Factors That Affect Trade Credit Among Manufacturing Firms In Uganda.

BY

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers historical, theoretical, conceptual plus contextual background to the study, statement of the problem, purpose of the study, objectives of the study, hypotheses, conceptual framework, scope of the study, geographical scope and significance of the study.

Trade credit is an agreement involving purchase of goods and services without immediate payment. This practice is used by all business entities in both developed and developing nations (Leire & Cowton, 2009, Rodri'guez, 2008). Although many studies have examined trade credit practices from the financing (Schwartz, 1974, Salima, 2007, Altunok, 2011, Cunat, 2012, Santiago, Fenandez and Udell, 2012), price discrimination (Meltzer, 1960, Schwartz and Whitcomb, 1979, Altunok, 2011, Cunat, 2012), and transaction cost perspectives (Williamson, 1996, Ferries, 1981, Summers & Wilson, 1997, Kevin, 2013, Cunat, 2012), none has introduced the mediating variable of repayment behavior. The fore going has created a knowledge gap which this study is going to address. This study also aims to achieve better trade credit practice which can enhance the country's economic development. Repayment behavior plays a critical role in enabling trade credit accessibility by suppliers and this study is aimed at achieving this. More insight is required to find out why trade credit use is on a reducing trend in Uganda. Financing, Price discrimination and Transaction cost are the three key determinants of trade credit that are to be examined in the study.

1.1 Background to the Study

1.1.1 Historical Background

Trade credit is a practice of giving credit to customers of goods/services on account and its key determinants include: volume of transactions, price of trade credit and enhanced buyer/seller relationship, (Gofman, 2013). Scholars such as Petersen and Rajan (1997), Demirguc Kunt and Maksimovic (2001) have observed that both small, medium and large firms use trade credit as a source of funding to finance purchases and offer financing to debtors. Horen (2007) stated that in the business world, the volume of trade credit has been higher than short-term loans received from banks. According to Fabbri & Klapper, 2008, of the World Bank Enterprise Survey database, of 40,000 firms in 50 developing countries, about 87% extended trade credit to their customers.

Trade credit has existed since pre-colonial times, during colonial times, in post colonial times and still practiced today. The only difference is that during pre-colonial and colonial times, trade credit was more on personal basis than by manufacturing firms (Price, 1989). Globally trade growth depended on development of a wide variety of credit practices, supported primarily by big wholesalers and export merchants. Manufacturing in America was limited, it was more on the growth of craftsmanship and artisan. There were saddlers (saddle makers), weavers of fine cloth (Peru), silversmiths, goldsmiths, sugar making, distilling and tobacco processing (Donald, 2001). These cases highlight the centrality of trade credits and problems arising from indebtedness in Yoruba land of West Africa. They also show how commercial transactions and associated disputes reflect on wider historical events in pre-colonial Yoruba land. Creditors and aggrieved parties adopted seizure as a strategy for inducing compensation. British rule provided litigants with access to courts and Shifts in the legal system removed the option of violence from the people and concentrated this in the colonial state. Colonialism involved 'social reordering' and colonial subjects were 'socialized' to adopt new behavioral codes. Despite the abundance of studies on pre-colonial Yoruba trade and links between trade and politics, the role of trade credit and debt have not received enough attention (Tubman, 2006).

During the pre- colonial period, the Yorubas traded everywhere in the Bight of Benin and as far as the Volta and Niger Rivers. By the 1790s local sources of capital were insufficient to finance Yoruba trade which rose to new heights when Lagos emerged as a major slaving port. Afterwards, traders resorted to foreign capital and according to Giambattista Scala, a mid-nineteenth century Italian trader, Europeans gave "their merchandise to the natives, who would pay back when they had the opportunity to do so with the products of Yoruba land. Because credit helped traders to edge out competitors, merchants with extensive capital used the system of credit payments to attract traders. As the size of European traders increased, those interested in a few local products and producers, competition ensued among them for dependable local allies and commercial brokers. Credit became a necessity to the Indians because of the seasonable nature of the trade commodity. He could trade in summer, but he had to hunt in the fall and winter when the prime furs were dressed. For these hunts, the Indian had to have guns and ammunition (King, 2008).

Agriculture has been Uganda's predominant economic activity since pre colonial times. Though an active trade in ivory, slaves and animal hides linked with Africa's east coast long before the arrival of Europeans and most Ugandans were subsistence farmers. After

Britain declared Uganda a protectorate in 1893, it pursued economic policies that drew Uganda further into the world economy, primarily in order to serve Britain's textile industry (Abdelaziz Marhoum, & David).

Trade Credit was vital to the economy of colonial America and much of the individual prosperity and success in the colonies was due to credit. Networks of credit stretched across the Atlantic from Britain to the major port cities and into the interior of the country (Nigeria) allowing exchange to occur (Bridenbaugh, 1990, 154). Colonialists made purchases by credit, cash and barter. Barter and cash were spot exchanges, goods and services were given in exchange for immediate payment. Colonial importers and wholesalers relied on credit from British suppliers while rural merchants received credit from importers and whole sellers in the port cities and finally, consumers received credit from the retailers (McCusker and Menard, 1985, Martin, 1939, 19, Perkins, 1980, 24).

A basic credit transaction today is essentially the same as in the eighteenth century, only the form is different. Extending credit presents risks, most notably default and total volume of credit extended which threatens solvency. Security from theft is another advantage that sellers gained by faster sales of goods and interest charges hidden in higher prices of goods.

1.1.2 Theoretical background

Many studies have examined trade credit from the financing perspective, (Schwartz, 1974, Salima, 2007, Caglayan, 2008, Isaksson, 2005, Altunok, 2011, Cunat, 2012, Santiago, Fenandez and Udell, 2012), price discrimination (Meltzer, 1960, Schwartz and Whitcomb, 1979, Brennan, Maksimovic and Zechner, 1988, Altunok, 2011, Cunat, 2012) and transaction cost perspectives (Williamson, 1996, Ferries, 1981, Summers & Wilson, 1997, Kevin, 2013, Cunat, 2012). Proponents of trade credit argue that trade credit use reduces transaction costs (Ferris, 1981), allows sellers implement price discrimination across customers with different credit worthiness (Brennan et al., 1988), facilitates the establishment of long term relationships with customers (Summers and Wilson, 2002), and provides a warranty for product quality when customers cannot observe product characteristics (Long et al., 1993). Constand (2003) in an analysis of trade credit supplied by Japanese manufacturing firms and general trading companies, found that existing trade credit theories explain the level of trade credit supplied and demanded by Japanese firms. However, these studies ignore repayment behavior in examining and explaining supply and demand for trade credit.

The financing theory posits that trade credit is specifically used for the purpose of short term financing (Salima, 2007, Isaksson, 2005, Fabbri & Menichini, 2006, Cunningham, 2007, Daisuke, 2007; Caglayan, 2008) and acts as a substitute for bank loans. Petersen and Rajan, (1997) argues that increase in trade credit provision signals financial health, reputation and for building sales which is of vital importance to small and young firms. However, trade credit is always extended at a much higher than normal market lending rate (Nick, 2008). Besides, financing theory also ignores repayment behavior in explaining trade credit.

The price discrimination theory posits that suppliers use trade credit to discriminate amongst clients in selling goods and services. It assumes that trade credit can be offered even if the supplier does not have a financing advantage over financial institutions because credit may be used to price discriminate (Brennan, Maksimovic and Zechner, 1988, and Mian & Smith, 1992). Price discrimination addresses the financing theory problem of higher than normal market lending rates by having two types of pricing regimes. Petersen and Rajan (1997) observed that suppliers extend credit to only loyal customers. However, this theory fails to explain what happens in markets where price discrimination may not be exercised and also ignores repayment behavior in determining trade credit.

The Transactions cost theory posits that providing trade credit reduces the costs of paying and administering invoices between buyers and sellers. Transaction cost theorists argue that it reduces transactions costs by promoting efficiency in cash management (Ferris, 1981, Petersen and Rajan, 1997). Furthermore (Ferris, 1981) argued that transaction costs reduces frequency with which payments must be made to suppliers and the cost of holding cash balances (Ferris, 1981, Emery, 1987) is reduced. This theory addresses the cost of maintaining two markets mentioned under price discrimination theory. This theory focuses on what financing and price discrimination theories may not be able to deal with. However, this theory assumes that obtaining trade credit is cheaper for firms compared to bank credit, yet opportunism exists in all economic exchange. Repayment behavior is also ignored by this theory.

Whereas trade credit supply is explained by financing, price discrimination and transaction cost theories, they do not adequately articulate trade credit as evidenced by decline in trade credit supply and demand especially in developing countries, Uganda inclusive (Araujo & Oliveira, 2009; Investor Survey Report, 2012/13). The gaps /weaknesses identified by those theories include: ignoring the impact of repayment behavior, which categories of firms may access trade credit, a wrong assumption that trade credit accessibility applies only when financial markets are imperfect and buyers have unsatisfied demand for bank institutional finance. Furthermore, the theories fail to explain what happens with markets where price discrimination cannot be applied and when supplier's competition is high. Transaction cost ignores factors that affect the level of transactions inside a firm, ignores opportunism and contextual grounding of human actions, existence of stock outs and fails to arrive at contractual arrangement. Therefore, combining these theories with repayment behavior will address the weaknesses mentioned above and explain better trade credit supply and demand beyond the current state specifically among manufacturing firms in Uganda.

1.1.3 Conceptual Background

Trade credit involves purchase of goods and services without immediate payment and is used by all business entities in both developed and developing countries (Leire & Cowton, 2009, Rodri'guez, 2008). This concept will be used as a dependent variable in this study. Many studies have examined trade credit from the financing (Schwartz, 1974, Salima, 2007, Altunok, 2011, Cunat, 2012, Santiago, Fenandez and Udell, 2012), price discrimination (Meltzer, 1960, Schwartz and Whitcomb, 1979, Altunok, 2011, Cunat, 2012), and transaction cost perspectives (Williamson, 1996, Ferries, 1981, Summers & Wilson, 1997, Kevin, 2013, Cunat, 2012) but no study has introduced the mediating variable of repayment behavior. This study will look at factors that affect Trade credit (i.e Financing, Price discrimination and Transaction cost) to represent the independent variable , Trade credit to represent the dependent variable and Repayment behavior as a mediating variable. According to Bhatt and Shui (2002), repayment behavior is the likelihood of repayment by the firm to whom trade credit is granted. Repayment behavior is critical because the strongest appeal of most firms is high repayment rates. The high default rates of some firms have led observers to believe that giving credit to some firms might be as risky as has been traditionally assumed (Bhatt & Shui, 2002). Therefore, combining financing, price discrimination and transaction cost with repayment behavior could better explain trade credit supply.

Trade credit is a custom of giving credit to customers of goods and services on account and its key determinants include: volume of transactions, price of trade credit, enhanced seller/buyer relationship (Gofman, 2013). The Financing variable posits that trade credit is specifically used for the purpose of short term financing (Salima, 2007, Isaksson, 2005, Fabbri & Menichini, 2006, Cunningham, 2007, Daisuke, 2007; Caglayan, 2008) and acts as a substitute for bank loans. This variable is the biggest promoter of trade credit use. The price discrimination variable implies that suppliers use trade credit to discriminate amongst clients in selling goods and services. That trade credit can be offered even if the supplier does not have a financing advantage over financial institutions (Brennan, Maksimovic and Zechner, 1988, and Mian & Smith, 1992). The Transaction cost variable states that providing trade credit reduces the costs of paying and administering invoices between buyers and sellers. Transaction cost theorists argue that it reduces transactions costs by promoting efficiency in cash management (Ferris, 1981, Petersen and Rajan, 1997), hence promoting trade credit use. Repayment behavior as a mediating variable handles the repayment behavior of the debtors (Bhatt & Shui, 2002). The high default rates of some firms have led observers to believe that giving credit to some firms requires to critically analyze the repayment behavior of would be debtors (Bhatt&Shui, 2002).

Scholars such as Petersen and Rajan (1997), Demirguc Kunt and Maksimovic (2001) have observed that both small, medium and large firms use trade credit as a source of funding for purchases and offer financing to debtors.

1.1.4 Contextual background

In Uganda, existing data indicate that during 2013 only 30% of manufacturing firms supplied trade credit (Investor Survey Report, 2012/13) compared to 58.9% in 2003 as per the table below.

Table 1.1: Share of Manufacturing Firms Receiving External Finance (%)

	Kenya	**Uganda**	**Tanzania**
Trade Credit	83.2	58.9	62.3
Bank Loan	39.1	20.2	19.1
Bank Overdraft	66.4	23.5	30.4

Source: *World Bank (2002/03), Investment climate Surveys*

This study is to look at manufacturing firms in Uganda because they greatly contribute to the economic development of the country and also expand sales. If producers sell less, produce less, fewer employees will be needed, working capital will reduce, there will be less output which will cause lower Gross domestic product (Wahid, 2013) and therefore there will be less economic development of the country.

Access to credit in Uganda continues to be a challenge to domestic investors with 70 % of firms financing their investments through retained earnings (Investor survey report 2012/13) and only 30% offering trade credit. This was noted by the Parliamentary national economy committee report on the performance of the economy during the financial year 2012/13 that was adopted by the Uganda Parliament. Legislators further noted that the weak link between private sector credit and economic growth implied that credit is predominantly channeled to consumption rather than production. Despite largely favorable investment conditions, it is possible, investment may decline and affect economic growth which will stifle economic recovery. The committee further noted that Uganda's economy had shifted from public to private sector investment, but high lending rates and low credit availability had stifled private sector and household investment. During 2012/13 financial year, real GDP grew at 5.8% which was mainly driven by services and industry sectors compared with 3.4% of 2011/12. The study is important as manufacturing sector contribute to the economic development of the country, increase employment, improve the firm's liquidity plus increasing GDP of the country. Many studies have examined trade credit practices from the financing (Schwartz, 1974, Salima, 2007, Altunok, 2011, Cunat, 2012, Santiago, Fenandez and Udell, 2012), price discrimination (Meltzer, 1960, Schwartz and Whitcomb, 1979, Altunok, 2011, Cunat, 2012), and transaction cost perspectives (Williamson, 1996, Ferries, 1981, Summers & Wilson, 1997, Kevin, 2013, Cunat, 2012), but none have introduced the mediating variable of repayment behavior. This is one of the knowledge gaps which this study is going to address. Other gaps include: The wide spread use of trade credit as a very useful source of finance even to big firms is not explained, Price discrimination fails to explain what happens in markets where price discrimination may not be exercised, the higher opportunity cost experienced because of keeping low cash is unexplained, (Petersen and Rajan, 1997), timing of firm's purchases becomes more unpredictable hence stock out costs, (Elliehausen and Wolken, 1993), (Omenguele and Mazra, 2012).

1.2 Statement of the Problem

Although trade credit supply has been widely adopted world wide by business entities (Fabbri & Klapper, 2008), it has been limited by numerous challenges (Fisman & Raturi, Giannetti et al , 2008, Ng et al., 1999, Kazooba, 2006). The challenges include lack of adequate trade credit to develop the economy and to improve firm performance, failure to honor short term obligations when they fall due, poor debt collection practices and increased stock out costs plus liquidity problems. Reduction in trade credit use is a problem resulting from the increased risk of non- payment by firms as more companies get into financial difficulties, (Humphrey, 2009). Trade credit use though has widely been adopted by businesses world-wide and has prompted scholars to pay much attention towards explaining trade credit practices based on theories. Scholars such as Ferris, (1981); Salima (2007); Isaksson (2005); Fabbri & Menichini (2006); Cunningham (2007) have applied financing, price discrimination, and transaction costs to represent factors that affect trade credit. However, discussion of these factors have inherent weaknesses that limit their efforts in explaining practices channeled towards achieving better trade credit use. Besides, discussion of these factors ignores the concept of repayment behavior, which plays a critical role in enabling trade credit accessibility by users. This is so, because repayment behavior is critical since the strongest appeal of most firms is high repayment rates. While the supply of trade credit world-wide has been on the increase, in Uganda it's on a reducing trend and only 30% of manufacturing firms use it (investor survey report 2012/13), Okurut, Schoombee and Servaas (2004), Humphrey, 2009). Other reasons for the reducing use is difficulty in getting character references, behaviors of credit users and high costs of administering it (Okurut, Schoombee and Servaas, 2004). Further more, existing studies (Salima, 2007, Raghuram, (2002), Mitchel (1996), Williamson (1996), Ferries, 1981, indicate that the different theories for supply of trade credit have ignored repayment behavior (Bhatt & Shui, 2002). The conventional trade credit studies cannot adequately explain trade credit supply and demand and therefore introducing repayment behavior will provide an enriched understanding and make an original contribution to the current debate. The study will also establish the relationship between trade credit and the factors that affect it and examine whether repayment behavior mediates this relationship among manufacturing firms of Uganda.

1.3 Purpose of the Study

The purpose of this study is to examine the factors that affect Trade credit among manufacturing firms in Uganda and develop an alternative working model that will provide an enriched understanding and explanation of Trade credit based on financing, price discrimination, transaction cost and repayment behavior.

1.4 Objectives of the Study

i) To examine the relationship between financing and trade credit among manufacturing firms in Uganda.

ii) To examine the relationship between price discrimination and trade credit among manufacturing firms in Uganda.

iii) To examine the relationship between transaction costs and trade credit among manufacturing firms in Uganda.

iv) To examine the mediating effect of repayment behavior between financing and trade credit among manufacturing firms in Uganda.

v) To examine the mediating effect of repayment behavior between price discrimination and trade credit in manufacturing firms in Uganda.

vi) To examine the mediating effect of repayment behavior between transaction costs and trade credit in manufacturing firms in Uganda.

1.5 Research questions

i) What is the relationship between financing and trade credit among manufacturing firms in Uganda?

ii) What is the relationship between price discrimination and trade credit among manufacturing firms in Uganda?

iii) What is the relationship between transaction costs and trade credit among manufacturing firms in Uganda?

iv) What is the mediating effect of repayment behavior between financing and trade credit among manufacturing firms Uganda?

v) What is the mediating effect of repayment behavior between Price discrimination and trade credit among manufacturing firms in Uganda?

vi) What is the mediating effect of repayment behavior between Transaction cost and trade credit among manufacturing firms in Uganda?

1.6 Hypotheses

H_1 There is a relationship between financing and trade Credit.

H_1a: There is a relationship between information acquisition of the firm and trade credit.

H_1b: There is a relationship between reputation of the firm and trade credit.

H_1c: There is a relationship between credit worthiness of the firm and trade credit.

H_2: There is a relationship between price discrimination and trade credit.

H_2a: There is a relationship between market power of the firm and trade credit.

H_2b: There is a relationship between customer demand and trade credit.

H_3: There is a relationship between transaction costs and trade credit.

H_3a: There is a relationship between the frequency of transactions and trade credit.

H_3b: There is a relationship between the number of transactions and trade credit.

H_4: Repayment behavior mediates the relationship between financing and trade credit.

H_4a: Character the relationship between financing and trade credit.

H_4b: Capacity mediates the relationship between financing and trade credit.

H_5: Repayment behavior mediates the relationship between price discrimination and trade credit.

H_5a: Character mediates the relationship between price discrimination and trade credit.

H_5b: Capacity mediates the relationship between price discrimination and trade credit.

H_6: Repayment behavior mediates the relationship between transaction costs and trade credit.

H_6a: Character mediates the relationship between transaction costs and trade credit.

H_6b: Capacity mediates the relationship between transaction costs and trade credit.

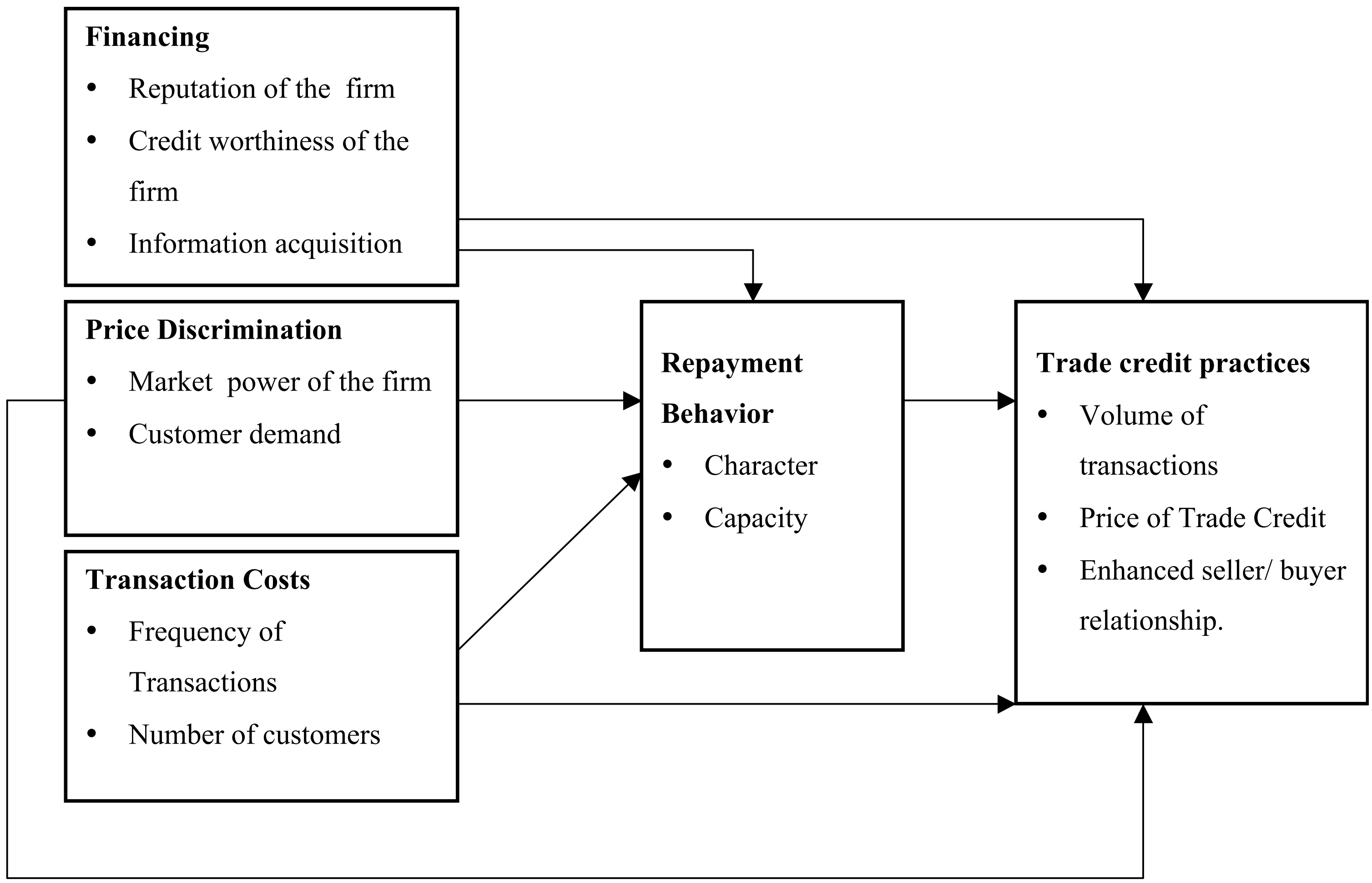
1.7 Scope of the Study

1.7.1 Conceptual Scope

The study will investigate the factors affecting Trade credit among manufacturing firms of Uganda. The independent variable will be represented by Financing, Price discrimination and Transaction cost while the dependent variable is trade credit. The determinants of trade credit include Volume of transactions, Price of trade credit and Enhanced seller/buyer relationship.This study is looking at manufacturing firms of

Uganda because they greatly contribute to the economic development of the country (Wahid, 2013).

1.7.1 Conceptual Framework



Source: *Derived from Financing theory (Swartz, 1974), Price discrimination theory (Mian & Smith, 1992) and Transaction cost (Ferris, 1981).*

1.7.2 Geographical Scope

This study will be carried out in manufacturing firms in Kampala and the surrounding districts of Wakiso and Mukono, because this is the area where most industries are located and is the busiest (UMA, 2012). The time scope will be from 2014 to 2015.

1.8 Significance of the Study

This study will contribute additional knowledge to existing body of literature about the combined influence of repayment behaviour, financing, price discrimination and transaction costs on trade credit among manufacturing firms in Uganda.

This study will provoke further discussion and research based on the different variables under this study for researchers and other academicians.

The findings of this study will help policy makers, managers, and other stakeholders. For policy makers, it will enhance efforts in planning and setting flexible policies that may promote trade credit use in order to increase the number of users.

The managers of the manufacturing firms will also use the results from this study to develop more appropriate strategies to increase their trade credit supply in the different markets or industries to be able to improve their performance.

1.9 Justification of the study

This study is aimed at critically looking at the factors that affect trade credit, how it can be improved to enhance the country's economic development and improve the performance of manufacturing firms plus addressing the various challenges currently existing in the economy of the country.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section reviews literature related to the variables as presented by the conceptual model of the study. The factors that affect trade credit are based on the theories of financing, price discrimination and transaction cost. The first section covers trade credit theories, the second section covers themes or concepts of the study, empirical studies, areas of controversy, Synthesis of literature (gaps identified) and areas of further study identified. Section three presents how the variables are mediated by repayment behaviour. Section four presents the summary of the chapter and introduces the next chapter.

2.1 Trade Credit theories

Trade credit is an arrangement between businesses to buy goods or services on account, or without making immediate cash payment. The concept of trade credit is based on the provision of goods or services in the expectation of payments to be made in future (Alphonse et al., 2004; Leire, Cowton, Van Horne & Wachowicz, 2001, Stern & Chew, 2003).

Many studies have examined trade credit from the financing theory (Schwartz, 1974, Salima, 2007, Caglayan, 2008, Isaksson, 2005, Altunok, 2011, Cunat, 2012, Santiago, Fenandez and Udell, 2012), price discrimination theory (Meltzer, 1960, Schwartz and Whitcomb, 1979, Brennan, Maksimovic and Zechner, 1988, Altunok, 2011, Cunat, 2012) and transaction cost theory (Williamson, 1996, Ferries, 1981, Summers & Wilson, 1997, Kevin, 2013, Cunat, 2012). Proponents of trade credit argue that trade credit use reduces transaction costs (Ferris, 1981), allows sellers to implement price discrimination across customers with different credit worthiness (Brennan et al., 1988), facilitates the establishment of long term relationships with customers (Summers and Wilson, 2002), and provides a warranty for product quality when customers cannot observe product characteristics (Long et al., 1993). Constand (2003) in an analysis of trade credit supplied by Japanese manufacturing firms and general trading companies, found that existing trade credit theories explain the level of trade credit supplied and demanded by Japanese firms. However, these studies ignore repayment behavior in examining and explaining supply of trade credit.

2.1.1 Financing Theory

The financing theory posits that trade credit is specifically used for the purpose of short term financing (Salima, 2007, Isaksson, 2005, Fabbri & Menichini, 2006, Cunningham, 2007, Daisuke, 2007; Caglayan, 2008) and acts as a substitute for bank loans. Petersen and Rajan, (1997) argues that increase in trade credit provision signals financial health, improve firm's reputation and for building sales which is of vital importance to small and young firms. Besides, financing theory ignores repayment behavior in explaining trade credit.

Horen (2007) stated that in the business world, the volume of trade credit has been higher than short-term loans received from banks. According to World Bank Enterprise Survey of 40,000 firms in 50 developing countries, about 87% extended trade credit to their customers. In Uganda, existing data indicate that only 30 percent of manufacturing firms supply and demand trade credit (Investor Survey Report, 2012/13). This could be attributed to high default rates by the customers in Uganda and my study is aimed at finding out how this situation can be improved to enhance the firm's financial health, reputation, sales and thereafter contribute to the economic development of the country.

2.1.2 Price Discrimination Theory

The price discrimination theory posits that suppliers use trade credit to discriminate amongst clients in selling goods and services. It assumes that trade credit can be offered even if the supplier does not have a financing advantage over financial institutions because credit may be used to price discriminate (Brennan, Maksimovic and Zechner, 1988, and Mian & Smith, 1992). Price discrimination addresses the financing theory problem of higher than normal market lending rates by having two types of pricing regimes. Petersen and Rajan (1997) observed that suppliers extend credit to only loyal customers. However, this theory fails to explain what happens in markets where price discrimination may not be exercised and also ignores repayment behavior in determining trade credit.

2.1.3 Transaction Cost Theory

The Transactions cost theory posits that providing trade credit reduces the costs of paying and administering invoices between buyers and sellers. Transaction cost theorists argue that it reduces transactions costs by promoting efficiency in cash management (Ferris, 1981, Petersen and Rajan, 1997). Furthermore (Ferris, 1981) argued that transaction costs reduces frequency with which payments must be made to suppliers and the cost of holding cash balances (Ferris, 1981, Emery, 1987) is reduced. This theory addresses the cost of maintaining two markets mentioned under price discrimination theory. This theory focuses on what financing and price discrimination theories may not be able to deal with. However, this theory assumes that obtaining trade credit is cheaper for firms compared to bank credit, yet opportunism exists in all economic exchange. Repayment behavior is also ignored by this theory. Transaction cost ignores factors that affect the level of transactions inside a firm, ignores opportunism and contextual grounding of human actions, existence of stock outs and fails to arrive at contractual arrangement.

Although Trade credit supply is explained by financing, price discrimination and transaction cost theories, they do not adequately articulate trade credit as evidenced by decline in trade credit supply and demand especially in developing countries (Araujo & Oliveira, 2009; Investor Survey Report, 2012/13). The gaps /weaknesses identified by those theories include: ignoring the impact of repayment behavior, which categories of firms may access trade credit, a wrong assumption that trade credit accessibility applies only when financial markets are imperfect and buyers have unsatisfied demand for institutional finance. Further more, the theories fail to explain what happens with markets where price discrimination cannot be applied and when supplier's competition is high. Therefore, combining these theories with repayment behavior will address the weaknesses mentioned above and explain better trade credit supply beyond the current state specifically among manufacturing firms in Uganda.

Table 2.1: Summary of Reviewed Theories

Theories	Focus of theory	Assumptions	Weaknesses
Financing Theory (Salima, 2007, Raghuram, 2002, Mitchel, 1996, Rajan& NBER, Schwartz, 1974, Nick, 2008, Emery, 1984)	Trade credit is specifically used for the purpose of short term financing by firms and acts as a substitute for institutional finance particularly for firms with limited access.	It assumes that the demand for a service depends on its cost and that of its substitutes	It ignores the impact of repayment behaviour in granting trade credit and it gives no explanation as to which categories of firms may qualify for trade credit or bank finance. There is also a wrong assumption that this theory applies only when financial markets are imperfect and buyers have unsatisfied demand for bank and other institutional finance. It ignores repayment behavior.
Price Discrimination Theory (Schwartz and Whitcomb, 1979, Brennan, Maksimovic and Zechner, 1988, and Mian &.Smith, 1992, Meltzer, 1960, Stigler, 1987)	It emphasizes the sale of similar products which have the same marginal cost to produce by a firm at different prices to different buyers.	It assumes that trade credit may be offered even if the supplier does not have a financing advantage over financial institutions because credit may be used to price discriminate	It fails to explain what happens with markets where price discrimination cannot be applied and also when supplier's competition is high. This theory use data only from the supply side of transactions. It ignores repayment behavior.
Transaction Costs Theory (Williamson, 1996, Schwartz, 1974, Ferris, 1981, Summers and Wilson, 1997).	Trade credit may reduce the transaction costs associated with cash management in allowing firms to accumulate obligations and pay them on specific dates	It assumes an incomplete contract setting. Because contracts are incomplete, transaction costs theory focuses on ex post transaction costs	It creates a higher opportunity cost by holding little cash, ignores factors that affect the level of transactions inside a firm and also ignores the issue of opportunism and contextual grounding of human actions. There is no evidence to support the hypothesis that firms with variable demand will extend more trade credit than firms with relatively stable demand. An effort to reduce transaction costs may lead to stock outs. It does not deal with cases where transacting parties fail to arrive at a contractual arrangement and ignores repayment behavior.

Source: *Financing theory (Swartz, 1974), Price discrimination theory (Mian & Smith, 1992) and Transaction cost (Ferris,1981).*

2.2.1 Financing and Trade Credit.

Financing as one of the factors that affect trade credit and it stipulates that sellers step in to fill the financing gap by offering trade credit to those that are rationed with the aim of building a long-term relationship and benefiting from increased sales. This concept views trade credit as a substitute for institutional finance particularly for those firms which do not have access to it owing to substandard credit worthiness (Salima, 2007, Raghuram, 2002, Mitchel, 1996, Rjan & NBER, Isaksson, 2005). Financing views trade credit as dependent on trust and reputation of the firm receiving it (Fafchamps, 1996). Trade credit is specifically used for the purpose of short term financing by firms exposed to information asymmetries and bank credit rationing and hence improve the performance of firms (Ydriss). Suppliers have an advantage over financial institutions in monitoring and obtaining information from their customers. Besides, the suppliers can easily reposes and sell delivered goods in case of default (Petersen and Rajan, 1997).

The trade credit financing over traditional lenders occur in three ways: First an advantage in the acquisition of information (information asymmetry) could be an explanation for suppliers to grant trade credit to their customers. The way financial institutions obtain information about debtors is fundamentally different from suppliers. Suppliers in general visit their customers (debtors) more often (Petersen and Rajan, 1997, Schwartz, 1974, Mian and Smith, 1992). Secondly the supplier has an advantage in controlling the buyer, for instance if a debtor has few alternative sources to buy materials, a supplier can threaten to cut off future deliveries in case of non-payment (Petersen and Rajan, 1997). Thirdly, a supplier has an advantage of salvaging value from existing assets in case of default by the debtor (Mian and Smith, 1992, Petersen &Rajan, 1997, Biais & Gollier, 1997).

Financing does not however explain the wide spread use of trade credit as a very useful source of finance for different firms. There is no explanation why large corporate organizations, which have access to institutional finance, are also found to use trade credit (Wilner, 2000), found out that firms with greater probability of default prefer trade credit to a loan from a financial institution and consequently trade credit interest rates exceed the credit market rate. The theory also ignores repayment behavior in explaining trade credit.

H_1: *There is a relationship between financing and trade credit.*

H_1a: *There is a relationship between reputation of the firm and trade credit.*

H_1b: *There is a relationship between credit worthiness of the firm and trade credit.*

H_1c: *There is a relationship between information acquisition of the firm and trade credit.*

Empirical Studies on Financing

According to Marotta, 2005, in the Italian manufacturing sector, trade credit finances amounts to 38.1% of the input purchases of unconstrained firms, as opposed to 37.5% of constrained firms. Marotta in his study however, did not mention any thing about repayment behavior. Using the study that was undertaken by Fabbri and Klapper, (2008), most Italian firms providing trade credit are small and medium sized firms that are themselves credit constrained. Large and small firms, constrained and unconstrained, make massive use of trade credit financing (Fabbri and Klapper, 2008).

Regarding the African continent, Fafchamps, 1996, observed that trade credit in Zimbabwean manufacturing, is the most important source of funds accounting for a quarter to a third of all outstanding balances in all firm size categories. According to Zimbabwean manufacturing, Fafchamps panel data, 1996, most of the purchases and sales made by manufacturing firms are on credit. On average, purchases on credit account for 81% of all purchases. In a similar study that was carried out by Kihanga, Hermes, Lensink and Lutz in 2010 about rice trading in Tanzania, trade credit is indeed important to both rice wholesalers and rice retailers. The results of this empirical analysis show that the structural modeling approach may better explain the factors that affect trade credit and include price of trade credit, same ethnic group, long term trade relationship and frequency of purchasing. In the study that was carried out by Olawale and Akinwumi, 2010 regarding the determinants of access to trade credit by SME's in South Africa, out of 417 respondents who applied for trade credit, only 21.4% were successful. The results of this study further indicate that trade credit is a major potential source of funds for new SME's.

A study on the importance of courts for trade credit in East African manufacturing firms was carried out by Kaniki in 2006.The main data sources for this study were the Investment Climate Assessment (ICA) surveys of the manufacturing sector. The surveys were conducted by the Regional Program on Enterprise Development (RPED) at the World Bank. The data was mainly cross-sectional having been collected for Kenya, Uganda, and Tanzania between 2002 and 2003. The surveys provided data on 282 Kenyan, 300 Ugandan, and 276 Tanzanian manufacturing firms respectively. The samples were drawn from censuses conducted by National Statistical Bureaus in each country. To ensure representation of all types of firms, the samples were stratified across location, industry, and size. There were 9 manufacturing industries covered in the surveys, namely: agro, chemicals and paints, construction materials, furniture, metals, paper, printing, and publishing, plastics, textile and leather, and wood. The key policy implication of the paper is that improving the efficiency of the judiciary can have a positive impact on trade credit supply. This suggests that business activity in the manufacturing sectors of the EAC countries can be enhanced by strengthening the court system.

Key Financing Gaps Identified

The main criticism of this factor is the way the authors make the distinction between firms with good access to credit markets (Kohler et al). Neither of these studies addresses the effects of financial crisis on the use of trade credit (Grave, 2011).The study on the importance of courts of law fell short of mentioning trade credit as a major source of funding. It ignores the impact of repayment behavior in granting trade credit and it gives no explanation as to which categories of firms may qualify for trade credit or bank finance. This study will try to address the repayment behavior gap but the financial crisis and the categories of firms that qualify for trade credit will be for a future study.

2.2.2 Price Discrimination and Trade Credit

Price discrimination as a factor that affects trade credit is the practice of charging a different price for the same good or service. There is a very big relationship between price discrimination and trade credit because the more use of price discrimination means enhanced trade credit use. Price discrimination can only occur if the following conditions are met: the firm must be able to identify different market segments, such as domestic users and industrial users. Suppliers may also use discounts to price discriminate. Pike et al. (2005), argue that suppliers may offer larger cash discounts to large buyers with lower risk for the purpose of price discrimination rather than reducing risk. Moreover, the same argument applies to cases where there is a strong relationship between the supplier and the buyer or where the seller is large with significant market power. So if the supplier is large with market power and attracts creditworthy customers, the main purpose of the discounts will be price discrimination.

The Price discrimination however fails to explain what happens in markets where price discrimination may not be exercised and it also ignores repayment behavior. Therefore, it is hypothesized that;

***H_2*:** *There is a relationship between price discrimination and trade credit.*

***H_2a*:** *There is a relationship between market power of the firm and trade credit.*

***H_2b*:** *There is a relationship between customer demand and trade credit.*

This study will try to improve the relationship between price discrimination and trade credit given the existence of monopoly tendencies.

Price Discrimination Empirical Studies

Globally there is an empirical support to explain the relationship of demand for trade credit by Atanasova and Wilson, 2003, Danielson and Scot, 2001 and Nilsen, 2002. They report that firms facing credit rationing try to overcome them by using trade credit. Empirical evidence for the use of trade credit to practice price discrimination is found by Pike, Cheng, Carvens and Lamminmaki (2005) and Chee K. NG et al. (1999). Petersen and Lajan (1997) state two reasons why trade credit could be used to price discriminate. First in the short run suppliers may have an incentive to provide trade credit to customers with a more elastic demand. Second, suppliers have an incentive to help customers to overcome financial problems via providing trade credit to them, because in the long run the supplier can profit from increasing demand of these customers.

Existing studies take an indirect approach and test whether greater monopoly power of sellers increases trade credit provision (Hirofuni, Lichiro and Masaki, 2010). Petersen and Rajan, 1997 and Marotta, 2005, find evidence in supporting this statement. Another argument related to price discrimination stresses the importance of competitive pressure in different markets as a reason for offering trade credit (Pike and Cheng, 2003). To be more specific, suppliers may offer different prices in different market if there is competition (Fisman and Raturi, 2004). In an environment of market competitiveness, customers may switch easily if there are no incentives to stick with a certain supplier. Providing trade credit may be one instrument to retain customers. However these authors do not talk about repayment behavior as a mediating variable. The regional rice trading study carried out by Kihanga, Hermes, Lensink and Lutz in 2010 in Tanzania did not talk about price discrimination which is indeed important to both rice wholesalers and rice retailers.

Price Discrimination Gaps

Existing studies use data only from the supply side of transactions (Hirofuni, Lichiro and Masaki, 2010). It fails to explain what happens with markets where price discrimination cannot be applied, where the supplier's competition is high and ignores repayment behavior. However demand side of transactions will be for future research.

2.2.3 Transaction Costs and Trade Credit

The transaction cost as one of the factors that affect trade credit asserts that obtaining trade credit results into less transaction costs for firms compared with bank credit (Cunat, 2007). It is less costly for firms to postpone trade credit payments than renegotiate bank loans (Ozgor and Goknur). Transaction cost assumes an incomplete contract setting. Because contracts are incomplete, transaction cost focuses on ex post transaction costs (Williamson, 1996). Transaction costs also refer exclusively to the costs of defining, negotiating, monitoring or enforcing contracts for goods and services in the sphere of markets or exchange (Hodgson and Knudsen, 2007).The combination of the supply of both goods and finance from one source can lead to cost advantages and to a reduction in transaction costs.

By using trade credit, a firm can also reduce the effect of growth on working capital needs (Damodaran, 2001; Brealey and Myers, 2002). Ferris (1981), further argues that trade credit may reduce the transaction costs associated with cash management in allowing firms to cumulate obligations and pay them on specific dates.

According to Schwartz (1974), transaction costs stipulate that suppliers may have an advantage over traditional lenders in checking the real financial situation or the credit worthiness of their clients. Suppliers also have a better ability to monitor and force repayment of the credit. The three sources of cost advantages as stated by Petersen and Rajan (1997) are advantageous in information acquisition, advantageous in controlling the buyer and advantageous in salvaging value from existing assets. Thus it is hypothesized that;

H_3: *There is a relationship between transaction costs and trade credit.*

H_3a: *There is a relationship between frequency of transactions and trade credit.*

H_3b: *There is a relationship between the number of transactions and trade credit.*

Transaction Cost Empirical Studies

According to Ferris, 1981, tests of the transaction cost hypothesis to date have employed a rather rough methodology of testing the hypothesis by regressing accounts payables or receivables on the bond market interest rate, business receipts and cost of sales, but such a regression allows for a variety of interpretations. By using trade credit, a firm can also reduce the effect of growth on working capital needs (Damodaran, 2001; Brealey and Myers, 2002). Other authors (e.g. Elliehausen and Wolken, 1993) stress that frequent buyers may have a high rate stock turnover

In a regional rice trading study, another explanation for the use of trade credit by both suppliers and buyers centres on cost reduction motives (Kihanga, Hermes, Lensink and Lutz, 2010). The argument is often based on the transaction cost theory, suggesting that both suppliers and customers will engage in trade credit because doing so will lead to cost reduction for both trading parties. One of the factors that may encourage trade credit use is when transactions between the seller and the buyer are frequent (Petersen and Rajan, 1997; Summers and Wilson, 2002). From the supplier's perspective, trade credit provision may lead to cost reduction (Kihanga, Hermes, Lensink and Lutz, 2010).

Transaction Cost Gaps

The higher opportunity cost experienced because of keeping low cash is unexplained, (Petersen and Rajan, 1997).Timing of firm's purchases becomes more unpredictable hence stock out costs, (Elliehausen and Wolken, 1993), (Omenguele and Mazra, 2012). These studies also ignore repayment behavior. However trade credit and liquidity levels will be the study for future research.

2.2.4 Repayment behaviour and Trade Credit

Repayment behavior is the likelihood of repayment by the firm (debtor) to whom trade credit is granted (Bhatt & Shui, 2002).The issue of repayment behavior is critical because the strongest appeal of most firms is high repayment rates (Bhatt & Shui, 2002). The low default rates of some firms have led observers to believe that giving credit to some firms might not be as risky as has been traditionally assumed (Bhatt & Shui, 2002). Results of a statistical test by Bhatt, 2002, indicate that some clients' character is such that some are able but not willing to pay and others have the capacity to pay. Chances for repayment are increased if the borrower has experienced lower transaction costs in accessing trade credit (Ibid). Additionally norms plus values of firms also guide, influence, direct, shape or predict actual behavior (Suki, 2006, Rhodes & Courneya, 2003). To enhance repayment, it is important to rightly identify potential profitable firms to offer trade credit to (Bhatt & Tang, 1998). Repayment behavior is supported by the agency theory (Jensen and Meckling, 1976), which is characterized by adverse selection and moral hazard phenomena. Thus it is hypothesized that;

H_4: *Repayment behavior will mediate the relationship between liquidity, Price discrimination, Transaction cost and trade credit.*

H_4a: *Character of the customers will mediate the relationship between Financing, Price discrimination, Transaction cost and trade credit.*

H_4b: *Capacity will mediate the relationship between Financing, Price discrimination, Transaction cost and trade credit.*

2.3 Financing, Repayment behaviour and Trade Credit

Financing is a positive theory that explains how a firm's financing policy is determined. A firm's preference for internal financing, as Donaldson points out (1961), is due to its management's unwillingness to be subjected to market scrutiny when raising funds on the capital market. Donaldson (1961) further observes that managers strongly favoured internal generation as a source of new funds even to the exclusion of external funds, except for occasional unfavourable 'bulges' in need of funds. If the primary penalty for default or delinquency is denial of future loans, clients will presumably be more willing to risk bad behaviour as their outside options expand. In such cases, factors such as repayment schedule may have a marginal impact on delinquency and default. Unwillingness to pay is a major cause of default (Simtowe, 1979). Moral hazard is widely reported as a problem in credit and insurance markets, mainly arising from information asymentry (Simtowe, and Phiri, 1979). Joint liability lending allows for imposition of sanctions on group firms that renege on their payment promises (Ghatak and Guinnance (1999). Thus it is hypothesized that;

H_4: *Repayment behavior will mediate the relationship between financing and trade* ***credit.***

H_4a: *Character of customer will mediate the relationship between financing and trade credit.*

H_4b: *Capacity of customer will mediate the relationship between financing and trade credit.*

2.4 Price Discrimination, Repayment behaviour and Trade Credit

Armstrong (1996) shows that usually it is optimal for the Principal to exclude some consumers from its products in order to extract more revenue from other higher value consumers. Sibley and Srinagesh (1997), analyse the multi product nonlinear pricing in the case where consumer tastes are characterized by more than one taste parameter. Rochet and Chone (1998) show that for those consumers who participate, it is usually optimal to induce a degree of bunching so that consumers with different tastes are forced to choose the same bundle of products.

Under price discrimination, a supplier may possess numerous advantages over traditional financial intermediaries in collecting information on other non-financial firms, in assessing their credit worthiness and finally in controlling their actions. Therefore, one can expect the supplier to be able to discriminate between good and bad firms in troubled periods and thus to provide some of these firms in financial distress with financial support better than banks can do (Dietsch and Lartisien, 1994; Wilner, 2000). Petersen and Rajan, 1997 suggest that this attitude of the supplier may not be restricted to firms in financial distress and should be more general. Coleman (1993), observes that social capital functions as a source of social control. In concurrence with this notion, Olomola (2000), notes that through social homogeneity, rule enforcement, and trust can be reinforced, both of which will enhance social capital. A large fraction of borrowers seem to pay late not for strategic reasons but because they previously seemed to be unable to keep track of their payment schedules, without the help of simple reminders (Kaplan, 2006). In summary, the debate has been the demand variation of the product hence variation of price by the seller plus credit term variation to each separate customer. Thus it is hypothesized that;

H_5: *Repayment behaviour will mediate the relationship between price discrimination and trade credit.*

H_5a: *Character of customer will mediate the relationship between price discrimination and trade credit.*

H_5b: *Capacity of customer will mediate the relationship between price discrimination and trade credit.*

2.5 Transaction Costs, repayment behavior and Trade Credit

Transaction cost theory (TCT) argues that there are costs to conduct transactions through the market; these transaction costs can be reduced through mechanisms other than markets (Coase, 1937; Williamson, 1975). Specifically there are costs to "drafting, negotiating, and safeguarding any exchange or transaction" that are "friction" impeding smooth transactions (Williamson, 1985: 20). The Transaction cost theory claims that these transaction costs driving economic organization are as important as production costs. While production costs are easier to assess than transaction costs, transaction costs are an important part of the total costs of a firm.

Transactions costs comprise the ex-ante costs of (1) searching and information, (2) drafting and negotiating agreement, and (3) costs of safeguarding the agreement. The ex-post costs entail the costs of (1) evaluating the input, (2) measuring the output, and (3) monitoring and enforcement (Williamson, 1985). The transaction costs of negotiating, monitoring, harmonizing, and enforcing contracts between the parties are incurred by each to ensure that the interests of each are protected. Minimizing transaction costs is a major objective of every party.

On the behavioural side, TCE makes allowance for bounded rationality and opportunism. Bounded rationality refers to man's limited cognitive and computational ability (Simon, 1945). Opportunism is "self-interest seeking with guile" (Williamson, 1985: 47), which may include calculated efforts to mislead and deceive. The nature of the activities and the required contributions can be defined discriminatingly through their scores on three dimensions: (1) uncertainty, or the extent to which the activities and desired contributions are amenable to ex ante programming; (2) the degree of asset specificity, or the extent to which alternative uses of investments made to support the activity involve opportunity losses; and (3) the intensity of ex post information asymmetry, or the ability to assess the true quality of actually delivered performance.

Therefore, I hereby hypothesize that;

***H_6*:** *Repayment behaviour will mediate the relationship between transaction costs and trade credit.*

***H_6a*:** *Character will mediate the relationship between transaction costs and trade credit.*

***H_6b*:** *Capacity will mediate the relationship between transaction costs and trade credit.*

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents research methodology that will guide this study. It covers the research philosophies, paradigms, research design, study population and sample size, data sources, sampling design and procedures, data collection instruments, reliability and validity of research instruments, operationalization and measurements of research variables, data analysis, limitations and ethics of the study.

3.1 Research Philosophies

This Research has adopted diverse research methodologies. This study adopts the positivistic philosophical view based on the fact that reality is external and objective (Cavana et al., 2001, p.8). This research philosophy is deemed appropriate here because the research aims to test hypotheses through an empirical scientific process with measurements to identify and establish the relationships between latent variables and obtain statistically significant findings that can be generalized to a population under study.

The positivist paradigm of exploring social reality is based on the philosophical idea of the French Philosopher August Conte. He argues that, observation and reason are the best means of understanding human behaviour; true knowledge is based on experience of senses and can be obtained by observation and experiment. Positivists assume that the reality is objectively given and is measurable using properties which are independent of the researcher and his or her instrument; in other words, knowledge is objective and quantifiable. Positivistic thinkers adopt scientific methods and systematize the knowledge generation process with the help of quantification to enhance precision in the description of parameters and the relationship among them. Positivism is concerned with uncovering truth and presenting it by empirical means (Henning, Van Rensburg and Smit, 2004, p.17). According to Walsham (1995 b), the positivist position maintains that scientific knowledge consists of facts while reality is independent of social construction. Positivism regards human behavior as passive, controlled and determined by external environment.

In its pure form, the realist perspective represents, essentially, the classical positivist tradition. However, a modified objectivist perspective called postpositivism (Philips, 1990) claims that, although the object of our inquiry exists outside and independent of the human mind, it cannot be perceived with total accuracy by our observations.

Interpretive researchers believe that reality consists of people's subjective experiences of the external world; thus, they may adopt an inter-subjective epistemology and the ontological belief that reality is socially constructed. According to Willis (1997) interpretivists are anti foundationalists, who believe there is no single correct route or particular method to knowledge. Walsham (1993) argues that in the interpretive tradition, there are no correct or incorrect theories. Instead, they should be judged according to how interesting they are to the researcher as well as those involved in the same areas. Gephart (1999), argues that interpretivists assume that knowledge and meaning are acts of interpretation, hence there is no objective knowledge which is independent of thinking, reasoning humans. Myers (2008) argues that the premise of interpretive researchers is that access to reality is only through social constructions such as language, consciousness and shared meanings. Interpretive paradigm is underpinned by observation and interpretation, thus to observe is to collect information about events, while to interpret is to make meaning out of that information by drawing inferences or by judging the match between the information and some abstract pattern (Aikenhead, 1997).

The philosophical assumptions underlying this study will come mainly from positivism. The positivisits/objectivists position will enable the study to test objectives and hypotheses developed from existing theories to determine facts or truth, while the interpretivists/subjectivist (how the social world is interpreted) will allow the study to examine contextual factors that influence, determine and affect the interpretations based on the respondent's experiences (Davies, 2003). Quantitative (deductive) and qualitative (inductive) are the two commonly used research approaches. These are based on positivism and phenomenology. They can further be used either in isolation or in combination with various applications. At one level, qualitative and quantitative refer to distinction about the nature of knowledge, how one understands the world and the ultimate purpose of the research. On another level of discourse, the terms refer to research methods that are the way in which data are collected and analysed and the type of generalizations and representations derived from the data.

3.2 Research Design

This study will use a cross sectional research design. This is because it observes all population or a representative subset at one specific point in time. Besides, it also allows large amount of data to be collected over a short time period. Furthermore, since it observes a representative subset at one specific point in time, problems arising from recurrent mistakes in data collection instruments are also minimized as it does not suffer from unavailability of sample used in previous observation as in longitudinal study. The study will be both descriptive and analytical in nature. Descriptive approach will focus on quantitative aspect of the study that will involve obtaining information about the situation that exist, while analytical approach will focus on qualitative aspect of the study to determine in depth inquiry into the existing situation or phenomenon under study based on facts findings (Dawson, 2002; Kumar, 2005).

3.3 Study Population and Sample size

3.3.1 Study population

A study population of 100 Ugandan manufacturing firms sourced from UMA membership (2015) will be used for this study. The firms will include the manufacturing sectors of; textiles, soft drinks, furniture, construction and others. The characteristics of these firms will include; age of the firm (from less than one year to more than 9 years), number of workers employed, number of staff recruited, and size of the firm. These firms will be small and medium sized located in Kampala, Mukono and Wakiso districts with turnover of over shs. 5,000,000/-. The choice of the manufacturing firms is because they greatly contribute to the economic development of the country.

3.3.2 Sample size

The sample size will be 91 manufacturing firms based on Yamane (1973). Previous studies such as Nkundabanyanga, (2012); Kamukama (2010); Kharel (2007), have used

Yamane (1973) in their sample selection and their results were reliable. For the purpose of this study, the formula derived from Yamane (1973) will be used as indicated below: n = N/1+N (e)2, where; n = sample size; N = total population; e = tolerable error (0.05 or 95%).

Senior Managers with trade credit knowledge of the firm will be purposively selected from each firm. This will ensure that senior managers who are most knowledgeable about their respective firms are selected. This selection will include Chief executive, Debt management staff, Head of finance, Head of marketing plus other knowledgeable staff making a number of at least 3 people per company. The aim of purposive sampling is to select information rich respondents from whom one can learn about the issues that are central to the purposes of the study (Patton, 2002). According to Saunders et al, (2000), researchers prefer probabilistic sampling methods over non probabilistic ones. According to Saunders e tal (2000), researchers prefer probabilistic (random) sampling method over non probabilistic ones. However in applied social research, there may be circumstances where it is not feasible, practical or theoretically sensible to do random sampling (Trochim, 2006). Due to lack of any reliable sampling frame, this research will use both probability and non probability sampling.

Table 3.1 Sample size and distribution

Manufacturing Sector	Population	Sample Size
Textiles	15	13
Soft drinks	20	19
Furniture	15	13
Construction	20	19

Other Manufacturing firms	30	27
Total	**100**	**91**

Source: *UMA membership (2015)*

3.4 Sampling Design and Procedures

For the purpose of this study, stratified random sampling method will be used so as to obtain a representative sample. With this technique, the population will be stratified into a number of non overlapping sub population/stratas and senior managers will be selected from each stratum randomly and purposely. The strata or sub populations will involve manufacturing sectors like textiles, soft drinks, furniture, construction and other manufacturing firms. Both stratified and purposive random sampling techniques are to be used in order to collect the information from these respondents. The technique chosen is suit the frame of the study and ensures relevance of the data that will be collected. The aim of purposive sampling is to select information rich respondents from whom one can learn about the issues that are central for purposes of the study (Patton, 2002). This is to ensure that all senior managers or knowledgeable people are given equal chances of being included in this study. Additionally purposive sampling method will then be used in selecting appropriate respondents (Grootaert, 1999) in order to obtain and include only respondents with the appropriate and relevant knowledge for this study (Oliver, 2006) based on the study objectives.

3.5 Data sources

Data will be obtained from primary and secondary sources. Primary data will refer to information obtained first hand by the researcher on the variables of the study. Examples of sources of primary data will be senior managers, other relevant respondents of the firms under the study plus suppliers and receivers of credit to the firm under study. Secondary data will refer to information gathered from sources already existing and examples will include: company records or archives, government publications, industry analyses offered by the media, annual reports, books and periodicals, census data and internet, audited financial statements, website of auditor general for organizations audited by the Auditor general, information from Uganda Manufactures association and Uganda Bureau of statistics and other relevant information. Secondary data can be used among other things for forecasting sales by constructing models based on past sales figures, and through extrapolation.

3.6 Data Collection Instruments

Primary data will be collected for this study. Both structured and unstructured questionnaires will be used to obtain responses from the selected respondents and interview guide to obtain responses on certain aspect of the study. Structured questions will be put on a 5 point-likert scale point administered to all respondents, while unstructured questions will be presented to respondents by the interviewer to get their different views and answers. The study will involve collection of quantitative (closed-ended questions) . The questionnaires will be used in collecting quantitative data and the questionnaire will be designed based on guidelines stipulated by Saunders et al (2006).

3.6.1 Questionnaires

Due to their effectiveness in gathering empirical data from large samples (McCelland, 1994), questionnaires are the most frequently used method of data collection (Clarke, 1999; Saunders et al, 2003). The questionnaire is a data collection tool that shall be administered to the technical staff of the sampled population. The questionnaires shall be organized to collect data on chapter one and two of the study and will specifically focus on the Problem Statement, research questions, hypotheses, Objectives and Significance of the Study, Conceptual Framework and literature review chapter. The questionnaires shall be both open-ended and discrete. The kind of data will include that concerning the key constructs under the factors that affect trade credit, representing the independent variable and those that determine trade credit use. and those Chief executives where appropriate, Heads of Departments, Finance department staff , marketing staff , customers and other relevant respondents totaling to 364 respondents are expected to fill in the questionnaires.

3.7 Reliability and Validity

Reliability: Internal consistency of the instruments for this study will be measured using Cronbach's alpha coefficient (Cronbach, 1951). Reliability measures the degree to which inter-item reliability and consistency between the levels at which different items measuring the same variable attain consistent outcome or results. Nunnally and Bernstein (1994), recommend that instruments used for social science research should have reliability of about 0.70 or above. Therefore, for the purpose of this study, alpha coefficient above 0.70 will be appropriate to test reliability of the study instrument.

Validity: This is concerned with the instrument giving actual results of what it claims to measure (Gregory, 1992; Babbie and Monton, 2002). Validity concerns the measurements of the constructs developed from the study concept and theories.

Construct validity will focus on measurements of theoretical constructs that it is intends to measure (Crewell, 2006). Construct validity is concerned with the theoretical relationship between the variable with other variables under study. In-depth analysis of the theories used in this study will be carried out in order to ascertain that all the measures are consistent based on the theories. The researcher will extract and use measures that are consistent with the concepts in existing research.

Convergent and discriminate validity Item scales will then be developed and convergent and discriminate validity will be considered. This will be through factor analysis, and components with Eigen values greater than one and items with correlation coefficient equal or greater than 0.5 will be extracted (Gummesson, 2005). Content validity will involve measuring all constructs included and represented in particular theories used in the study (Crocker &Algina, 1986; DeVellis, 1991; Gregory, 1992).

Content validity index obtained by dividing the proportion of items declared as valid by the total numbers of items will be carried out (Amin, 2005). Stability of the items and constructs will be considered in the instrument as recommended by Neuman (2006) and components with Eigen values greater than one and items with correlation coefficient equal or greater than 0.5 will be extracted.

3.8 Operationalization and Measurements of Research Variables

As explained in the conceptual framework, the independent variables are represented by the theories: financing, price discrimination and transaction costs. The mediating variable is repayment behavior while the dependent variable is trade credit practices.

Financing

Previous scholars such as Salima, (2007); Raghuram, (2002); Mitchel, (1996); Rajan & NBER, Isaksson, (2005); Fabbri & Menichin, (2006); Cunningham, (2007); Daisuke, (2007); Guy, (2004); Lichiro, (2003); Neslihan, (2003) and Caglayan, (2008), have studied financing and have used the dimensions of, reputation, credit worthiness and information asymmetry of the firm to measure financing.

Price discrimination

Paul, 2007; Mitchel, 1996; Daniela and Anna, 2006, have used a number of dimensions to study and measure price discrimination. For the purpose of this study, price discrimination will be measured using the dimensions of market power of the firm and customer demand as adopted from previous scholars. Market power will be determined by establishing the percentage of the market occupied by the firm in question while customer demand will be measured by the frequencies of customer purchases on credit.

Transaction costs

For the purpose of this study, transaction costs will be measured based on dimensions adopted from Williamson, 1996; Damodaran, 2001; Brealey and Myers, 2002, who found them reliable in a similar environment in which the current study is being carried out. Therefore, the dimensions of frequency of transaction and number of customers will be used to measure transaction costs.

Trade Credit

Previous scholars such as summers and Wilson, 2002 and Paul and Wilson, 2006 have used the dimensions of volume of transactions, price of trade credit and Enhanced seller/buyer relationship. Therefore, for the purpose of this study, these dimensions will be used in measuring TC practices of manufacturing firms.

Mediating variable- Repayment behaviour

Previous scholars such as Bhatt & Shui, 2002, and Bhatt & Tang, 1998 used the dimensions of Customer Character and Capacity of customer plus other values to measure repayment behaviour.

3.9 Data Processing and Analysis

Data will be collected from the respondents using a questionnaire and interview guide designed by the researcher**.** The Statistical Package for Social Sciences (SPSS) version 20 will be used for Data screening and preliminary data analysis, while Analysis of Moments of Structures (AMOS) version 19 will be used by Structural Equation Modeling (SEM) to test the study hypotheses**.** Data will be collected from the respondents using a questionnaire and interview guide designed by the researcher. The collected data from respondents will be arranged according to serial numbers, compiled, edited before being entered into the IBM SPSS 20 data analysis package. Thereafter, structural equation modeling in SPSS statistical analysis tool will be employed to analyze the data. All hypotheses under study will be tested using Pearson correlation coefficient significant at 0.01 or 0.05 levels, that will test their acceptance or rejection of relationships derived from hypotheses generated between study variables. Chi-square tests will be carried out to test for association between the different variables and prediction levels of the model will be assessed using regression analysis. Descriptive statistics will also be generated in order to determine the various characteristics of the respondents who participated in the study. This will be in relation to the variables like financing, price discrimination and transaction costs which are the key determinants of trade credit practices. The tests will be conducted in two phases: Phase one will involve descriptive statistics, and factor analysis.

Descriptive statistics will include computations of; means, standard deviations, scale end points and cross tabulations to better the understanding of the categories/ nominal data by indicating the relationships between the variables using the chi-square statistic. Factor analysis is a multivariate technique that will be used. Factor analysis seeks to resolve a large set of measured variables in terms of relatively few categories known as factors (Kothari and Gaurav, 2014). Since the factors happen to be linear combinations of data, the co-ordinates of each observation or variable is measured to obtain what are called factor loadings. Such factor loadings represent the correlation between the particular variable and the factor and are usually placed in a matrix of correlations between the variable and the factors.

Reliability test measures will include, Cronbach's alpha, split-half reliability, test – retest reliability, and inter-rater reliability, representing different meanings of reliability.
Phase two will involve computing the zero-order correlations, regressions, path analysis and analysis of variance (ANOVA). SPSS adopted for windows will be used, the Pearson zero – order correlations between the study variables will be obtained with either one or five percent level of significance. The multiple regressions will also be computed to establish the predictive powers of the independent variables on dependent variables under study. The hierarchical regressions will establish the presence of the mediation,

moderating effects and also the extent to which independent variables will predict the dependent variable. The study will use structural equation modelling (SEM) to test the hypothesis arising from the theoretical model. In order to perform the SEM analysis, the two stage approach recommended by Anderson and Gerbing (1988) will be adopted. SEM is a collection of statistical techniques that allow a set of relationships between one or more independent variables, either continuous or discrete, and one more dependent variables, either continuous or discrete to be examined (Tabachnick and Fidell, 2001).The primary purpose of SEM is to explain the pattern of a series of inter-related dependence relationships simultaneously between a set of latent or unobserved constructs, each measured by one or more observed variables (Hair et al, 1995, Schumacker and Lomax, 1996). The path analysis will establish the total effect of the mediation variables on the predictor variable.

After each interview, the notes and recordings will be checked and completed to ensure their completeness and understandability. Scratch notes, field notes, head notes, timed writings and analytical notes (Sanjek, 1990 cited in Kikooma, 2006) Will be typed on the computer and data files using QSR NVivo programme. The transcription of the recorded interviews will be made by two members. The researcher will do the final editing of the transcriptions line by line to confirm that what will be heard is what will be understood and interpreted (Gibbs, 2002; Kikooma, 2006). The process will help the researcher catch the spirit of the text and will be done before coding the texts. QSR*NVIVO qualitative data software programme as a data management analysis programme will be used.

4.0 Ethical Issues

According to Polonsky and Waller (2005), the researcher should understand the basics of ethical research and how this might affect the research project. A number of considerations will be adopted to ensure that no one is negatively affected by conducting this research. The aims, procedures involved and the nature of the project will ensure that there will be no potential risks associated with this project. Information given to the respondents will include the aims of the study, and its significance to them. It will also include the intended use of data, and issues related to their voluntary participation, ensuring confidentiality.

Creswell (2003) states that the researcher has an obligation to respect the rights, needs, values and desires of the informants. Miles and Hurberman (1994), list several issues that researchers should consider when analyzing data. They caution researchers to be aware of these and other issues before, during and after the research has been conducted. Some of these issues involve the following:

- Informed consent (do participants have full knowledge of what is involved?)
- Harm and risk (can the study harm participants?)
- Honesty and Trust (is the research being truthful in presenting data?)
- Privacy, confidentiality, and anonymity (will the study intrude too much into group behavior)
- Intervention and advocacy (what should researchers do if participants display harmful or illegal behavior?).

One of the normally unexpected concerns relating to ethical issues is the cultural sensitivity. The researcher will enter the field to pre-test data instruments and collect data after obtaining clearance from appropriate authorities of Mbarara University of Science and Technology. The introduction letter will serve as a gate pass to sampled manufacturing firms. Questionnaires will be responded to by debt management staff, head of finance, Head of marketing and other knowledgeable staff. The Chief Executives of manufacturing firms, other officials plus some Debtors will be interviewed face-to-face.

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APPENDIX I

Proposed Budget for the Study

	Item	Quantity	C.P.U (UGX)	Amount (UGX)
Stationery	Paper	20 Reams	20,000	400,000
	Writing Pads	20 Packet	10,000	200,000
	Ball Point Pens	10 Dozens	5,000	50,000
	Pencil	10 Dozens	3,000	30,000
	Flash Disk	2 Sticks	50,000	100,000
Data Collection	*Field Costs*			
	Research Assistant	8 Persons	50,000*8*30	12,000,000
	Transport	8 Persons	6,000*8*30	1,440,000
	Meals	8 Persons	6,000*8*30	1,440,000
	Accommodation	8 Persons	20,000*8*30	4,800,000
Data Processing	Professional Guidance Data Analysis	7 Days	100,000	700,000
	Secretarial Services	1 Person	200,000	200,000
	Printing	Lump sum	500,000	500,000
	Photocopying	Lump sum	200,000	200,000

	Binding Charges	Lump sum	300,000	300,000
GRAND TOTAL				**37,500,000**

Current Exchange Rate 1$USD @ Ugx 2, 670

APPENDIX II

Time Plan

	October 16	November 16	December 16	January 17	February 17	March 17
Submitting Corrected Research Proposal						
Submitting Pilot study Report						
Data analysis						
Research Report Writing						
Submitting Research Report						

APPENDIX III

MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

GRADUATE AND RESEARCH TRAINING CENTRE

PhD Study Questionnaire (TC Supply)

Dear Respondents,

I am carrying out a PhD study on *''Factors that affect Trade credit among Manufacturing firms in Uganda''*, you have been chosen as a key respondent in this study and you are kindly requested to spare some of your valuable time and give the required responses in order to ensure that this questionnaire is filled-in and answered appropriately. All information provided will be treated with utmost confidentiality and specifically used for academic purposes only. Kindly note that your tireless support and efforts in making this study a success is very much appreciated and in case you are interested in the outcome, please kindly provide your contact address.

Joseph B. Yiga Lubega (0772 552050/0754552050)
(PhD Candidate)

SECTION I **BACKGROUND INFORMATION**

1. Gender (tick appropriately)

i) Male ☐ ii) Female ☐

2. Age Group

i) 18 – 25 ☐ ii) 26 – 33 ☐

iii) 34 – 41 ☐ iv) 42– 49 ☐

v) 50+ ☐

3. Level of education

i) Diploma ☐ ii) Degree ☐

iii) Masters ☐ iv) Professional qualification ☐

v) Others specify ………………………………………………………………...

4. How old is your firm?

i) Less than one year ☐

ii) 1-3 years ☐

iii) 4 - 6 years ☐

iv) 7 – 9 years ☐

v) More than years ☐

5. How many workers do you have in your firm now?

…………………………………………………………………...............................

6. How many employees did you recruit in

i) Year 1 ☐

ii) Year 2 ☐

iii) Year 3 ☐

iv) Year 4 ☐

7. How many new employees were recruited in the last 5 years?

…………………………………………………………………...............................

8. Type of manufacturing firm

i) Textile and Garment ☐

☐

☐

☐

ii) Construction

iii) Food processing

iv) Furniture and Wood working

vi) Metal working

vii) Others Specify

9. Number of years worked for the firm

i) Less than one year

ii) 1 – 3 years

iii) 4-6 years

iv) 7-9 years

iv) More than 9 years

10. Location of the financial institution

i) Kampala ii) Wakiso

iii) Mukono

11. Position in the firm

i) Owner Manager

ii) Accountant

iii) Director

iv) Manager

vi) Marketer

vii) Production Manager

viii) Other Specify: …………………………………………………………...

12. Size of firm

i) 1 -10 employees (small firms)

ii) 11- 100 employees (Micro enterprises)

iii) 101-250 employees (medium firms)

iv) Over 250 employees (large firms).

SECTION II: FINANCING

Please circle the most appropriate option on the right hand side of the questions;

Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1)

REPUTATION OF THE FIRM						
REP1	Trade credit relies on reputation of the firm	1	2	3	4	5
REP2	Trade credit relies on the size of the firm	1	2	3	4	5
REP3	Reputation is an important means of determining access to trade credit as well as enforcing repayment	1	2	3	4	5
REP4	Relationships are important means of determining access to trade credit as well as enforcing repayment	1	2	3	4	5
REP5	Trade credit relies on age of the firm	1	2	3	4	5
REP6	Trade credit is an important source of liquidity for the debtor	1	2	3	4	5
REP7	Larger firms are more likely to get trade credit, which may be related to their longer and more established customer and supplier relationship	1	2	3	4	5
REP 8	Trade credit is a short term source of funding for the debtor	1	2	3	4	5
REP9	Large firms tend to get credit for longer periods	1	2	3	4	5
REP10	Trade Credit supply depend on the reputation of the credit applicant	1	2	3	4	5
REP11	Large firms are more likely to obtain trade credit	1	2	3	4	5
REP12	Certain debtors are credit rationed by manufacturing firms	1	2	3	4	5
REP13	Firms that get bank loans may offer more trade credit to their own customers	1	2	3	4	5
REP14	Reputation of Large buying firms makes it easier to access trade credit	1	2	3	4	5
REP15	Firms that do not have access to bank loans will have a higher demand for trade credit	1	2	3	4	5
REP16	Lack of reputation for young firms make it difficult to access trade credit	1	2	3	4	5
REP17	Firms of unknown reputation must buy on credit to allow them to access product quality before paying for it.	1	2	3	4	5
REP18	Trade credit is used as a competitiveness tool, mainly by firms in developing countries.	1	2	3	4	5
REP19	Reputation reduces adverse selection costs and can be replaced by size.	1	2	3	4	5
REP20	Reputation plays an important role in enforcing trade credit contracts	1	2	3	4	5
REP21	The challenges faced by firms around the world are lack of access to credit.	1	2	3	4	5
REP22	Credit rationed firms use more trade credit	1	2	3	4	5
	CREDIT WORTHINESS OF THE FIRM					
CW1	Size of the firm affects its credit worthiness	1	2	3	4	5
CW2	African firms are less reliable in repaying trade credit	1	2	3	4	5

CW3	Our clients always exhibit high level of trust in all financial dealings with this firm	1	2	3	4	5
CW4	Credit worthiness is based on sound financial base	1	2	3	4	5
CW5	Customers may signal respect to their creditworthiness by demanding credit from suppliers with whom they share social ties.	1	2	3	4	5
CW6	Customers can get trade credit more easily if they belong to the same ethnic network as their suppliers.	1	2	3	4	5
CW7	The fact that a customer does not benefit from early paying discounts could implicitly indicate bad creditworthiness.	1	2	3	4	5
CW8	Suppliers may tighten the terms of credit when the buyer's creditworthiness is doubtful.	1	2	3	4	5
CW9	Users of trade credit get it from firms with whom they have a longer trading relationship	1	2	3	4	5
CW10	The duration of the period that the retailer pays in cash before he is given trade credit is an important signal of creditworthiness and the likelihood of prompt repayment	1	2	3	4	5
CW11	Suppliers often take on customers on a trial basis by offering them a smaller amount of credit.	1	2	3	4	5
CW12	The size of the buyer's business is also an indication of their credit worthiness.	1	2	3	4	5
CW13	Credit worthiness is based on reliability as a debtor	1	2	3	4	5
CW14	Credit worthiness is based on ability to access credit	1	2	3	4	5
CW15	Knowing the firms better allows the Companies to choose credit worthy firms for trade credit	1	2	3	4	5
CW16	Knowing the product better allows the Companies to choose credit worthy firms for trade credit	1	2	3	4	5
CW17	Our debtors are credit worth	1	2	3	4	5
	INFORMATION ACQUISITION					
IA1	The way financial institutions obtain information about their debtors is fundamentally different than suppliers.	1	2	3	4	5
IA2	Customers are generally visited by suppliers more often.	1	2	3	4	5
IA3	The size and timing of new orders contains more accurate information about the debtor's operational performance.	1	2	3	4	5
IA4	Credit rationing is due to two forms of information asymmetry: adverse selection and moral hazard,	1	2	3	4	5
IA5	Firms have access to information about other companies at a much lower cost than banks do	1	2	3	4	5
IA7	In the absence of information about the buyer, suppliers will reduce the trade credit offer when the risk of buyer's not repaying increases.	1	2	3	4	5
IA8	The scarcity of accounting information about borrowers is more significant for banks than for suppliers.	1	2	3	4	5
IA10	Suppliers have more effective information and quicker ways of	1	2	3	4	5

	liquidating assets of defaulting buyer firms if the goods are durables.					
IA11	Users of trade credit can be threatened by suppliers to stop supplies if the payment is delayed.	1	2	3	4	5
IA13	Firms use formal screening before granting trade credit	1	2	3	4	5
IA14	It is easy to get information about debtors	1	2	3	4	5
IA15	It's cheap to get information about debtors	1	2	3	4	5
IA16	Information acquired is very useful for assessing the performance of debtors	1	2	3	4	5
IA17	The firm's staff have the capacity to get the appropriate information from the debtors	1	2	3	4	5

SECTION III: PRICE DISCRIMINATION

Please circle the most appropriate option on the right hand side of the questions;

Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1)

MARKET POWER OF THE FIRM						
MPF1	Larger firms are more likely to stop deliveries	1	2	3	4	5
MPF2	Older firms are less likely to perceive legal action as a potential threat	1	2	3	4	5
MPF3	Relationships is an important factor in the enforcement of trade credit contracts	1	2	3	4	5
MPF4	Market power is an important factor in the enforcement of trade credit contracts	1	2	3	4	5
MPF5	Reputation play a central role in the way suppliers screen debtors and in the way contractual difficulties are handled	1	2	3	4	5
MPF6	Trust play a central role in the way suppliers screen debtors and in the way contractual difficulties are handled	1	2	3	4	5
MPF7	Large firms tend to get credit for longer periods	1	2	3	4	5
MPF8	The decision to get Trade Credit from suppliers depends on the market structure where the firm operates.	1	2	3	4	5
MPF9	With the power of the seller to threaten buyers, they can threaten to cut off future supplies if they note a reduction in the chances of repayment.	1	2	3	4	5
MPF10	Trade credit used is positively related to trade credit extended.	1	2	3	4	5
MPF11	Trade credit used is positively related to the market power of the customer firm.	1	2	3	4	5
MPF12	Suppliers with relatively weaker market power are more likely to extend trade credit.	1	2	3	4	5
MPF13	Trade credit is a competitive gesture for manufacturing firms	1	2	3	4	5

MPF14	Trade credit improves supply chain.	1	2	3	4	5
MPF15	Market power of firms can be enhanced considerably by practicing price discrimination through offering of trade credit.	1	2	3	4	5
MPF16	Market power is very important in determining price discrimination	1	2	3	4	5
	CUSTOMER DEMAND					
CD1	There should be no possibility of transferring a unit of commodity supplied from the low priced to the high priced market,	1	2	3	4	5
CD2	There should be no possibility of transferring one unit of demand from the high priced to the low priced market	1	2	3	4	5
CD3	Price discrimination can be possible if there is difference in the elasticity of demand in different markets.	1	2	3	4	5
CD4	If a monopolist charges low price for his product from the poor people and higher price from the rich people, Conditions of price discrimination happen and demand increases	1	2	3	4	5
CD5	Due to price discrimination, the price in the strong (inelastic) market increases and in the weak (elastic) market decreases.	1	2	3	4	5
CD6	With linear demands, aggregate output remains unchanged.	1	2	3	4	5
CD7	Trade credit gives an opportunity to price discriminate among different customers.	1	2	3	4	5
CD8	There is a positive relation between demand variability and credit offered.	1	2	3	4	5
CD9	Firms with high variable demand extend more credit than firms enjoying demand stability	1	2	3	4	5
CD10	Poor demand for firm’s products and services has a deteriorating effect on the likelihood of obtaining trade credit.	1	2	3	4	5
CD11	High customer demand in a given market is a key determinant of price discrimination	1	2	3	4	5

SECTION IV: TRANSACTION COSTS

Please circle the most appropriate option on the right hand side of the questions;

Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1)

FREQUENCY OF TRANSACTIONS						
FTS1	Frequency with which transactions occur is a clear determinant of trade credit.	1	2	3	4	5
FTS2	The cost of organizing a transaction varies with the price system and hierarchy.	1	2	3	4	5
FTS3	Every firm will expand as long as it has many transactions	1	2	3	4	5
FTS4	Transaction cost occurs when a good is transferred across a technologically separable interface	1	2	3	4	5
FTS5	Firms evaluate the costs for managing transactions	1	2	3	4	5

FTS6	Transaction cost concerns the supplier.	1	2	3	4	5
FTS7	Firms evaluate the relative costs of alternative governance structures like short term contracts	1	2	3	4	5
FTS8	Firms evaluate the relative costs of alternative governance structures like, long term contracts	1	2	3	4	5
FTS9	Firms that hold higher than average levels of inventory have higher volumes of purchases, meaning higher volumes of transactions	1	2	3	4	5
FTS10	Frequency and the amount of the buyer's orders give suppliers an idea of the client's situation.	1	2	3	4	5
FTS11	Frequency of transactions is measured by the number of times per month retailer one purchases from another wholesaler.	1	2	3	4	5
FTS12	Frequency of purchases refers to the number of times a buyer places orders per given period.	1	2	3	4	5
FTS13	Frequent purchases may lead to shorter credit periods if buyers are selling their goods more quickly.	1	2	3	4	5
FTS14	Longer trade credit periods are given to more frequent purchasers	1	2	3	4	5
FTS15	The higher the transactions the lower the costs of managing them	1	2	3	4	5
	NUMBER OF CUSTOMERS					
NC1	Timing and size of the orders give some information about the condition and performance of the buyer.	1	2	3	4	5
NC2	A high value for this variable reflects high purchases and thus a high number of transactions.	1	2	3	4	5
NC3	By getting trade credit selectively, both across suppliers over time, the firm may be able to manage its inventory position better.	1	2	3	4	5
NC4	Trade credit enables buyers to predict cash payments more accurately.	1	2	3	4	5
NC5	The higher the number of customers, the lower the transaction costs	1	2	3	4	5
NC6	The higher the customers, the better the performance of the firm	1	2	3	4	5

SECTION V: REPAYMENT BEHAVIOUR

Please circle the most appropriate option on the right hand side of the questions;

Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1)

CHARACTER						
CHA1	Customer character is one of the key determinants of repayment behavior	1	2	3	4	5
CHA2	Repayment defaults arise generally from poor repayment program / design.	1	2	3	4	5
CHA3	Customer character is easy to determine	1	2	3	4	5
CHA4	It's Customers not the suppliers that causes high levels of delinquency in trade credit	1	2	3	4	5

CHA5	Bad customer payment character can lead to high delinquency levels in trade credit repayment	1	2	3	4	5
CHA6	Good customer character lead to better trade credit repayment	1	2	3	4	5
CHA7	It's common for firms to delay payment beyond the agreed term.	1	2	3	4	5
CHA8	Rescheduling of payment is often cited in connection with debtors.	1	2	3	4	5
CHA9	No pressure from trade credit suppliers for repayment may cause the clients develop bad repayment character	1	2	3	4	5
CHA10	Lack of rebates/discounts to good payers affects repayment character.	1	2	3	4	5
CHA11	Suppliers use formal screening of debtors before granting trade credit.	1	2	3	4	5
CHA12	Trade credit repayment default is as a result of the customer's repayment character.	1	2	3	4	5
CHA13	Default due to a negative economic shock affects the repayment character	1	2	3	4	5
CHA14	Strategic defaulting is associated with the user of trade credit willfully defaulting	1	2	3	4	5
CHA15	Contacting the debtor to find out the cause of non payment is normally done to improve payment character	1	2	3	4	5
CHA16	Using repeated repayment requests is done to improve customer payment character	1	2	3	4	5
CHA17	Threats to stop supplying goods are normally done to improve customer payment character.	1	2	3	4	5
CHA18	Actual stoppage of supplies is normally done to improve customer payment character.	1	2	3	4	5
CHA19	Moral hazard affects the repayment character	1	2	3	4	5
CHA20	Late and uncertain payment character is a major trade credit barrier.	1	2	3	4	5
CHA21	Management experiences in trade credit use can influence repayment character	1	2	3	4	5
CHA18	Management qualifications in trade credit use can influence repayment character.	1	2	3	4	5
CHA19	Late paying customers put the company they are buying from at risk of suffering liquidity problems	1	2	3	4	5
CHA20	Existence of legal action affects improves repayment character	1	2	3	4	5
CHA21	Firms initial response when faced with a payment problem is to seek an amiable resolution through direct negotiation	1	2	3	4	5
CHA22	Penalties are normally charged for delayed payments improve the debtor's character.	1	2	3	4	5
	CAPACITY					
CAP1	Most of the debtors granted trade credit have the capacity to repay	1	2	3	4	5
CAP2	Capacity to repay promptly is based on the integrity of the debtor	1	2	3	4	5
CAP3	Distance to the Trade credit user affects the capacity to repay trade credit	1	2	3	4	5

CAP4	Excessive trade credit affects capacity to repay .	1	2	3	4	5
CAP5	Lack of monitoring skills affects capacity to pay	1	2	3	4	5
CAP6	Networks improves capacity to pay	1	2	3	4	5
CAP7	Amiable fashion of solving late payment problems improves repayment capacity	1	2	3	4	5
CAP8	Trade credit repayment is characterized by high levels of default among users.	1	2	3	4	5
CAP9	This firm is offered cash discount to improve on early payment character.	1	2	3	4	5
CAP10	There are trade credit policies in place regarding payment after due date.	1	2	3	4	5
CAP11	Excessive Trade credit amount affects payment capacity.	1	2	3	4	5
CAP12	Cases of late payment are much more frequent than cases of nonpayment.	1	2	3	4	5
CAP13	Customers rarely adhere to contractual credit terms.	1	2	3	4	5
CAP14	We do not tolerate debtors making late payments.	1	2	3	4	5
CAP15	This firm can stop deliveries if the customers debts are overdue	1	2	3	4	5
CAP16	Legal action is always taken against my firm if it fails to pay	1	2	3	4	5
CAP17	Weak legal institutions affect repayment behavior.	1	2	3	4	5
CAP18	When negotiations fail, firms hire a lawyer and threaten to go to court.	1	2	3	4	5
CAP19	Interest is always charged on overdue debts.	1	2	3	4	5
CAP20	Lack of contract enforcement affects payment capacity.	1	2	3	4	5
CAP21	Interest charged on overdue debts improves payment capacity	1	2	3	4	5

SECTION VI : TRADE CREDIT

Please circle the most appropriate option on the right hand side of the questions;

Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1)

	VOLUME OF TRANSACTIONS					
VTS1	Volume of transactions is one of the key determinants of trade credit	1	2	3	4	5
VTS2	Large volume of transactions by buyer induces suppliers to offer trade credit	1	2	3	4	5
VTS3	Size of the firm influences trade credit use.	1	2	3	4	5
VTS4	Credit terms are one of the key determinants of volume of transactions for trade credit.	1	2	3	4	5
VTS5	Large firms are more likely to receive trade credit.	1	2	3	4	5
VTS6	Firms which buy in large volumes are more likely to get trade credit when they purchase regularly	1	2	3	4	5
VTS7	Industry of the firm determines volume of transactions	1	2	3	4	5

VTS8	Volume of transactions is measured by the log of average volume of purchase per order made.	1	2	3	4	5
VTS9	Firms reduce credit extended to suppliers or buyers because of the increased risk of non-repayment.	1	2	3	4	5
VTS10	If a buyer purchases small quantities, he will get shorter trade credit periods.	1	2	3	4	5
VTS11	A longer trade credit period is important in case the customer's volume of purchase is large.	1	2	3	4	5
VTS12	A large quantity of purchases will take a longer time to be sold and for the buyer to repay the debt.	1	2	3	4	5
VTS13	Product demand has a positive signal to the suppliers with respect to the amount of trade credit granted.	1	2	3	4	5
	PRICE OF TRADE CREDIT					
PTC	Price of trade credit determines volume of purchases to be made by debtors	1	2	3	4	5
PTC	Use of trade credit is cheaper than use of bank credit	1	2	3	4	5
PTC	The price of trade credit is easy to calculate	1	2	3	4	5
PTC1	Trade credit is defined by a trade off between two agency costs, adverse selection and moral hazard.	1	2	3	4	5
PTC2	There is a positive relationship between adverse selection and trade credit extended.	1	2	3	4	5
PTC3	The product provided to the customer is price friendly	1	2	3	4	5
PTC4	It is cheap to use trade credit services compared to other forms of funding	1	2	3	4	5
PTC5	Pay back period is always affordable	1	2	3	4	5
PTC6	Pay back period is always negotiated with the customer.	1	2	3	4	5
PTC7	Payback amounts can be negotiated with the debtor	1	2	3	4	6
	ENHANCED BUYER/SELLER RELATIONSHIP					
EBR1	Good relationship with suppliers is very important in regard to having access to more trade credit	1	2	3	4	5
EBR2	Good relationship with suppliers is very important in regard to flexibility in repayment.	1	2	3	4	5
EBR3	Good relationship with suppliers is very important as it helps to ensure that supplies are reliable	1	2	3	4	5
EBR4	Good relationship with suppliers is very important as it helps to ensure that supplies are available,	1	2	3	4	5
EBR5	Good relationship with suppliers is very important as it helps to ensure that supplies are of good quality	1	2	3	4	5
EBR6	Suppliers take into account bank debts of their customers when deciding to offer them trade credit	1	2	3	4	5

EBR7	Longer relationships with suppliers will increase the reputation the debtor.	1	2	3	4	5
EBR8	Firms having longer relationships with the supplier are offered more trade credit.	1	2	3	4	5
EBR9	There is a positive relationship between adverse selection and trade credit extended.	1	2	3	4	5
EBR10	Trade credit provided is safe for most of our clients	1	2	3	4	5
EBR11	The payment services provided by this financial institution is safe for most of our clients	1	2	3	4	5
EBR12	It takes some time to establish a relationship with a debtor before trade credit is extended.	1	2	3	4	5

Thank You for Participating and Making this Study Successful

Postgraduate Progress Monitoring

Background:

It is a requirement of the University that the progress of postgraduate students is monitored on a regular basis, at least twice every year. This form is the main monitoring mechanism that we propose to use in the University. It is used as the basis of an interview with the student by the Supervisor, Doctoral Committee or Postgraduate Coordinator to assess and review research progress.

Objectives:

The primary objective of Postgraduate Progress Monitoring is to provide an opportunity for the student to evaluate his or her performance and progress on a regular basis. The emphasis is on self-assessment with minimal involvement of the supervisor and the School. The form is devised so as to prompt the student to review carefully the points having an important bearing on the successful submission of the project, dissertation or thesis.

The appraisal exercise is carried out periodically or annually. Past reports, where available, should be used as a means for quantifying progress against earlier plans, and to help identify successes and set-backs, so that appropriate actions may be taken if necessary.

The student's aim should be to record an honest assessment of his or her own progress over the reporting period, and a realistic set of objectives for the next year. Please be brief, but sufficient detail should be provided:

- To appraise progress against the student's own milestones, and

- For the faculty to maintain a record of achievements and problems encountered by the student.

Instructions:
To the Postgraduate Student:
Please complete sections 1 to 7 (of Part I) then submit the form to the Supervisor who fills in his part and then submit it to the Dean by the first week of the 6^{th} Month of the Academic year or 12^{th} Month of the Academic year.

The Dean will forward the form to Postgraduate Coordinator.

Meetings will be planned occasionally with your supervisor at least once a week.

NB: The student should keep a copy of the completed form for future reference.

To the Supervisor:
Please complete Section 8 of Part I, then hand the entire form to the Dean or Head of Department by the first week of the 6^{th} Month of the Academic year or 12^{th} Month of the Academic year.
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To the Interview Panel:
Please note that the interviews for the students will be scheduled in the last week of 6^{th} Month of the Academic year or 12^{th} Month of the Academic year.

To the School:
Please receive both forms (Postgraduate Monitoring and Supervision Evaluation) from the students and hand them into the Postgraduate Coordinator in the second week of 6^{th} Month of the Academic year or 12^{th} Month of the Academic year.
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<u>PART I - Report by the Student and Supervisor</u>

Report period <<August 2016>> - <<January 2017>>

1. Personal and course details

Postgraduate's Name: JOSEPH BALEKE YIGA LUBEGA -2014/PhD/063

Names of Supervisor(s):PROF. B.C BASHEKA
DR. THERESA MOYO

Currently Registered Course of Study (please underline): **<u>PhD by Research Only</u>**

Period of Study: 1^{st} Year/2^{nd} year/**3^{rd} Year**/4^{th} Year

2. Research outline

Title of Research Thesis: **FACTORS THAT AFFECT TRADE CREDIT AMONG MANUFACTURING FIRMS IN UGANDA**

Abstract of Main Research Issues
(about 200 words, continue overleaf if necessary)

Abstract

The study seeks to address repayment behavior as knowledge gap which other studies on trade credit from financing, price discrimination and transaction cost theories have not addressed ((Schwartz, 1974, Salima, 2007, Altunok, 2011, Meltzer, 1960, Schwartz and Whitcomb, 1979, Williamson, 1996, Ferries, 1981, Summers & Wilson, 1997, Kevin, 2013). This study also aims to achieve better trade credit practices which can enhance the country's economic development. Repayment behavior plays a critical role in enabling trade credit accessibility by suppliers and users. More insight is also required to find out why trade credit use is on a reducing trend in Uganda.

This study also seeks to establish whether a relationship exists between the factors that affect Trade credit being mediated by repayment behavior in manufacturing firms of Uganda. The study will take a correlation cross sectional survey approach and will employ both qualitative and quantitative approaches (Dawson, 2002; Kumar, 2005). The methodological phase will involve analytical survey as the basic research strategy (Collins & Hussy, 2009) guided by both positivism and interpretivism ideals (Creswell,

2009, Collins & Hussey, 2009) as the main philosophical paradigm. A sample size will be 364 respondents out of a population of 91 firms and data will be analyzed using a statistical package for social Scientists (SPSS) version 20. Pearson correction coefficient and regression analysis will be run to establish the direction, strength, significance and the associative and causal relationship between the study variables.

The researcher will conclude by giving the analysis of the results plus the recommendation of the study.

3. Overview of research work carried out in the so far

Give your own overall assessment of your work and progress during the period. Pay special attention to the main goals of your research; describe particularly any noteworthy successes, failures and special difficulties.

Do you experience major difficulties affecting the pace of your progress, and thus the date of completion? If so, explain them, stating any assistance you may welcome from the School.

- **I defended my Proposal in April 2015. I have received tremendous support from my supervisors which has enabled me to move steadily. This to me, it is a noteworthy success. I encountered some domestic problems during this time which affected my progress.**

4. Detailed progress against your previous research plans.

Identify your major activities directly related to your existing research milestones over the Monitoring Period and assess your progress in them below.

(If this is your first report, assess progress against your original intentions.)

Milestone from last report (or as set at entry)	Comment on progress
Data collection – Pilot study	Completed in October 2016.
Data collection- Main Study	Completed.
Data Analysis	Completed

5. Academic activities outside direct research.

Include here the details on your participation in courses, workshops, seminars, conferences etc. and on any written work (papers, reports, chapters of thesis etc.) on your research produced over the reporting period.

Activity	Location, date & duration	Topic	Your role/ contribution
Annual Accountants seminar –September 2016	Entebbe, Uganda by ICPAU		Participant- Asking questions & making presentations. Participant- Asking questions

6. Details of contribution made to teaching in the School
(Give estimates of total commitment in hours)

I have made lecturing contribution at Ndejje University of about 290 **hours** from August 2016 to January 2017

7. Research plan for the period
NB: "Milestones" should specify practical objectives which, at a definite date, you will have clearly passed, or not - e.g. "write a report on...", not "think about..."

Description of task	Milestone	Target date
Publication	Journal Articles	March 2017
Writing Main Report	Thesis - Research Report	February/March 2017
Data Collection	Pilot study	January 2016

Signature of Postgraduate:

Date:

Supervisor's Report

8. Comments on Postgraduate's report

Progress over Monitoring Period:

Future Plans:

Completion date:

Signature of Supervisor: Date:

MBARARA UNIVERSITY OF SCIENCE & TECHNOLOGY

UGANDA TECHNOLOGY AND MANAGEMENT UNIVERSITY UTAMU For an Open Mind

LUBEGA YIGA BALEKE JOSEPH- REG. NO. 2014/PhD/063, PhD(BUSINESS ADMINISTRATION)

TOPIC: FACTORS THAT AFFECT TRADE CREDIT AMONG MANUFACTURING FIRMS IN UGANDA

COMMENTS FROM PANELISTS

Below were the comments from panelists;

a) Preliminary Issues

i. The preliminary issues are clear and in line with generic structural standards of any given proposal.
ii. However, am not so sure whether dedication, acknowledgement and the structure of the cover page is in line with general requirements.

CANDIDATES RESPONSE

Dedication, acknowledgement have been removed from the proposal and the cover page adjusted accordingly.

iii. Rephrasing the topic: ***"Factors that affect trade credit among manufacturing firms in Uganda"***

CANDIDATE'S RESPONSE

The topic has been rephrased to "Factors that affect trade credit among manufacturing firms in Uganda"

iv. A lengthy topic. Can several words that comprise of the independent variable be compressed in a single variable?

CANDIDATE'S RESPONSE

The topic has been rephrased to "Factors that affect trade credit among manufacturing firms in Uganda"

b) Introduction

i. The research doesn't bring out upfront key issues such as conceptualization of financing, price discrimination, transaction cost, repayment behavior and trade credit practices among manufacturing firms in Uganda.

CANDIDATE'S RESPONSE

Key issues such as conceptualization of financing, price discrimination, transaction cost, repayment behavior and trade credit among manufacturing firms in Uganda have now been brought up as per pages 7-9.

ii. The candidate does not exhaustively present the existential realities in manufacturing firms in Uganda.

CANDIDATE'S RESPONSE

Existential realities have been exhaustively presented as per pages 9-10.

iii. Ok but weak link between trade credit and other variables.

CANDIDATE'S RESPONSE

A strong link between trade credit and other variables has been established page 10-12.

iv. Seems good but can be refocused and narrowed to one of the many variables.

CANDIDATE'S RESPONSE

A single variable "factors that affect Trade credit among manufacturing firms in Uganda" has been narrowed to.

c) Problem statement

i. The problem statement is not clear. The candidate should note that a problem is the heart of the research and must indicate the urgency why the candidate should conduct the study.

CANDIDATE'S RESPONSE

Statement of the problem is now clear and now indicates the urgency of the study**, pages-11-12.**

ii. Not broad and clear enough.

CANDIDATE'S RESPONSE

Statement of the problem now broad and clear enough, page 11-12.

iii. Trends could have addressed the issue of trade credit practices but since this is a qualitative study this could be a problem- but the literature review could address this.

CANDIDATE'S RESPONSE

The literature review addresses this now.

iv. Clarify with evidence on the trade credit practices in Uganda.

CANDIDATE'S RESPONSE

This is evidenced by the use of only 30% of Trade credit by manufacturing firms of Uganda (investor survey report 2012/13) page 9 -12 and the reduction of trade credit use from 58%(Kaniki, 2001) .

v. Relate this to independent variable.

CANDIDATE'S RESPONSE

This has been related to the independent variable, page 7-11.

d) Purpose of the study

i. The purpose will be more comprehensible when the problem statement becomes more clear.

CANDIDATE'S RESPONSE

The purpose is now comprehensive, page 12.

ii. Facts about independent and dependent variables missing.

CANDIDATE'S RESPONSE

Facts about independent and dependent variables present, page 7-12.

iii. Not clear. There is need to align the relevance of the topic to the situation in Uganda Vs the rest of the world.

CANDIDATE'S RESPONSE

The relevance of the topic to the situation in Uganda has been aligned, page 9-12 & 19.

iv. If topic independent variable is narrowed down, this should also be adjusted accordingly.

CANDIDATE'S RESPONSE

This has been adjusted accordingly.

e) Objectives

i. The objectives will be more clear when the problem statement becomes more clear.

CANDIDATE'S RESPONSE

The objectives are now more clear, after adjusting the statement of the problem page 10.

ii. Objectives given: but there is need to align these objectives to Uganda's manufacturing firms.

CANDIDATE'S RESPONSE

The objectives have been aligned to Uganda's manufacturing firms, page 12-13.

iii. Independent variables merged with repayment behavior-Dependent variable.

CANDIDATE'S RESPONSE

This has been done, pages 15-18.

iv. Could be refined based on refined topic and objective.

CANDIDATE'S RESPONSE

This has been done as per page 15-18.

f) Research Questions

i. The research will be more understandable when the problem statement becomes more clear.

CANDIDATE'S RESPONSE

The research questions are now more understandable and clear, page13.

ii. The question on repayment is missing.

CANDIDATE'S RESPONSE

Question on Repayment is now included pages 13.

iii. What is the relationship between repayment and trade credit practice?

CANDIDATE'S RESPONSE

The relationship between repayment and trade credit is such that if debtor's repayment behavior is properly monitored, default rates can greatly be reduced, increased sales and improved performance of Manufacturing firms.

iv. Could be refined if topic is refined.

CANDIDATE'S RESPONSE

Now refined

g) Research Hypotheses

i. The research will be more understandable when the problem statement becomes more clear.

CANDIDATE'S RESPONSE

Now understandable after clarity of the statement of the problem as pages 11-12.

ii. Ok but include repayment.

CANDIDATE'S RESPONSE

Repayment has been included as per pages 11-12.

iii. Refine accordingly.

CANDIDATE'S RESPONSE

Now refined, pages 11-12.

h) Literature review

i. The candidate should note that a literature review ought to be a piece of discursive prose, not a list describing or summarizing one piece of literature after another. Instead, the literature review should be organized into sections that present themes or identity trends, including relevant theory.

CANDIDATE'S RESPONSE

This has been done as per pages 17-34.

ii. A reminder literature review organizes the previous research in the light of what you are planning to do in your own project.

CANDIDATE'S RESPONSE

I have included what I plan to do in my own project pages 17-34.

iii. The candidate adds repayments as the only variable. Is this enough?

CANDIDATE'S RESPONSE

Other variables have been included i.e financing motive, Price discrimination motive and Transaction cost motive(which all represent the factors that affect trade credit), although I used Financing theory, Price discrimination theory and Transaction theory under the theory section.

iv. Review the literature widely.

CANDIDATE'S RESPONSE

I have reviewed the literature widely pages 17-34.

v. Repayment is not backed by strong views from the literature- Cite studies on this.

CANDIDATE'S RESPONSE

Repayment behavior is now backed by strong views and studies have been cited page 30-33.

vi. Improve the analytical and theoretical argumentation.

CANDIDATE'S RESPONSE

Analytical and theoretical argumentation have been improved pages 17-34.

i) Methodology

i. The methodology needs to be improved especially on the population and sampling.

CANDIDATE'S RESPONSE

Methodology has been improved in population and sampling as per pages 38. The population is 100 while the sample is 91 manufacturing firms.

ii. The candidate is reminded to also provide the tools for data collection and the respondents for both qualitative and quantitative data.

CANDIDATE'S RESPONSE

The tools for data collection will include interviews and questionnaires for Qualitative and Quantitative data respectively. The respondents for qualitative data will involve Chief executives and users of credit while for quantitative data will include owner Managers, Accountants, Marketers, Directors, Marketing managers, production Managers and other knowledgeable staff.

iii. Sample size too large.

CANDIDATE'S RESPONSE

The sample size has been reduced to 91 manufacturing firms.

iv. Time series analysis of quantitative variables could add value.

CANDIDATE'S RESPONSE

Time series analysis of quantitative variables will be used to add value.

v. **Unit of analysis not clear**.

CANDIDATE'S RESPONSE

Unit of analysis is manufacturing firms and unit of Inquiry Owner Manager, Accountant, Director, Manager, Marketer, Production Manager plus other knowledgeable staff.

vi. Explore further the topic to set other important variables.

CANDIDATE'S RESPONSE

Topic explored further and sub variables like Customer Character and Customer Capacity identified.

vii. Data collection procedure not clear.

CANDIDATE'S RESPONSE

Data collection procedures will include: Determining what kind of data is required to test the hypothesis, From whom to collect data (i.e from Suppliers) and what procedures need to be followed to collect that data.

Other procedures will include how collected data will be documented, who is responsible for providing the data, ensuring that relevant data has been collected, Storage of collected data and ensuring that the data collected is correct.

There is no explanation of the relationship between the independent and dependent variables. Kindly explore.

CANDIDATE'S RESPONSE

I have done it pages 17-34.

viii. Sample of firms should be narrowed down to sample of respondents.

CANDIDATE'S RESPONSE

Since the sample of firms is 91 and at least 3 respondents per sampled firms, the total respondents will be at least 273.

ix. Data collection methods and tools be elaborated.

CANDIDATE'S RESPONSE

The data collection methods will include: observation method, interview method, and collection of data through questionnaires.
The tools to be used will include questionnaires and Interview guides.

j) References

i. The candidate's reference list is good, though some of the materials in the reference don't appear in the text.

CANDIDATE'S RESPONSE

These have been harmonized.

ii. These are ok but should be relevant to the topic.

CANDIDATE'S RESPONSE

These are now relevant to the topic.

k) Instruments

i. The instrument will have to be adjusted when the problematisation is clearly done.

CANDIDATE'S RESPONSE

Instrument adjusted pages 68-78 .

ii. Instruments not clear but with proper conceptual framework, this could be clear.

CANDIDATE'S RESPONSE

Instrument now clear.

l) Other comments

i. The proposal has numerous grammatical errors, typos and language rules.

CANDIDATE'S RESPONSE

Grammatical errors and typos have been corrected and language rules followed.

ii. The candidate is advised to thoroughly revise the proposal to eliminate the above.

CANDIDATE'S RESPONSE

The proposal has been revised.

iii. Conceptual framework be built on an extensive review of the literature.

CANDIDATE'S RESPONSE

The conceptual frame work is now built on an extensive review of the literature.

iv. Casual linkages of independent and dependent variables should be well explained.

CANDIDATE'S RESPONSE

These have been explained pages 17-34.

v. Good, contemporary but seems quite a wide study.

CANDIDATE'S RESPONSE

Yes it is.

m) Overall recommendation

i. The proposal be accepted with major corrections.

CANDIDATE'S RESPONSE

Corrections have been made.

ii. The candidate can proceed to the next level after major corrections.

CANDIDATE'S RESPONSE

To now proceed to the next level.

iii. Take care of core issues raised, adjust accordingly and proceed.

CANDIDATE'S RESPONSE

The core issues raised have been adjusted.

LUBEGA YIGA BALEKE JOSEPH- 2014/PhD/063-PhD (BUSINESS ADMINISTRATION)

COMMENTS FROM REVIEWER A

a) Preliminary Issues

The preliminary issues are clear and in line with generic structural standards of any given proposal. However, am not so sure whether dedication, acknowledgement and the structure of the cover page is in line with the general requirements

Students comments

Dedication, acknowledgement have been removed from the proposal and the cover page adjusted accordingly page 1-2.

b) Introduction

i. The introduction in its totality is unclear- too especially the

Response:
The introduction is now clear as per pages 1-16

ii. The discussion towards the contextualization of research need to be tightened.

Response:
The discussion has been tightened towards contextualization pages 9-10.

iii. The research doesn't bring out upfront key issues such as conceptualization of financing, price discrimination, transaction cost, repayment behavior and trade credit practices among manufacturing firms in Uganda.

Response:
Upfront key issues such as conceptualization of financing , price discrimination, transaction cost, repayment behavior and trade credit have been brought out pages 6 - 10.

iv. The candidate does not exhaustively present the existential realities in manufacturing firms in Uganda

Response:
Existential realities have been exhaustively presented as per page 6-10.

v. This a major omission which has a significant impact on the problem structure and also the research methodology

Response:
The issues were addressed

c) Problem statement

The problem statement is not clear. The candidate should note that a problem is the heart of the research and must indicate the urgency why the candidate should conduct the study. There are key issues you should consider while problematising your work viz:

i. The statement of the problem must clearly define the variable(s) and show the relationships / issue(s) that will be investigated.

Response:
The statement of the problem now clearly defines the variables i.e the Factors that affect trade credit, repayment behavior and trade credit pages 11-12.

ii. Reference should be made to the problem that has been detected and needs either a theoretical and practical solution, or both, the nature of the problem and its known or estimated magnitude or extent should be clearly stated where practically possible

Response:
Reduction in trade credit use is the problem that has been detected that needs both a theoretical and practical solution and its magnitude is big and if not addressed will greatly affect the economic development of the country plus performance of manufacturing firms pages 11 -12.

iii. The use of facts like statistical information or citations from known authorities in the candidate's field of research in a brief, specific and concise manner. Such facts may be used to highlight the magnitude or extent of the problem.

Response:

This has been done pages 9-11.

iv. Major previous researches undertaken on the subject should be cited (where applicable in case of theoretical problems).

The above will enable the candidate to indicate the gaps in the knowledge and justify the need for the proposed study.

Students comments

These were addressed pages 17-34.

d) Purpose of the study
The purpose will be more comprehensible when the problem statement becomes more clear

Students comments
Addressed the issue page 12.

e) Objectives
The objectives will be more clear when the problem statement becomes more clear
Students comments
Addressed this problem pages 12 -13.

f) Research Questions
The research will be more understandable when the problem statement becomes more clear

Students comments
Addressed the issue page 11-12.

g) Research Hypotheses

The research will be more understandable when the problem statement becomes more clear

Students comments
Addressed the issue page 13-14.

h) Literature review

i. The candidate should note that the literature review is an account of what has been published on a topic by accredited scholars and researchers. It presents a survey and discussion of the literature in a given area of study. It is a concise overview of what has been studied, argued and established about a topic, and it is usually organized either chronologically or thematically.

Students comments:
Literature review have been organized thematically pages 17-34.

ii. The candidate is expected to convey to the readers what knowledge and ideas have been established on a topic, and what their strengths and weaknesses are. The candidate is expected to demonstrate skills in two areas namely (1) **information seeking**: the ability to scan the literature efficiently, using manual or computerized methods, to identify a set of useful articles and books and (2) **critical appraisal**: the ability to apply principles of analyses and value judgment to identify unbiased and valid studies on a problem under investigation, and be able to detect and present the research gaps in a scholarly way. A literature review must:
   - be organized around objectives, themes or concepts related to the study.
   - Synthesize results into a summary of what is and is not known.
   - Identify areas of controversy and gaps in the literature.
   - Formulate questions that need further research

Students comments:
These have been done pages 17-34.

iii. The candidate should note that a literature review ought to be a piece of discursive prose, not a list describing or summarizing one piece of literature after another. Instead, the literature review should be organized into sections that present themes or identify trends, including relevant theory. A reminder literature review organizes the previous research in the light of what you are planning to do in your own project.

Students comments
Worked on them pages 17-34.

i) Methodology

The methodology needs to be improved especially on the population and sampling. The candidate is reminded to be also provide the tools for data collection and the respondent for both qualitative and quantitative data.

Students comments

Worked on them pages 35-49.

j) References
The candidates reverence list is good, though some of the materials in the reference don't appear in text

Students comments

Worked on it on pages 50-65.

k) Instruments
The instrument will have to be adjusted when the problematisation is clearly done

Students comments

Worked on them pages 68-78.

l) Other comments
Overall, the proposal is needs an overhaul and the candidate should take note the following:

i. Each chapter should have an introduction and conclusion, so that the conclusion informs the reader what has been done and also provide an entry point for the ensuing discussion
ii. The proposal has numerous grammatical errors, typos and language rules. The candidate is advised to thoroughly revise the proposal to eliminate the above

Students comments

Worked on all of them.

m) Overall recommendation
The proposal be accepted with **MAJOR** corrections.

Students comments

Major corrections made.

COMMENTS FROM REVIEWER B

a) Preliminary Issues

i. Are Appropriate

ii. Abstract could be reserved for a thesis/research report

Students comments

Corrections made

b) Introduction

Conceptual and contextual background are a bit shallow. Can be elaborated more

Students comments

More elaborations made pages 7-10.

c) Problem statement

It gives necessary highlights for the study problem

d) Purpose of the study

i. The study purpose seems to be loaded with many theories/ concepts that it tends to be a bit ambiguous .

ii. Could be refined

Students comments

Corrections made page 12.

e) Objectives

The objectives are clear and are able to guide the study

f) Research Questions

Preferably Align each research question to a corresponding research objective

Students comments

Done on page 12-13

g) Research Hypotheses

Should be consistent on whether hypotheses set are

i. Directional and Non-directional hypotheses
ii. If…then…statements and propositions
iii. Null hypotheses.

Students comments

Hypothesis directional pages 13-14.

h) Literature Review

i. Reconsider whether you are using core concepts of the study title as same as the study theories presented in chapter 2. Note that creates ambiguity in the study, and necessitates a critical analysis and increased level of conceptualization

Students comments

ii. Literature requires analytical and theoretical argumentation that blends the exiting study findings, the related theories, and related concepts and aligns them to specific research objectives.

Students comments

This has been done pages 17-34.

iii. A summary of the chapter can then be used to identify core arguments and gaps in the existing literature

Students comments

iv. A clear conceptual and theoretical review is needed

Students comments

A clear conceptual and theoretical review was done pages 17-34**.**

v. The chapter could be reframed based on the research guidelines of UTAMU

Students comments

Chapter was reframed based on the research guidelines of UTAMU pages 17-34 .

i) Methodology

i. Rethink and review the unit of analysis

ii. Sampling strategies should equally be reviewed and well elaborated
iii. Methods of data collection as well as related instrument should be revised and elaborated
iv. Data control – validity and reliability should be reviewed and elaborated
v. The entire chapter can be reviewed and streamlined with the research objectives

Students comments

All these have been addressed, unit of analysis sampling strategies reviewed, methods of data collection plus instrument, data control and the entire chapter reviewed and streamlined with the research objectives.

j) References

Improve them basing of recommended APA style

Students comments

Done as per pages 50-65.

k) Instruments

Should be reviewed and improved after reviewing the rest of the proposal based on the suggestions and new observations/perspectives of the researcher

Students comments

Done pages 68-78.

l) Other comments

i. The proposal in my view becomes a bit disadvantaged from the way the study was conceptualized based on the title. The title for the study seems to have many broad concepts each of which could form an independent study.

Students comment

Correction was made.

ii. The problem would also be lessened if the conceptual background and the contextual background are well elaborated

Students comments

These are now well elaborated as per pages 6-9 above.

iii. A clear conceptual framework is desirable and in my view, if this could come in chapter 1 , the write up including the literature review could be more detailed and coherent

Students comments

The conceptual framework is now in chapter one and the literature review is now detailed and coherent.

iv. Chapter 3 requires a clear conceptualization of a Unit of analysis in order to guide the sampling process that is key in research

Students comments

Unit of analysis is manufacturing firms and unit of inquiry Chief executive officers, head of accounting Departments, Debt collectors, Head of Marketing plus other knowledgeable staff.

v. Nevertheless the proposal has core ideas that can be harmonized for an interesting study of a contemporary nature

Students comments

Ideas have now been harmonized for the study.

m) Overall recommendation

The proposal be accepted with **MAJOR** corrections.

Students comments

Major corrections done.

COMMENTS FROM REVIEWER C

a) Preliminary Issues

i. TOPIC: the topic is crowded; some of the concepts seem not to give the direction the study will take. This proven ahead in the proposal when many new issues are added but not clearly drawn from topic; it should ne refocused on clear broad concepts.

Response:

The topic has been refocused on clear and broad concepts as per lead page.

ii. Approval: I hope a signed copy was submitted for filing purposes

Response:
Yes a signed copy was submitted for filing purposes

iii. Dedication – a proposal should not have such a section

Response:
Dedication, acknowledgement have been removed from the proposal and the cover page adjusted accordingly.

iv. Table of contents: use automatic contents.

Response:
This has been corrected see pages 2-3.

v. Pagination: The whole proposal had no page numbers yet a table of contents is given, where and how was it generated?? Introduction on page 1?? Abstract: a proposal should not have an abstract; even if the format requires one, it should be a highlight of the content not with citations as see in this case; what is given is completely off the mark.

vi. Students comments

Pagination corrected as pages 1-112 and abstract removed.

vii. Justification is not convincing, be strong on policy, practice, research.

Students comments

This was done as on page 16.

b) Introduction

i. Introduction - is like literature review? is that right. It should introduce the proposal by concept, context and content.

Students comments
The introduction is now by concept, context and content pages 1-9.

ii. Historical – narrow down to Uganda context and show debate not chronology of the concept from that breadth.

Students comments

Historical now narrowed down to Uganda context and debate shown pages 6-10**.**

iii. Contextual - too short and not elaborate, relevance of section not seen

Students comments
Context now long enough, elaborate and relevance included pages 6-10**.**

Theoretical- figure one not seen. Theories not well reviewed and linkage.

Students comments
Theoretical figure now under introduction page 15.

iv. Theories are said to 'ignore repayment behavior'; note that they did not set out to cover it and thus you cannot discount them on what was outside their scope; your concern should be the debate over time across studies. For example Bhutt and Shui (2002) seem to focus on what you are saying was ignored.

Students comments
The debate has been incorporated now.

v. Contextual – evidences to the problem are lacking but you instead describe the problem. This should spot to the gap and point of departure.

Students comments

Done as per pages 9-10.

c) Problem statement

i. Some issues are not clear; what is the gap? What is bothering the researcher; is it that theories are inadequate, or that practice is not explained; or that the theories are not contextually coherent? These must be cleared out. For example

you state that 'conventional trade credit theories cannot adequately explain trade credit supply and demand', if they are theories on trade credit, what then, are they about. Are they theories or typologies or gestalts or frameworks?

Students comments
The problem is reduction of trade credit use as explained by the reduction from 58.9% in 2003 to 30% in 2013 on pages 11-12, hence lack of adequate credit to develop the economy of the country and also improve performance of firms.
The Gap (practical and theoretical)is Repayment behavior.

ii. "...introducing repayment behavior will provide an enriched understanding and make an original contribution to the current debate",

iii. What debate, by who? What is your research question that the problem will seemingly answer?

Students comments on ii and iii

Current debate on Trade credit use by theorists, authors and researchers.

Why is trade credit use reducing among manufacturing firms of Uganda? This is the research Question.

d) Purpose of the study

Misleading… to examine whether repayment behavior mediates these theories; a variable cannot mediate theories. There seems to be mechanical effort to bring out repayment behavior as a gap without anchoring it in the conceptual debate.

Students comments

The purpose of the study has been corrected as per page 12. Repayment behavior is the Gap.

e) Objectives

Obj 4 not researchable; one variable cannot mediate the variables stated

Students comments

Done as per page 12-13.

f) Research Questions

Qns should arise from obj, but the former are 4 and latter 7? Reason? Obj4 was badly stated. Also note that 'mediation effect'….cannot be 'between'

Students comments

Reviewed pages 13.

g) Research Hypotheses

i. Hypotheses must arise from objectives; look at H1 it does not link to Obj1. Worse still, H1a,b,c do not arise from H1; these are new (sub)variables

Students comments

Research hypotheses are now arising from objectives pages 13-14.

ii. The same can be said of all the hypotheses. H6 for example; H6a,b, c are just introduced at this point and not in background nor problem.

Students comments

Research hypotheses are now arising from objectives pages 13-14.

iii. **Theoretical model:** should be titled as conceptual model, if, as I assume, it is your stated relationships that you wish to examine. I find some gaps again. All the obj and hypo should be discerned in the diagram but for now, the reader cannot pick all the relationships. The constructs must also be clear; for example is volume and price TC practices? I doubt. Again is monitoring or sanctions a repayment behavior? Unsure.

Students comments

Correction done as per page 15. Changed to conceptual model

h) Literature review

i. Section 2.1 check title, why is conceptual model in literature review?

Student comments

Relocated to Chapter one.

ii. Table 1 comes too soon; where does a summary arise when inadequate review of theories precedes it? source of table is not right.

Student comments

Corrections made.

iii. Citations – most, if not all, are in parenthesis, implying that an interrogation is missing. This explains why (as per my other observation) literature section is excessive for a proposal.

Student comments

Corrections made.

iv. You are not reviewing but nearing 'copying and pasting' ideas.

Student comments

Reviewed and corrections made.

v. Cause a debate, a conversation among scholars and place yourself out. E.g. Alphonse et al (2002) posited that.......while Horen (2007) does not agree entirely. This means……..Many citations are not referenced,

Student comments

Reviewed and corrections made.

vi. Again there is calculated effort to show that theories ignore repayment behavior, albeit, wrongly.

Student comments

Reviewed.

vii. 2.2.2 Financing gaps as given introduce a new study not this one.

Student comments

Yes these gaps will be used for another study.

viii. 2.3.2 Price discrimination gap introduces a new study not this one

Student comments

Yes these gaps will be used for another study

ix. 2.4.2 Transaction cost gap, quickly states repayment behavior as lacking?

Student comments
Reviewed.

x. 2.4, 2.5, 2.6, 2.7 are wholly like class notes prepared for higher degrees students.

Student comments
R e v i e w e d

xi. Please review literature 'do not read and rewrite'

Student comments
Literature reviewed and Corrections made.

xii. Check Field and Robin (2007) and Simtoure and Phili (1979), they seem to posit repayment behavior that you have continuously said are ignored.

xiii. Student comments

Reviewed.

xiv. Unwillingness to pay is a repayment behavior – track and discern the debate after this author, for example Olomole (2000) talks about social capital.

Student comments
This one was changed to Customer character in the current write up.

xv. The literature review should be revisited.

Students comments

Literature review has been revisited pages 17-34

i) Methodology

i. Design – put design and philosophy in separate sections.

Students comments
These are now separated page 35-37.

ii. Sample – topic is strictly manufacturing firms; yet here service firms are included, and stated as 'other' totaling 822, with 95 sampled? Krejcie and Morgan (1970) table is misread, N=822 cannot have a sample of 95!

Students comments

Reviewed and corrections made.

iii. Is furniture and construction business 'manufacturing', they are part of the population at 6009, with a sample of 290? Sure, from sampling tables?

Students comments

Producing furniture items can be regarded as manufacturing while construction is Taken in terms of manufacturing construction materials like cement.

iv. Data collection methods – not sure is combination of questionnaire, interview and observation is right and feasible for PhD work.

Students comments

Questionnaire and interview is feasible and right for this study.

v. Observation – in the constructs as given, what is observable behavior?

Students comments

This part has been removed.

vi. Respondents – many contradictions.
   - Targets to interview chief executives where appropriate, senior managers,
   - Suppliers, customers and other relevant people.
   - The interviews shall address the same areas as the questionnaires.
   - Chief executives where appropriate, Heads of Departments, Finance department staff , Suppliers, customers and other relevant respondents totaling to 364 respondents are expected to fill in the questionnaires.

Students comments

Respondents will include: Chief executives, Debt management staff , Head of finance, Head of marketing, Production Manager plus other knowledgeable staff making a number of at least 3 people per company.
Some debtors will also be randomly selected as respondents.

vii. Kindly read the cut and pasted texts from your work, take a moment to wonder if you gave adequate time to your work.

Students comments

Reviewed and corrected.

viii. Unit of analysis and unit of inquiry must be clearly stated.

Students comments

- Select the Unit of analysis (Manufacturing firms)
- Unit of inquiry - Chief executives, Debt management staff , Head of finance, Head of marketing, Production Manager plus other knowledgeable staff.

ix. Operationalization – financing ok; price discr- ok; trade credit check,or review the word ‘practices’ in your DV.

Students comments

The word practices has been dropped from the topic.

x. Repayment behavior – not convincing what measures will be used. Make methodology precise

Students comments

The measures which will be used under Repayment behavior include: Customer/Debtor character and Customer/Debtor Capacity

xi. Work plan – review and update, it is farfetched.

Students comments

Corrected.

j) References

i. Already noted that many citations are not referenced. Example Altunok, 2011. Kumar, 2005?

ii. This is simply bad practice at this scholarly level.

Students comments

Reviewed.

k) Instruments

i. Many items do not measure what they are stated for. E.g REP2; REP6; REP8 IA10; MPF13, CD4, FTS5 etc…revisit many others.

ii. There are some items that capture concepts introduced first time here. E.g suppliers managers do not tolerate moral hazard….

Students comments

Corrections done

l) Other comments

i. I note that the author has done much work and input a lot of effort to get the proposal at this stage. However, the many identifiable omissions reveal deeper dimensions.

Student comments
Corrections done

ii. There are several typographical errors, wrong phrases and patched up statements that are not coherent.

Student comments
Corrections made.

iii. I want to note that the omissions identified are across the whole document, on various key sections. I would be disadvantaging the candidate to summarize the observations as 'major corrections', thus accepted to proceed accordingly. I suggest that the candidate revisits the work and get the supervisors clearly explained the positive action taken on these and possibly other notable omissions; after that could be allowed to proceed.

Students comments
Corrections done

LUBEGA YIGA BALEKE JOSEPH- REG. NO. 2014/PhD/063, PhD (BUSINESS ADMINISTRATION)

RESPONSES TO COMMENTS FROM REVIEWERS- (RE- ASSESSMENT AFTER PhD PROPOSAL DEFENSE)

COMMENTS FROM REVIEWER A

a) Preliminary issues

The preliminary issues are clear and in line with generic structural standards of the proposal. The topic had been rephrased as earlier suggested.

b) Introduction

The background has been revised as guided . The Theoretical, conceptual issues and contextual issues are now more clear.

c) Problem statement

The problem statement has been revised. However, the clarity could be improved as the student goes on with the writing. The statement still zeroes much on conceptual definitions and explanation of variables. The writer needs to go a mile further to use existing facts, literature, reports etc to accentuate the situation of the known problem of trade credit in the manufacturing firms in Uganda.

Response
Corrected it but to be fully refined as I move on with the research process.

d) Purpose of the study
The purpose is clear.

e) Objectives
The objectives are clear though quite many.

f) Research questions
The research questions are clear in relation to the objectives.

g) Research hypotheses
Are Quite many but are related to the objective.

h) Literature review

i. Quite fragmented and the argumentation/critical appraisal that should be arising from analytical reading is still limited. The presentation needs a comprehensive and elaborative flow of the literature.

Response
Amended it but to continue refining it during the research process.

ii. Nevertheless it captures core issues for research and could be refined in the research process.

Response
Amended it but to continue refining it during the research process.

i) Methodology

i. Most of the issues raised earlier have been addressed.
ii. Could add on the component of ethical considerations.

Responses:

Component of ethical considerations added-page 47-49.

j) References
Have been revised as advised.

k) Instruments
Have been revised as advised.

l) Other comments

Generally, the work had been tremendously reviewed according to earlier suggested changes. It is now able to be used for the study.

m) Overall recommendation

The proposal be accepted with MINOR corrections.

Responses

Minor corrections made

COMMENTS FROM REVIEWER B

a) Preliminary issues

i. The preliminary issues are clear and in line with generic structural standards of any given proposal.
ii. The title has been made more explicit in comparison to what the candidate had proposed erstwhile.

b) Introduction

i. The introduction section is fairly clear and the discussion towards the contextualization of research has been improved.
ii. The version of the proposal also bring out upfront key issues which were previously ignored such trade credit practices among manufacturing firms in Uganda.
iii. In this version of the proposal the candidate attempts to present some realities in manufacturing firms in Uganda.

c) Problem statement

i. The problem statement has been made fairly clear. The candidate attempts to define the variable(s) and show the relationships / issue(s) that will be investigated.
ii. The candidate also made reference to the problem that has been detected and its known or estimated magnitude. The candidate also uses some anecdotal facts which also highlight the magnitude or extent of the problem.

d) Purpose of the study

The purpose of the study has been made clear – after clarifying ambiguities that were previously identified in the problem statement.

e) Objectives

The objectives have been made more clear and in line with the problem statement.

f) Research Questions

The research questions have been made more clear and in line with the objectives of the study.

g) Research hypotheses

The research hypothesis have been made more explicit and they are inline the research hypothesis.

h) Literature review

i. The chapter now- brings out the core concepts of the study their analysis and increased level of conceptualization
ii. The candidates in this chapter presents reasonable analytical and theoretical argumentation that blends the exiting study findings, the related theories, and related concepts and aligns them to specific research objectives.
iii. The summary the chapter presents core arguments and gaps in the existing literature
iv. The chapter has been reframed based on the research guidelines of UTAMU

i) Methodology

i. The methodology has been improved especially on the population and sampling and the unit of analysis
ii. Methods of data collection as well as related instrument have been fairly revised and elaborated
iii. Data control – validity and reliability have been reviewed and elaborated
iv. The entire chapter has been fairly reviewed and streamlined with the research objectives

j) References

The candidates reverence list is good, and in-text referencing has been too improved.

k) Instruments

The instrument are fairly presented and in line with research questions.

l) Other comments

Overall, the proposal is fairly presented:

i. The introduction and conclusions as previously been advised have been incorporated – although, weakly presented. The candidate is advised to read extensively and see how introductions and conclusions appear at PhD level.

Responses:

Introductions and Conclusions are now fairly presented chapter 4, 19, 20, 34, 35 and 45.

ii. Still the proposal has numerous grammatical errors, typos and language rules. The candidate is advised to thoroughly revise the proposal to eliminate the above.

Response

Corrections have been made chapter 1-3

m) Overall recommendation

The proposal be accepted with MINOR corrections.

Response:

Minor corrections made.