Trade Finance Demand and Supply in Africa: Evidence from Kenya and Tanzania
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Executive Summary

This report presents the findings of the fourth study in a series of trade finance surveys in Africa. For the first time, we conduct a deep-dive analysis of the trade finance market in Kenya and Tanzania. In doing so, we use data from 804 firms – that cut across multiple sectors of these economies – and 58 commercial banks – that account for over half of all commercial banks in both countries.

The overall objective is to better understand the trade finance market in Kenya and Tanzania to support trade related policy. We shed new insight on firms’ international activities, how they finance their trade, and the drivers of trade finance rejection and approval rates. We estimate the value of annual trade lost due to lack of access to finance and the impact of trade finance on firm export activities, particularly for small and medium-sized enterprises (SMEs) and women-owned businesses. We also juxtapose findings from firm-level data with results from commercial banks to better understand the constraints in the trade finance market.

Using data from firms and banks, we are able to provide a robust estimate of trade finance unmet demand in these economies, and to understand the demand and supply-side factors that drive the trade finance gap at the country level. We summarize some of the key findings below:

- Unmet demand for trade finance in Kenya and Tanzania stands at about USD 3 billion and USD 1.30 billion, respectively. These gaps represent 14 percent and 9 percent of the total value of trade in Kenya and Tanzania, respectively.

- About 1 in 4 exporters in Kenya and 1 in 5 exporters in Tanzania fail to meet some export sales due to a lack of access to trade finance each year. We estimate the average value of lost trade due to unmet trade finance demand at USD 80,107 and USD 24,966 a year per firm in Kenya and Tanzania, respectively.

- A significant number of firms – 16.5 percent – with a legitimate need for trade finance fail to apply for it. These self-rationed and discouraged applicants cite a history of rejection and fear of default as key drivers for the decision not to apply for trade finance even when it is needed.

- Most self-rationed firms in the trade finance market are SMEs. About 13 percent of small firms and 21 percent of medium-sized firms are discouraged from applying for trade finance, compared to 4 percent of large firms.
On average, 14 percent of firms indicated that they had no alternative trade finance sources after being rejected by banks. About 46 percent of firms resorted to internally generated funds after rejection, while 6 percent used informal payment channels.

**Alternative sources for trade finance – internally generated funds and informal payments, among others** – are only able to meet 9 percent and 2.3 percent of total rejected applications by banks in Kenya and Tanzania, respectively.

**The trade finance application rejection rate remains high.** On average, 17 percent of trade finance applications in Tanzania and 20 percent in Kenya are rejected by banks. Both firms and banks cite insufficient collateral, weak creditworthiness, and hard currency shortage as reasons why trade finance applications get rejected.

**Default rates on trade finance transactions remain low.** About 2 percent and 8 percent of firms defaulted on bank-provided trade finance transactions in Tanzania and Kenya. Firms in Kenya cited limited grace periods as the primary rationale for defaulting on trade-related transactions.

**Overall, firms cite bureaucracy and delays in approval, high interest and fees, inadequate collateral, and limited grace period as the critical challenges in managing trade finance transactions.**

**Improved access to trade finance positively affects export productivity, employment, and the number of export destinations served by firms in Kenya and Tanzania.** The benefits in terms of job creation and market access are higher for women-owned enterprises than for enterprises owned by men.
Introduction

1.1. About the Report

Since 2014, the African Development Bank has provided leading research on the trade finance landscape in Africa. Its trade finance reports have surveyed and analyzed trade finance data for more than 600 individual banks in 49 African countries from 2012 to 2019. The studies have contributed to filling the knowledge gap on trade finance supply in Africa and put trade finance unmet demand on the agenda of policymakers globally (International Chamber of Commerce, 2020). Yet, the story has always been half told – using data only from the perspective of commercial banks that supply trade finance – with analyses of trade finance demand by firms completely missing from previous studies.

Part of the reason for this incomplete picture is the lack of access to data on the trade finance activities of firms. Firms themselves do not report trade finance activities separately, partly for proprietary reasons and usually because doing so is not a statutory requirement. And statistical agencies find it expensive to collect such data. As a result, there is little research on the challenges firms face in accessing and managing trade finance and their implications on international trade particularly at the country level.

This report attempts to fill some of this knowledge gap. It presents the results of a comprehensive survey on trade finance demand in Africa, using the cases of Kenya and Tanzania as a deep-dive study. It is the first of its kind on trade finance demand in Africa. We focus on the cases of Kenya and Tanzania due to the relative openness of these economies. Firms in Kenya and Tanzania are active in international markets, with significant sectoral diversity. Close to 63 percent of firms in the two economies use material inputs and supplies of foreign origin. This is higher than the average of 58.6 percent for the sub-Saharan Africa region as a whole (World Bank, 2022). In addition, the total trade to GDP ratio, a measure of the relative openness of an economy, stands at about 22 percent and 23 percent for Kenya and Tanzania, respectively, higher than the sub-Saharan Africa average of 17 percent.

While this report focuses on trade finance demand, we also incorporated almost a decade of data on bank-intermediated trade finance for Kenya and Tanzania to provide a better understanding of trade finance approval and rejection rates, estimate the trade finance unmet demand at the country level, and highlight the challenges faced by all participants in the trade finance market in these two economies. The trade finance unmet demand (gap) is defined as the wedge between how much trade finance firms apply for and how much banks are willing and able to provide.
1.2. About the Survey

The sampling frame for firms was generated from a database of formally registered firms in Kenya and Tanzania. It covered multiple sectors in each economy, including manufacturing, agriculture, distribution, and retail enterprises. The survey focused on businesses with five employees or more and sales of at least USD 50,000. Sectors of operation were used to stratify the data. This was followed by a proportionate sample allocation across the different sectors based on the sector’s size within the sampling frame (see Figure 1). Simple random sampling was then used to select businesses from each stratum. The data is collected for 804 firms, with 402 in each country for 2018 and 2020. The firm-level information is supplemented with data from trade finance transactions from 58 commercial banks, representing 56 percent of all commercial banks in both countries, collected in multiple waves from previous studies from 2012 to 2019.

1.2. Overview of Case Study Economies

1.3.1 Overview of Kenya

Kenya is a middle-income country with a population of about 54 million and has the largest

Figure 1: Sectoral distribution of firms in the sample

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economy in Eastern Africa. Its GDP surpassed USD 100 billion in 2019 and has grown at an average annual rate of 5 percent over the past decade. Like all economies globally, Kenya has been significantly impacted by the COVID-19 pandemic. Its GDP growth rate plunged from 5.4 percent in 2019 to 1.4 in 2020 (AfDB 2021). With its economy having recovered back to its pre-COVID level, the outlook for the economy looks very positive, with trade expected to make a significant contribution.

Kenya has a relatively dynamic private sector within the East African sub-region. Nevertheless, firms face major growth bottlenecks. There are many small and young firms within the country’s distribution of firms (World Bank 2021), which is a significant policy concern because employment generation tends to be a positive function of firm age. Access to credit also remains a significant firm constraint. Average lending rates in the country are high. About 29 percent of firms cite access to finance as an important constraint, while 81 percent of firms’ loan applications require collateral (World Bank 2018). In the recent report on access to finance, gender gaps remain but are narrowing. The country’s banking sector is a picture of resilience. Capital adequacy of banks remains above the regulatory limit, while returns on assets and equity have averaged about 2 percent and 20 percent, respectively, over the past two years. However, the average non-performing loan ratio of the industry has steadily increased because of the COVID-19 pandemic (Government of Kenya, 2021).

Kenya has a relatively open economy with a high trade to GDP ratio. It has, however, been running a persistent trade deficit with its partners. Indeed, between 2010 and 2020,
the average annual trade deficit of the country was about USD 10 billion. The country’s main trading partners between 2010 to 2020 (in declining order of magnitude) were China, India, United Arab Emirates, the United States, and Uganda. Kenya runs a trade deficit with all these countries except Uganda. Kenya’s exports are dominated by agricultural commodities such as tea and coffee, while its main imports are petroleum products and processed food products. Like many African countries, Kenya’s trade is concentrated among a few countries. Indeed, out of over 180 trading partners, the top 5 trading partners account for 40 percent of its total trade, while the top 10 countries account for about 60 percent.

1.3.1 Overview of Tanzania

Tanzania is a lower-middle-income country with a GDP of over USD 60 billion and a population of about 60 million. It is also the second-largest economy in Eastern Africa. The agricultural sector dominates its economy, but it is also a major gold-producing country. The country averaged a real GDP growth rate of about 6.5 percent per annum from 2010 to 2020. As a result of the COVID-19 pandemic, growth plummeted to 2.1 percent in 2020 from 6.8 percent in 2019. Growth is expected to recover in 2022 but not to the pre-COVID average.

SMEs in Tanzania, including informal ones, are estimated to number about 3 million. Despite significant growth in access to formal financial services, such access remains a significant constraint. Only about 17 percent of the population in 2017 used bank services (Government of Tanzania, 2017). Even those with access face additional challenges because the lending cost by banks in Tanzania remains high, with average lending rates of 17 percent per year (World Bank, 2022).

Like Kenya, Tanzania runs a trade deficit with its partners, which averaged about USD 5.6 billion from 2010 to 2020. The country’s top five trading partners are India, China, South Africa, United Arab Emirates, and Switzerland. It runs a trade deficit with all these countries except for South Africa. Tanzania’s trade is even more concentrated than Kenya’s, as its top five and top ten trading partners account for 50 percent and 70 percent of its total trade, respectively. The country’s top exports are gold and agricultural products, while its main imports are refined petroleum, food, and other consumer goods. Significant growth in exports by Tanzania firms has been noted. This is reflected in the country’s trade deficit, which decreased by about 9 percent per annum between 2016 and 2020.
2. Firm Participation in International Trade

Facilitating international trade among firms, particularly SMEs, is an important policy objective for African economies, and trade literature has shown its benefits for firms. Firms that participate in export markets, for instance, are larger, more productive, and pay higher wages than those that do not export (Bernard & Jensen, 1999). We track participation in international trade at the firm level and uncover significant cross-border activities for firms in the sample. The data show that trade participation is not limited to a privileged few. For the entire sample, roughly three of every four firms participate in some form of intentional activity—either exports, imports, or both, as shown in Figure 2. We find that firms in Tanzania are slightly more internationalized than their Kenyan counterparts, mainly due to a significant number of import activities among firms in Tanzania (see Figure 2), although the difference is statistically trivial.

There are, however, significant differences in the degree of participation in international trade by firm ownership type. About 90 percent of foreign-owned firms in our sample engage
in international trade compared to 75 percent of locally owned firms, as shown in Figure 3. We attribute the higher participation in trade by foreign-owned firms to two potential factors in the private sector landscape in Kenya and Tanzania: the general propensity of foreign-owned firms to be internationalized due to their foreign connections and the significant Asian diaspora trading in downstream and upstream sectors between India, Kenya, and Tanzania.

First, through their foreign networks and knowledge of external markets, foreign-owned firms are more likely to be part of regional or global value chains and serve their parents or subsidiaries through exports and imports in the supply chain networks. Second, Kenya and Tanzania have significant trade ties with India built around a large Indian diaspora active in the private sector. Most of these firms trade upstream material inputs for Indian counterpart firms and sell downstream finished products in Kenya and Tanzania's retail and distribution sectors. Not surprisingly, India was the biggest trading partner for Tanzania and the second-largest trading partner for Kenya from 2010 to 2020.

We find no significant difference between the participation of women-owned businesses in international trade (about 75 percent) and that of men-owned firms (73 percent in our sample (see Figure 4). While initially surprising, this lack of gender difference in participation in cross-border trade is consistent with results in other studies, such as for South Africa (Bossuroy, et al., 2013) and Tanzania (Josaphat & Haji, 2013). Since firms that participate in international trade are, on average, larger than those that do not, this lack of gender difference in the participation rate is likely driven by firm size.

Figure 3: Participation in international trade by foreign and domestic firms

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2Women-owned businesses are defined as enterprises where women own at least 10 percent of the firm. Alternative definitions of women-owned enterprises do not meaningfully change the distribution of men- vs. women-owned enterprises because most women-owned businesses are either sole proprietorships (in which case ownership is 100 percent) or joint ventures with 50 percent ownership female.
2.1. Exports and Imports Activities of Firms

Imports dominate firms’ international activities in Kenya and Tanzania. Sixty percent of firms that participate in international trade are engaged only in imports. Indeed, this is not surprising as it reflects the underlying trade composition of these two economies. Like most African economies, Kenya and Tanzania are predominantly import-dependent. Since 2013, imports have accounted for two-thirds of Tanzania's trade and close to three-fourths of Kenya's total trade, higher than the regional average (including North Africa) of 55 percent, as shown in Figure 5.

Figure 4: Participation in international trade by women-owned businesses

Figure 5: Import share of total trade
However, exporting is limited to a small fraction of domestic and foreign-owned firms. About 17 percent of firms are engaged exclusively in exporting activities, while 23 percent are in imports and exports. In Kenya, 44 percent of firms are involved in exports, while 36 percent of firms in Tanzania are engaged in exports (see Figure 6).

**Figure 6: Distribution of international trading activity**

![Distribution of international trading activity](image)

For the limited share of export firms, an even smaller fraction engages in intra-African exports; only about a third of firms in Kenya engaged in exports exported products to other African markets. The share is even smaller in Tanzania, with only about a quarter of exporters exporting products to other African markets (see Figure 7). This underscores the need to increase intra-African market access, especially with current initiatives to boost regional integration through the African Continental Free Trade Area (AfCFTA).

**Figure 7: Share of exporters that export to other African markets**

![Share of exporters that export to other African markets](image)
We also shed some light on how firms that participate in trade in Kenya and Tanzania form part of a regional or global value chain. We define participation in a global value chain as being part of a network between a firm and its suppliers in producing and distributing a specific product to a final buyer, or when a firm’s main product represents part of a chain in the production process of multiple firms that work in a network to get a product to a final buyer. The results show that 31 percent of firms in Kenya engaged in international trade are part of a global value chain, while 21 percent participate in a regional value chain within Africa. In Tanzania, the participation rate in the regional value chain is about 14 percent, with about 11 percent of firms participating in a global value chain, as shown in Figure 8.

**Figure 8: Firm participation in global and regional value chains**
3. Trade Finance Demand by Firms

Access to trade finance remains a significant challenge for African enterprises, especially for SMEs. Data from a large sample of banks show that the rejection rate for trade finance in Africa is high, with close to 40 percent of trade finance applications rejected by banks for SMEs. Given the significant participation in international activities by firms in Kenya and Tanzania, it is essential to understand the demand for trade finance from the perspective of the firms.

3.1 Application for Trade Finance

We present evidence of firms’ demand for trade finance for 2018 to 2020. Demand for trade finance among firms in Kenya and Tanzania is high. Two out of every three firms surveyed needed some form of trade finance to support international operations over the 3-year period (see Figure 9). This includes firms that needed trade finance to enter export markets or import capital goods and intermediate and final products. Surprisingly, only 83.5 percent of firms "16.5 percent of firms with a legitimate need for trade finance fail to apply for one because of a history of rejection and fear of default."

Figure 9: Firms that needed trade finance facilities from 2018 to 2019
Trade Finance Demand and Supply in Africa: Evidence from Kenya and Tanzania

that needed trade finance applied for it, with a non-trivial share of 16.5 percent making decisions not to do so (see Figure 9).

The study also shed some light, for the first time, on the relationship between discouraged applicants for trade finance and enterprise size. Empirical evidence shows that discouraged borrowers tend to be smaller and younger firms (Mac an Bhaird, Sanchez Vidal, & Lucey, 2016). Still, most such studies focus on advanced economies and bank lending in general (Reto & Dietrich, 2021) and (Freel, Carter, Tagg, & Mason, 2012). We find preliminary evidence that 13 percent of small firms and 21 percent of medium-sized enterprises that needed trade finance chose not to apply for one. For large firms with 50 or more employees, only 4 percent decided not to apply for trade finance even though they had a legitimate need for one (see Figure 10). This reflects the extent of missed opportunity in trade participation for SMEs due to the fear of their trade finance applications being rejected.

Figure 10: Firm size and the decision to apply for trade finance

There is also some sectoral variation in firms’ decision not to apply for trade finance even when needed. Firms operating in the apparel and garment sectors are the most likely to be discouraged trade finance applicants. Almost a quarter of such firms fail to apply for trade finance even though it was needed. And about 22 percent of firms operating in the electronics sector chose not to apply for trade finance even when needed (see Figure 11).
Historically, it has been argued that unfunded trade finance instruments such as letters of credit are the most common forms of bank-intermediated trade finance for international trade. But the evidence shows that only 6.3 percent of exporters and 15 percent of importers rely on letters of credit for trade finance in Africa. In addition, most of those firms are large and medium-sized firms (97 percent), with only 3 percent being small firms. We find that firms rely more on funded trade finance instruments. The most common forms of trade finance used by exporters and importers are short-term revolving credit and pre-export finance, generally lasting between six months and two years (see Figure 12). About 44 percent of exporters surveyed reported using short-term revolving credit, while 32 percent relied on pre-export finance over the past three years. Importers also rely predominantly on revolving working capital finance (56 percent) and pre-import finance (21.43 percent) (see Figure 13). The use of funded instruments and riskier forms of trade finance could partly reflect recent challenges associated with unfunded trade finance instruments as confirming banks retreat from the region (Auboin M., 2015).

There is evidence that non-bank intermediated forms of financing, such as supply chain finance, has been instrumental in improving SMEs' access to trade finance (Auboin, Smythe, & Teh, 2016). The survey shows the significance of non-bank-intermediated forms of finance for traders in Kenya and Tanzania, such as supply chain finance. About 12 percent of exporters and importers rely on supply chain finance such as inventory finance for trading activities, especially for more active firms in the global value chain.

**Figure 11: Decision not to apply for trade finance at the sector level**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Decision not to apply for trade finance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>5.88%</td>
</tr>
<tr>
<td>Transport and logistics</td>
<td>7.14%</td>
</tr>
<tr>
<td>Retail and distribution</td>
<td>14.51%</td>
</tr>
<tr>
<td>Agriculture, forestry, and fishing</td>
<td>15.56%</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>20.00%</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>21.59%</td>
</tr>
<tr>
<td>Electronics</td>
<td>22.22%</td>
</tr>
<tr>
<td>Apparel and garment</td>
<td>23.73%</td>
</tr>
</tbody>
</table>

3.2. Trade Finance Instruments Used by Firms
**Figure 12:** Most common trade finance instrument used by exporters in the past three years

**Figure 13:** Most common trade finance instrument used by importers in the past three years
The average value of approved trade finance transactions – both bank-intermediated and non-bank-intermediated trade finance – for firms in Kenya is about USD 287,000 and USD 278,471 in Tanzania between 2018 to 2020, as shown in Figure 14.

**Figure 14:** Average value of approved trade finance for the most recent transaction according to firms

3.3. Why Some Firms Fail to Apply for Trade Finance

About 16.5 percent of firms indicated that they had a real need for trade finance but failed to apply. We examine the reasons for such reluctance among firms in applying for trade finance. Of the 16.5 percent of firms that had a need to apply for trade finance but failed to do so, 59 percent of them cited the fear of default and rejection as the primary rationale, despite widespread evidence from banks in Africa that rejection rates for trade finance applications are relatively low (see Figure 15). For instance, in 2019, the latest year for which data are available on trade finance supply, the default rate on trade finance portfolio in Africa was about 8 percent relative to the overall NPL ratio for the region of 12 percent (African Development Bank, 2020). Indeed Figure 10 shows that most of these discouraged applicants with latent trade finance demand tend to be SMEs that choose to self-ration themselves out of the trade finance market.

Given that the fear of default is widespread among discouraged applicants, considering the comparatively lower actual default on trade finance transactions, addressing such unfounded fear should be a policy priority in addition to the traditional supply-side policies to shore up trade finance supply. Besides the fear of default, 15 percent and 17 percent of firms cite the higher cost of obtaining trade credit and insufficient collateral requirements, respectively, as the reasons for being discouraged from applying for trade finance. The factors that drive these discouraged borrowers are consistent with well-established empirical findings on discouraged borrowing in financial markets in general (Reto & Dietrich, 2021).
3.4. Trade finance approval and rejection from firms’ perspective.

We use the consolidated database on trade finance demand and supply to better understand approval and rejection rates in the trade finance market. Since 2011, the AfDB trade finance supply data show significant rejection rates, especially among SMEs. On average, 12 percent of all trade finance applications made by firms were rejected by banks. In Kenya and Tanzania, the rejection rates were 8 percent and 19 percent, respectively.

Because most trade finance applications are for revolving credit that may not be directly linked to trade activities on loan application forms, firms are better positioned to know whether a rejected working capital loan or revolving credit is directly tied to trade activities or not relative to banks. Therefore, using data from a large sample of firms can provide a better understanding of the extent of trade finance application rejections. The firm-level data show that, on average, 17 percent of trade finance applications were rejected in Tanzania between 2018 and 2020, against the 19 percent reported by banks. For Kenya, firms report a rejection rate of 20 percent, more than double the rate reported by banks, suggesting that the rejection rate in Kenya from banks is a significant underestimation (see Figure 16).
We further examine the degree of trade finance application rejection rate at the sectoral level. The application rejection rate is generally highest for firms operating in the automobile, electronics, and agriculture sectors. However, it is not apparent why these firms have higher than average rejection rates, as shown in Figure 17. We speculate that part of the reason could be related to the high risk of shipping goods for firms operating in these sectors due to the time-sensitive and fragile nature of goods in these sectors.

“Data from firms show that 17 percent of trade finance applications in Tanzania and 20 percent in Kenya were rejected by bank.”
3.5. Reasons for Trade Finance Application Rejection (Demand-and Supply-Side Data)

Understanding the rationales for banks’ rejection of trade finance applications from the perspective of firms is essential if policymakers are to address both demand and supply-side challenges to shore up trade finance for enterprises, particularly for SMEs. Towards this end, we examine why trade finance applications by firms got rejected for the period 2018 to 2020. Insufficient collateral is cited by 75 percent of firms as the main reason for trade finance application rejection, followed by constraints on banks’ capital (36 percent) (see Figure 18). Indeed, banks also cite insufficient collateral and client creditworthiness as the main reasons for banks’ rejection of trade finance applications made by firms. Together, 55 percent of all banks surveyed over the past decade cite these two as the key reasons for rejecting trade finance applications, as shown in Figure 19.

“Firms and banks cite insufficient collateral, weak creditworthiness, and hard currency shortage as reasons why trade finance applications get rejected.”
Figure 18: Reasons cited by firms in Kenya and Tanzania for trade finance application rejections (2018-2020)

Note: Multiple responses were allowed, so each component is analyzed separately. Others include bureaucracy and delays in processing.

Figure 19: Reasons cited by banks for rejecting trade finance applications (2015-19)
The reliance on working capital finance (pre-export, pre-import, and short-term revolving credit), as shown in Figure 12 and Figure 13, could partly explain why collateral requirement is indicated by both firms (Figure 18) and banks (Figure 19) as one of the significant reasons for trade finance application rejections. When asked to provide information about collateral requirements for the most recent trade finance transactions, 44 percent of firms in Kenya and 71 percent of firms in Tanzania indicated that they were required to provide collateral requirements for their most recent trade finance transaction, as shown in Figure 20. Most firms that indicated that they needed collateral for the most recent trade finance transaction were medium-sized (50 percent) and small (38 percent) enterprises, with only 12 percent being large enterprises (see Figure 21). This suggests that issues of collateral and creditworthiness are structural challenges for trade finance that need attention, especially for SMEs.

Figure 20: Share of firms that required collateral for their most recent trade finance transaction, by country

Consequently, policymakers need to implement measures to ease collateral and creditworthiness constraints for firms in securing access to trade finance. Given that most trade finance transactions are asset-backed, self-liquidating, and short-term in nature with a relatively low probability of default, innovative financing schemes such as transaction guarantees for trade-related transactions, especially for discouraged trade finance applicants with a significant history of rejection, could contribute to reducing rejection rates for trade finance in Africa. In addition, part of the reason why banks ask for collateral is the lack of information on the creditworthiness of firms. There is evidence that in economies with well-functioning information brokerage systems (credit bureaus), there is less demand for collateral (Triki and Gajigo, 2014). Hence addressing these constraints in the financial markets in Africa could reduce the need for collateral by banks for trade finance and other financial services.
3.6. Cost of Interest and Expenses for Trade Finance from the Perspective of Firms

We provide evidence on the cost of various trade finance instruments used by firms to finance trade in Kenya and Tanzania. The data show that the average cost of interest and expenses for trade finance transactions is about 11.8 percent of the total transaction value. However, interest costs and fees for trade finance in Tanzania are almost double that in Kenya. Financing expenses for trade averaged about 8.6 of the total transaction value in Kenya and 15.5 percent in Tanzania (see Figure 22).

When disaggregated by instrument, short revolving credit is the most expensive form of trade finance, at about 13 percent of total transaction value; followed by supply chain finance, about 10 percent of total invoice value; and direct pre-export/import finance, about 8.22 percent of the transaction value. Surprisingly, unfunded instruments such as letters of credit that have the lowest expenses (6.68 percent of transaction value) are ranked third in terms of instruments used (see Figure 22).

We compare financing costs for trade between women-owned and men-owned firms to gauge if there is a gender difference in financing costs. On average, we find that financing costs for men-owned businesses are higher than that for women-owned firms, except for supply chain finance (see Figure 23). It is not clear what explains this difference, as the general expectation is that the cost of financing is typically higher for women-owned businesses. Part of the rationale could be due to self-selection by women-owned businesses in the trade finance market. Given the difficulty for women-owned businesses to get access
to finance in the first place, perhaps well-performing and well-managed women-owned SMEs are the ones that apply and are successful in obtaining trade finance at affordable prices. In other words, while entry barriers for access to finance are higher for women, the best-performing women-owned businesses successfully get access to trade finance at affordable costs.

Figure 22: Interest costs and expenses for trade finance by instrument type as a share of transaction value

<table>
<thead>
<tr>
<th>Instrument Type</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Overall Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average overall interest costs</td>
<td>8.63%</td>
<td>9.55%</td>
<td>10.46%</td>
</tr>
<tr>
<td>Pre-export finance</td>
<td>6.53%</td>
<td>8.42%</td>
<td>7.29%</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>9.67%</td>
<td>8.04%</td>
<td>12.83%</td>
</tr>
<tr>
<td>Short revolving credit</td>
<td>15.45%</td>
<td>16.49%</td>
<td>12.97%</td>
</tr>
<tr>
<td>Supply chain finance</td>
<td>11.81%</td>
<td>6.68%</td>
<td>8.22%</td>
</tr>
</tbody>
</table>

3.7. How Firms Deal with Trade Finance Rejection by Banks

When banks reject their trade finance applications, firms are encouraged to raise such financing from alternative sources or cease trade activities. The survey sheds some light on alternative funding sources when firms fail to secure bank-intermediated trade finance. We find that firms resort to other more expensive but less secured forms of financing after being rejected by banks. About a third of firms indicated they reapply for other forms of less-secure loans that often carry higher interest expenses to support their trade finance actives, such as personal loans or other forms of unsecured credit. About 46 percent of firms use their working capital. This puts pressure on daily business operations and often significantly reduces export volume or import purchases.

“About 14 percent of firms indicated that they had no alternative trade finance sources after being rejected by banks.”
or cut-down trade-related transactions, with 6 percent reportedly using informal channels such as reliance on family and social networks to support imports or exports (see Figure 24). In addition to being less secured, such alternatives can only finance a small fraction of the value rejected by bank-intermediated trade finance, as shown in Section 4.

**Figure 23:** Cost of interest and expenses for trade finance by instrument type as a share of transaction value by women-owned and men-owned enterprises

**Figure 24:** Alternative to trade finance for firms whose trade finance applications were rejected
4. Lack of Access to Trade Finance and Its Impact on Firms

4.1. Lack of Access to Finance and Trade Participation and Value of Trade Forgone

While anecdotal evidence indicates that the impact of the lack of access to trade finance on firms’ international activities is significant, to date, there is no quantitative data on its magnitude for the average firm. We find that firms are significantly affected by a lack of access to trade finance. On average, one in four exporters in Kenya and one in five exporters in Tanzania failed to meet exports sales due to the lack of access to finance (see Figure 25). This could partly explain why export volumes are low and why Kenya and Tanzania have persistent trade deficits despite government policies to shore up and promote exports (World Bank, 2012). Similarly, 16 percent of importers in Kenya

Figure 25: Share of exporters and importers that failed to meet export sales and import purchases due to lack of access to trade finance
and 13 percent of importers in Tanzania failed to meet import purchases due to the lack of access to trade finance. This confirms that lack of trade finance represents a significant missed opportunity, especially at the intensive margin of trade.

Firms’ lack of access to trade finance affects the number of firms that engage in trade and significantly impacts export volume. We asked firms that failed to secure trade finance to provide an estimate of the value of trade forgone due to a lack of access to finance between 2018 and 2020. In Kenya, the average firm lost about USD 240,321 due to the inability to obtain trade finance over the 3-year period. In Tanzania, forgone export sales were valued at USD 75,000 for the same period, as shown in Figure 26. Put another way, the average firm loses about USD 80,107 in Kenya and USD 25,000 in Tanzania a year in trade value due to a lack of access to trade finance.

Figure 26: Average value of forgone trade over the past three years

![Graph showing average value of forgone trade over the past three years in Kenya and Tanzania](image)

4.2. Default rate of trade finance by firms

Default rates on trade-related transactions have been consistently lower than overall bank lending in Africa. Evidence from bank-level data in Africa shows that between 2017 and 2019, the average default rate on trade finance transactions in Africa was about 7.5 percent, relative to 11 percent for overall average NPLs for the same period. Default rates are even lower at the global level: between 0.03 and 0.24 percent for a range of trade-related transactions globally (International Chamber of Commerce, 2017). Our results corroborate this by showing that the default rate among exporters and importers for trade finance remains low. Only 3.57 percent of importers and 3.06 percent of exporters defaulted on trade finance transactions between 2018 and 2019. However, at the country level, default rates, while low, are about 5.73 percentage points higher among Kenyan firms than for their Tanzanian counterparts (see Figure 27). Anecdotal evidence from firms in Kenya suggests that part of the relatively high default rate for firms in Kenya could be banks’ unwillingness to give firms sufficient grace period on trade-related transactions. This means that some firms are squeezed out of working capital needed to sustain their operations and service debts until payment, especially if large contracts are made. We find no significant difference in women-owned and men-owned firms’ default rates.
Trade Finance Demand and Supply in Africa: Evidence from Kenya and Tanzania

Figure 27: Default rate by trade type, country, and women- vs. men-owned businesses

![Default rate by trade type, country, and women- vs. men-owned businesses](image)

Vegatable vendor in Zanzibar, Tanzania. Photo: Anil Reddy/Unsplash
5. The Trade Finance Gap in Kenya and Tanzania

5.1. Estimating Unmet Trade Finance Demand

It is well established that shortfalls in trade finance limit SMEs' integration into global trade (Auboin & DiCaprio, 2017). But estimating the size of unmet demand, especially at the country level, is a significant challenge due to limited data availability. Recent attempts have relied only on supply-side data (bank-level data). We address that shortcoming by providing the first estimates of the trade finance gap for Kenya and Tanzania using both supply- and demand-side data at the country level. The aim is to equip policymakers with the information needed to design policies to address trade finance shortfalls at the national level.

Using data from both the supply-and demand-side is essential for two key reasons. First, one could expect the trade finance gap estimated from the supply-side to vary significantly from the actual value as firms that have a legitimate need for trade finance fail to apply for it in the first place. Indeed, Section 3.1 shows that 16.5 percent of firms had a legitimate need for trade finance over the past three years but chose not to apply for one, with fear of default and rejection, insufficient collateral, and high-interest expenses being the key reasons. Such latent demand for trade finance could bias the trade finance gap estimate downwards. Second, banks also can double count rejected applications because firms that have applications declined by one bank could seek funding from other banks. Indeed, the survey shows that the average firm works with two financial intermediaries. In addition, Section 2.7 shows that when banks reject trade finance applications, firms have alternative means of financing some fraction of their rejected applications. These include informal payment channels and trade finance applications masqueraded as other forms of finance. In that case, estimates using unmet trade finance demand from the supply-side alone can bias the trade finance gap upwards. This means we cannot be confident that the trade finance gap estimates using only bank-level data show a lower or upper bound.

We first estimate the trade finance gap from the supply-side using data on the size of bank-intermediated trade finance, rejection rate, and the population of banks in each country. On the demand-side, we use data on the average value of trade finance applications made by firms, rejection rate as reported by firms, the share of firms that reported having a legitimate need for trade finance (whether they applied for one or not), and the total population of registered firms in each economy to re-estimate the trade finance gap from the demand-side. Hence, the trade finance gap on the demand-side is simply an estimate of the forgone value of international trade in our sample extrapolated to the total number of formally registered firms in each country that engage in international trade.²

² Refer to AfDB (2014, 2017 and 2020) for more on how the trade finance gap is estimated.
5.2. Trade Finance Gap in Kenya:
5.2.1 Trade Finance Gap from Supply-Side Data

Using data from the supply-side, we estimate the average trade finance unmet demand for Kenya to be about USD 3.2 billion between 2017 and 2019, as shown in Figure 28. This represents about 4 percent of Africa's total trade finance gap of USD 79 billion in 2019 (African Development Bank, 2020) and is consistent with Kenya's share of the region's GDP of 4 percent. The trade finance gap in Kenya decreased by 9.76 percent in 2019, from USD 3.38 billion in 2017 to USD 3.05 billion, a smaller decrease than the overall trade finance gap in Africa, which decreased by 14.5 percent over the same period. To put this in perspective, Kenya's total trade and GDP for 2020 stood at about USD 21.4 billion and USD 98.8 billion, respectively. Hence the trade finance gap estimated from the supply-side in Kenya represents 15 percent of its total trade and about 3 percent of its GDP, respectively.

5.2.2. Trade Finance Gap from Demand-Side Data

From the demand-side, the average gap estimated through forgone trade by firms is USD 2.91 billion from 2018 to 2019, as shown in Figure 29. This suggest that total forgone trade by firms because of lack of access to finance is about 14 percent of Kenya's total trade and not significantly different from the 15 percent of total trade value estimated from the supply-side. Taken together, the difference between the gap estimate from the supply-side (USD 3.22 billion) and the demand-side (USD 2.91 billion) is about USD 0.30 billion.
While this difference could potentially be a margin of error, based on the evidence presented in Sections 3.7 and 4.1 that some firms use other informal channels and trade finance masqueraded as other forms of bank-financed loans, we speculate that this difference may arise from the fact that firms in Kenya can finance a fraction (about 9.3 percent) of rejected trade finance application through other means.

5.3. Trade Finance Gap in Tanzania

5.3.1 Trade Finance Gap from Supply-Side Data

For the case of Tanzania, the trade finance gap from the supply-side has averaged about USD 1.33 billion for the period 2018 to 2019 and has remained relatively stable, as shown in Figure 30. To put this in perspective, the trade finance gap in Tanzania represents about 1.7 percent of Africa’s total unmet trade finance demand.
In addition, given that Tanzania’s total trade and GDP stood at USD 14.6 billion and USD 62 billion, respectively, the average trade finance gap of USD 1.33 billion represents 9 percent of the country’s total trade and 2 percent of its GDP, as shown in Figure 33.

5.3.2 Trade Finance Gap from Demand-Side Data

From the demand-side, the average gap estimated through forgone trade by firms in Tanzania stood at USD 1.3 billion from 2018 to 2020, as shown in Figure 31. This suggests that total forgone trade by firms because of lack of access to finance is about 9 percent of Tanzania’s total trade and is roughly similar to the gap estimated by using data from the supply-side. Taken together, the difference between the gap estimate from the supply-side (USD 1.33 billion) and the demand-side (USD 1.30 billion) is USD 0.03 billion. Hence, unlike in Kenya, firms in Tanzania can only finance a small fraction (2.3 percent) of rejected applications by banks through alternative means.

5.3.3. Putting It All Together – Loss of Trade due to Lack of Access to Trade Finance

Consequently, we estimate Kenya’s total unmet trade finance demand, whether bank-intermediated or not, at about USD 3 billion and that for Tanzania at approximately USD 1.3 billion. This confirms that the consequences of lack of access to finance for trade in Kenya and Tanzania are significant. Put another way, the value of trade lost in Kenya due to lack of access to finance, bank-intermediated or not, is about 14 percent of its total trade value. It accounts for about 9 percent of total trade value in Tanzania, as shown in Figure 33.

Total trade finance unmet demand in Kenya is USD 3 billion, while that in Tanzania is USD 1.3 billion.
Figure 31: Trade finance gap in Tanzania

The chart illustrates the trade finance gap in Tanzania, comparing supply-side and demand-side estimates. The supply-side estimate shows an unmet demand of $1.33 billion using bank-level data, while the demand-side estimate indicates an unmet demand of $1.30 billion using firm-level data. The difference between the two estimates is $0.03 billion.
Box 1: AfDB Trade Finance Program: 2019–2021

The contribution by the African Development Bank (AfDB) to lower the trade finance gap on the continent remains significant, in line with the remarkable achievements recorded in the second trade finance in Africa report despite the stringent global economic context due to the COVID-19 pandemic. The large gaps identified in this study for Kenya and Tanzania, accounting for about 14 percent and 9 percent of GDP, are significant, as is the scale of the challenge in closing the trade finance gap in Africa. The AfDB and its sister organizations continue to play a significant role to lower this gap.

Through its Trade Finance Program, the Bank has approved a total of USD 1.5 billion in trade finance lines of credit and USD 725 million in soft commodity finance. These have supported an estimated trade value of USD 4.5 billion and USD 2.9 billion, respectively.

Since its inception, the AfDB’s Risk Participation Agreement (RPA) program, which provides guarantees for bank-intermediated trade finance, has helped cover 2355 transactions, for a total trade volume of USD 5.8 billion. These transactions involved 13 confirming banks located in Africa, Asia, and Europe. The average transaction size was USD 2.5 million, and 59.8% of recorded transactions were geared towards SMEs. Taken together, the AfDB participation in its RPA program amounted to USD 2.2 billion.

About 16% of the support provided through the Trade Finance Program has supported intra-African trade. The program has also supported trade in the AfDB’s priority areas, including trade in energy-related products (34%), agriculture (22%), and manufacturing (20%) (see Figure 32). The Bank’s new trade finance instrument, the Transaction Guarantee (TG) will significantly increase this support. Within five years, TGs are expected to support about 1500 transactions and facilitate approximately USD 3 billion of trade, including roll-overs. This is in addition to the RPA existing guarantee capacity of more than 700 million.
**Figure 32:** Sectors supported by the AfDB trade finance program

- Agriculture: 22%
- Energy: 34%
- Construction: 6%
- Information and telecommunication: 2%
- Machinery and electrical: 2%
- Manufacturing: 20%
- Wholesale: 7%
- Other miscellaneous: 7%

**Figure 33:** Trade finance gap as a share of GDP, total trade value, and total African trade finance gap

- Trade finance gap as a share of GDP: Tanzania 2%, Kenya 3%
- Trade finance gap as a share of total trade: Tanzania 9%, Kenya 14%
- Trade finance gap as a share of total trade gap in Africa: Tanzania 2%, Kenya 4%
6. Challenges for Firms’ Management of Trade Finance

Even those firms lucky to receive financing do not entirely escape challenges. We ask firms to identify the key challenges they face in managing their trade finance portfolio, either in-house or with financial institutions and counterparties. A quarter of firms identify the cost of financing (high interest and charges) as the key challenge faced in managing trade finance, as shown in Figure 34. This is not surprising. Firms rely on short-term revolving trade and pre-export and import finance to conduct trade activities. On average, these funded instruments for trade have significantly higher charges than those for off-balance-sheet instruments such as letters of credit. For instance, the average fee on letters of credit is about 6.68 percent, whereas that on short-term revolving credit is twice as higher at 12.97 percent (see Figure 22).

Delays and bureaucracy in trade finance delivery also present a significant challenge for trade finance in Africa. About one in five firms cite it as the most critical challenge in managing trade finance transactions. It is possible that the COVID-19 pandemic made simple processes suddenly burdensome and costly for firms, given that 9 percent of firms also cited COVID-related challenges as the key constraints to managing trade finance. But trade finance is noted for its persistent overreliance on slow and paper-based transaction processes (Bempong Nyantakyi & Drammeh, 2020), with most banks and trading counterparts requiring “wet-ink” authentication before approving transactions. Indeed, sub-Saharan Africa has been slow to adopt digital and electronic business processes, including in trade finance (World Bank Group, 2016). Only a handful of countries in Africa – Nigeria, Cameroon, Egypt, and South Africa – legally allow for e-signature and electronic authentication of official documents. Firms also note the lack of grace period, inadequate collateral, and trust among counterparties as other significant challenges in managing trade finance transactions (Bempong Nyantakyi & Drammeh, 2020).

“Firms identify high interest expenses and fees, delays in trade finance application approval and inadequate collateral as the main challenges in managing trade finance.”
Figure 34: Challenges in managing trade finance

- Inadequate supply of trade finance: 7%
- High interest and fees: 26%
- COVID-19 related challenges: 10%
- Currency fluctuations: 2%
- Shipping delays and product quality: 6%
- Inadequate collateral: 11%
- Others: 4%
- Lack of information about trade finance and market: 1%
- Delay and bureaucracy in trade finance delivery: 22%
- No or limited grace period: 9%
7. Impact of Trade Finance on Firms’ Export Performance

Access to trade finance has many benefits, especially for small and medium-sized enterprises. It allows firms to expand their international activities through direct funding and risk mitigation for counterparties involved in international trade. Firms learn to become more productive, profitable and contribute to inclusive growth by creating jobs through trade. While there is strong evidence that employment and profit are correlated with participation in trade – although the direction of causality is less established (Bernard & Jensen, 1999), there has been no documentation of the role that trade finance plays through interactions with export participation, to influence firm performance and market access.

We attempt to fill this information gap with some evidence on the effect of access to trade finance on export productivity, employment, and the number of destination markets. First, we find some evidence that access to trade finance, in terms of value, is positively correlated with export productivity measured by export sales per worker, as shown in Figure 35.

**Figure 35: Trade finance and export productivity**

Similarly, the number of export destinations and employment increase with trade finance volume (see Figure 36 and Figure 37). This suggests that trade finance, by helping mitigate risk for trading with new counterparts and increasing the variety of products shipped, enables firms to increase export volume and potentially expand access to previously untapped markets while creating jobs in the process.
These positive relationships hold even after controlling for the firm's age, ownership (including both gender and foreign status of the owner), and individual firm and country fixed effects.

In addition, we find that the positive relationship between trade finance, number of export destinations, and employment is stronger for women-owned businesses than enterprises owned by men. In other words, while the overall impact of having access to trade finance is positive for average firms, for a given value of trade finance, women-owned businesses can serve more markets and employ more workers than men-owned enterprises.
Figure 38: Differential impact of access to trade finance for women- vs. men-owned firms
8. Conclusion and Policy Recommendations

“There is a compelling case to support women-owned businesses because they tend to serve more markets and employ more workers when they have access to finance, thereby contributing significantly to economic development.”

This report presents the findings from the fourth series of trade finance surveys in Africa. For the first time, we conduct a deep-dive analysis of the trade finance market in Kenya and Tanzania, using data from 58 commercial banks (representing close to 56 percent of all commercial banks in both countries) and 804 firms across multiple sectors. This is the most comprehensive study combining demand- and supply-side data in any trade finance market to our knowledge.

To highlight the key findings, the study shows that trade finance unmet demand in Kenya and Tanzania is significant, at about USD 3 billion and USD 1.30 billion annually. To put this in perspective, unmet demand represents 14 percent and 9 percent of total trade value in Kenya and Tanzania, respectively. The consequence of trade finance application rejection on firms is also significant. About one in four exporters in Kenya and one in five exporters in Tanzania fail to meet some export sales due to a lack of access to trade finance each year. We estimate the lost value in trade to be USD 80,107 and USD 24,966 a year per firm in Kenya and Tanzania, respectively, due to unmet trade finance demand.

Our findings also show that women-owned businesses with access to trade finance tend to serve more markets and employ more workers than men-owned businesses. However, while there is a widely held view that in general women-owned businesses find it relatively more difficult to access appropriate financing, evidence from Kenya and Tanzania shows that (i) there is no difference in the participation rates of women and men-owned firms in international trade; (ii) financing costs are generally higher for men than women-owned firms; and (iii) the default rates on trade finance transactions for women-owned firms (5%) and men-owned firms (4.7%) are almost the same.

On average, 14 percent of firms indicate that they have no alternative sources of finance for trade after a rejection by banks, 46 percent resort to internally generated funds that put pressure on working capital, and 6 percent use informal payment channels. However, these alternative sources can only meet about 9 percent and 2.3 percent of total rejected applications by banks in Kenya and Tanzania, respectively. Firms also cite insufficient collateral, limits on bank capital, and lack of hard currency (12 percent) as the main reasons
their trade finance applications get rejected. These factors are consistent with why commercial banks reject trade finance applications. Banks view creditworthiness and insufficient collateral as critical for rejecting firms’ trade finance applications. Addressing these challenges requires concerted efforts from stakeholders to ease both supply- and demand-side constraints.

First, banks must be appropriately incentivized to reduce rejection rates and provide more trade finance to their clients. This involves a more active and coordinated effort by development partners like the African Development Bank, national trade promotion agencies, donor agencies and other development finance institutions in addressing well-known challenges, such as low creditworthiness and insufficient collateral. Given that defaults on trade finance are low, as confirmed by both firms and banks, addressing creditworthiness and collateral issues will encourage banks in the trade finance sector to expand the supply of trade finance.

Innovative schemes and new funding instruments that directly address some of the challenges firms face are also needed. The sheer number of would-be exporters and importers priced out of the market due to fear of default and a history of rejection is simply too high –16 percent. While single transaction and portfolio guarantee instruments offered by DFIs have been useful, their objective is to provide comfort to international banks to increase the trade finance to local banks in the hope that these banks will then extend more financing to firms. These guarantee instruments fall short of addressing the key constraints of perceived low creditworthiness and insufficient collateral. To tackle these challenges, DFIs and other agencies should offer local banks guarantee instruments that directly cover the default risk of firms. These could be in the form of first-loss partial guarantees or risk sharing guarantees at the firm level between the banks and DFIs. In Kenya, for example, where firms report a relatively high default rate of 8% due to insufficient grace period from banks to repay trade obligations, a guarantee instrument that covers the back end of a longer repayment tenor may be helpful. The use of alternative trade finance instruments such as factoring and Supply Chain Financing (SCF) that are well established in other parts of the world should be more vigorously pursued on the continent. To this end, DFIs like the African Development should support governments to put in place appropriate and conducive regulations and build the capacity of local financial institutions in these areas. Existing credit bureaus must be strengthened, and new ones established in countries where they are absent to help enhance credit information flow.

Digitalisation of trade value chains and trade finance should be promoted to reduce delays in processing and minimize bureaucracy is critical. Over 21 percent of firms, most of them in agriculture and time-sensitive sectors, view delays in the processing of transactions as a significant challenge. Digitization could reduce the cost of identifying and verifying
trading counterparts, verifying the authenticity of transaction documents, removing duplicate processes for both firms and banks, and driving down transaction costs. The good news is that spurred by COVID-19-related challenges, some banks have already started streamlining their internal processes to promote electronic processing and expedite the approval of trade finance transactions. Yet they note that such measures will have limited impact without appropriate national and global regulatory support (International Chamber of Commerce, 2020). The International Chamber of Commerce has recently issued guidelines on how national regulators could build on the positive efforts made by banks. That could serve as a good starting point for governments to coordinate efforts with MDBs, logistics and shipping companies, banks and fintechs to speed up the digitisation agenda.

While women-owned businesses may not be unfairly disadvantaged in terms of access to trade finance, there is a compelling case to support them even more because they tend to serve more markets and employ more workers, thereby contributing significantly to economic development. Moreover, this particular finding may not generalize to other countries. The African Development Bank’s Affirmative Financing Action for Women in Africa (AFAWA) and similar initiatives should therefore be supported and encouraged. To get a more complete picture of the gender dimension of trade finance, it will be useful to replicate this survey in other countries and regions.

Building capacity is necessary on both the supply and demand side. On the supply side, banks need to have the requisite capacity and skills to appropriately assess the trade finance needs and risks associated with SMEs, for example. Through trust funds, donor agencies, internal resources and cost-sharing mechanisms, MDBs and similar institutions should help build the capacity of local banks in such critical areas as trade finance product knowledge and development of appropriate risk management frameworks and models tailored to SMEs. On the demand side, firms need to build capacity on various trade finance instruments and options available for financing exports and imports. The overreliance on more expensive trade finance instruments could mean that most firms, especially SMEs, have a limited understanding of the options available for trade transactions. Firms' financial and overall management capacities must be strengthened, particularly for SMEs that face higher rejection rates. Strategies to help SMEs develop better risk and capital management systems are needed to ensure that they can easily access finance, meet their financial obligations, and take on sustainable debt to stay creditworthy. MDBs like the African Development Bank, other DFIs and trade organizations such as the International Trade Center and World Trade Organization (WTO) can provides technical assistance on enterprise financial management upgrading, pre-qualification assessments, and debt-servicing strategies to enterprises in developing regions (International Trade Center, 2014). Small business development administration departments could help scale such measures across the region.

Finally, it will be useful to expand this type of demand-side trade finance studies to other countries and regions in Africa to help build the body of knowledge in this area and support future policy making based on sound and more comprehensive data.
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