow the poor the accessibility by SMEs to trade finance provided by ZANACO bank. A similar study by Osano and Languitane (2016) showed that the regulatory regime in Mozambique

influences access to finance, although the size of the influence and the direction was not the aim of the study. Scott and William (2001) on the other hand found that there is no clear relationship between regulatory restriction, interference of the government on the process of intermediation and banking system's competitiveness and SMEs' access to finance. Olomi and Urassa (2008), in the study based in Tanzania, identified three major groups of constraints of access to finance by SMEs. The third group of factors is related to the regulation of the environment where transactions occur between lenders and borrowers, lack of system identification, and credit reference bureaus. However, this study by Olomi and Urassa did not state the direction of the influence and the magnitude of the influence.

6.4 Chapter Summary

The research was seeking to examine how the four popular determinants of access to credit Facility performs in Zambia in terms of accessibility to the Trade Finance using ZANACO as a case study. The chapter discussed the study findings. The findings by the current study suggests that collateral requirement, awareness of funding and information asymmetry are crucial determinants to accessing trade finance. However, regulatory administration was a weak determinant to accessing this financing. The majority of the past studies were seeking to establish whether these factors were determinants of accessibility to financing. However, the current study was examining the magnitude and the direction of the relationship. On collateral and awareness of funding opportunities, it was found that there is a strong positive relationship while on

Information asymmetry there was a weak but positive relationship. Regulatory administration was found to be negative and weak correlation to accessibility of SME to financing of Trade finance.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

The previous chapter discussed the findings of the study objectives by objectives. This chapter presents the conclusions of the study findings. It states exactly how the study met the each of the four objectives of the study.

7.2 Conclusion

This research set out to examine the role played by four variables towards making it easier or harder to access credit from ZANACO bank through Trade finance by the SMEs in Zambia. The four factors were collateral requirement, awareness of funding opportunities, regulatory administration and information asymmetry. In other words, the study had the following objectives: To assess the significance of the role collateral in accessing the trade product finance; To determine the importance of information asymmetry in influencing accessibility; To establish the relevance of the regulatory administration towards accessibility to TPF; and to examine the role played by awareness of funding opportunities for SMEs.

The study followed the explanatory research designs leaning on quantitative approach with a sample size of 152 respondents.

On the first objective the research found that collateral requirement had a strong positive relationship with the extent of accessibility to Trade finance, $r=0.510$, $p=0.002$. When mean and standard deviation were computed on primary data, it was established that collateral requirement was a significant determinant of access to financing through Trade finance of ZANACO bank with the mean score of 2.510 out of 5, $SD=1.1101$ (table 4 & 9). This shows that collateral requirement is a significant determinant towards accessing trade finance by SMEs at ZANACO.

On the second objective, the research determined that information asymmetry had positive but weak influence on accessibility to Credit through Trade finance of ZANACO bank by SMEs, $r=0.320$, $p=0.002$. Information asymmetry was found to exhibit weak but relatively better influence on Access to trade finance with mean score of 2.130, $SD=0.8812$ (table 4 &9). This

shows that an information asymmetry service is a weak determinant of accessibility to trade finance by SMEs at ZANACO.

The third objective showed different effect on the dependent variable. The relationship between regulatory authority and Access to credit by SMEs was found to be negative and weak, $r=-0.410$, $p=0.002$ and the mean score of 2.431, $SD=0.9898$ (table 4 & 9). This shows that a regulatory administration plays a very insignificant role in SMEs' access to credit through trade finance at ZANACO.

On the last objective, the research discovered a very strong and positive relationship between the independent and the dependent variables. The research revealed a correlation coefficient $r=0.710$, $p=0.002$. The awareness of funding opportunities was found to be a strong determinant of access to trade finance by SMEs at ZANACO.

7.3. Recommendation

The research based on the findings provides the following recommendations:

1. Collateral has been seen as key determinant to the access to Trade finance at ZANACO. There is need for ZANACO to review the collateral requirement so that it facilitates more SMEs to access funds while take care that the bank is not left in heavily risky position
2. Regulatory administration needs to be reviewed to make it simpler and shorter for SMEs to access much needed licensing and administrative services. Heavily bureaucratic regulatory has always been seen as a hindrance to the growth of SMEs
3. SMEs should be sensitized about funding programs and financial schemes provided by the government and private sector and that public and private sectors put in place funding programs and financial schemes to assist SMEs.
4. Financial Institutions (FIs) are well equipped to attract, support, fund and sustain new and existing businesses Micro, Small and Medium sized enterprises are well equipped with skills and competencies to elaborate and defend sound and viable business proposals

7.4. Limitations of the Study

This study has its own limitations. It used one method of collecting data, i.e. self-reporting questionnaires, from SMEs, therefore, there is a possibility that the results could be affected by common method variance.

The findings are based on the perceptions of the selected SMEs without getting the perceptions of the lender (bank). Therefore, the perceptions may be subjective.

7.5. Suggestions for Future Research

The present study was confined to trade finance at ZANACO Bank. For further research, it would be useful to carry out a similar study across all the banks and SMEs in Zambia to see whether the same results would be replicated.

7.6. Chapter Summary

This chapter was making conclusions based on the objectives of the study. On the first objective, the research discovered that collateral requirement was a significant determinant of access to financing through Trade finance of ZANACO bank. It was also discovered that information asymmetry is a weak determinant of accessibility to Trade finance by SMEs at ZANACO bank. Regulatory administration plays a very insignificant role in SMEs' access to credit through Trade finance at ZANACO bank the research found out. Meanwhile, the awareness of funding opportunities was found to be a strong determinant of access to Trade Finance credit facilities by SMEs at ZANACO.

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