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Factoring as a Financing Alternative for African Small and Medium-Sized Enterprises

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Abstract

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MBA, Makerere University Kampala, 2009

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Doctoral Study Submitted in Partial Fulfillment

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Abstract

Small and medium-sized enterprises (SMEs) are the main drivers of economic growth and employment. African SMEs are constrained by a lack of access to finance. In line with the pecking order theory, capital-constrained SMEs are expected to seek external finance. However, due to credit rationing, African SMEs have limited success raising finance. Factoring could enable African SMEs to gain access to finance, as underwriters mainly place the risk on the receivables as opposed to the firm itself. Despite its benefits, factoring has not taken root in sub-Saharan Africa. The purpose of this phenomenological study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. Data on the lived experiences of 22 executives providing or promoting factoring in 16 African countries were collected through semistructured interviews; these data were analyzed using the Braun and Clarke thematic approach. Four themes emerged: supply-side conditions, demand-side conditions, business environment conditions, and facilitating institutions and industries. Results suggest high factoring prospects, legal and regulatory impediments, low awareness levels, reluctance of banks to avail factoring, high entry barriers for nonbank factors, a lack of credit insurance, and a lack of an open account trade culture. A framework was recommended, based on these findings, along with actions for factoring development in Africa. Implications for positive social change include increased awareness which may boost factoring. Improved financing options may yield improved African SME competitiveness, which in turn, may result in improved job opportunities, household incomes, quality of life, and more broadly, Africa's economic growth.

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Dedication

To my parents, Mr. Erastus Batuma and Mrs. Margaret Nkangi Tomusange, of Kasubi, Nabulagala Road, Kampala, Uganda. To my paternal grandparents, the late Mr. and Mrs. Yakobo and Ekiriya Nakibuka Kulya Tulo, who were laid to rest in Kyabakadde, Mukono District, Uganda. To my maternal grandparents, the late Reverend. and Mrs. Semu and Eseza Nkangi, who were laid to rest in Ntolomwe, Butambala, Mpigi District, Uganda. The foundation you provided me, enables me to surmount any challenge, the DBA included and many more to come.

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Table of Contents

List of Tables

Section 1: Foundation of the Study

Small and medium-sized enterprises (SMEs) are the main drivers of economic growth, employment, investment, innovation, and service delivery globally (Kumari, 2012; Narteh, 2013; Osei-Assibey, 2013; Wyld, Pugh, & Tyrrall, 2012). As an example, in Kenya, the number of SMEs is about 1.73 million, employ close to 80% of Kenya's total workforce, and contribute close to 20% of Gross Domestic Product (GDP; Vinod, 2013). SMEs, which dominate the African private sector, suffer from a host of challenges, and a lack of access to finance is one impediment (Haselip, Desgain, & Mackenzie, 2014; Osei-Assibey, 2013). The availability of bank finance to SME owners and managers is critical for firm growth, investment, and competitiveness (Armstrong, Davis, Liadze, & Rienzo, 2013). External finance is not a readily accessible option to SMEs, given the stringent collateral and paperwork requirements by bankers; leaving some SME owners and managers to finance a larger share of their investments with limited internal resources and informal finance (Beck, 2007). For example, in South Africa, only 2% of new SMEs are able to access credit (Fatoki & Smit, 2011).

The lack of access to external finance affects the performance of African SMEs, households, and national economies as a whole (Osei-Assibey, 2013). Innovative financing products suitable for SMEs may ensure the growth of the African SME sector and the African economy. Factoring is one such alternate source of finance that is suitable for SMEs (Klapper, 2006; Vasilescu, 2010).

Background of the Problem

Factoring is a financial service (not a loan) where an enterprise sells its accounts receivables (in the form of invoices) to a factor at a discount in exchange for immediate cash and a range of services including credit protection, accounts receivable bookkeeping, collection services, and financing (Klapper, 2006; Vasilescu, 2010). Through factoring, high-risk firms can gain access to finance because underwriters place the risk on the accounts receivables of the firms as opposed to the firm itself (Klapper, 2006). The global factoring industry volume in 2012 was 2.1 trillion euros, equivalent to 4.18% of global GDP, of which, Africa's share was only 23 billion euros (1%), with South Africa alone contributing 21 billion euros (91%; Bickers, 2013; IFG, 2013; Oramah, 2013).

The level of awareness, availability, acceptance, and utilization of factoring is low in some African countries (Bickers, 2013; IFG, 2013; Ivanovic, Baresa, & Bogdan, 2011; Oramah, 2013). A number of obstacles, including legal, regulatory, informational, tax, and cost barriers impede factoring growth in various African countries (Kameni, 2014; Mbatha, 2011; Oramah, 2013). Only 27 factoring companies in Egypt, Ghana, Mauritania, Mauritius, Morocco, South Africa, and Tunisia reported factoring activity in Africa in 2012 (Bickers, 2013; IFG, 2013). The aim of this study was to explore the obstacles and prospects of factoring development in Africa. The results from this study might contribute to positive social change by bridging the information, knowledge, and research gap on factoring services in Africa, in turn, boosting demand and supply of the factoring product.

Problem Statement

Factoring is an alternate and globally well-established source of external finance suitable for SMEs (Ivanovic et al., 2011; Vasilescu, 2010). The global industry volume of factoring in 2012 was 2.1 trillion euros, accounting for 4.18% of global GDP (Bickers, 2013; IFG, 2013). Despite its benefits, factoring activity in Africa is disproportionately low, with a 1% share of global factoring activity, of which South Africa alone contributes a 91% share (Bickers, 2013; IFG, 2013; Ivanovic et al., 2011; Oramah, 2013). The general business problem is that some African SME managers lack access to finance for growth and working capital requirements. The specific business problem is that some African SME managers lack awareness and information about the potential of factoring to finance their businesses resulting in low levels of factoring availability, acceptance, and utilization in Africa (IFG, 2013; Oramah, 2013).

Purpose Statement

The purpose of this qualitative, phenomenological study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. The specific population group for the study included chief executive officers (CEOs) or heads of factoring divisions for companies and associations evidently providing or promoting factoring services in Africa. The International Factors Group (IFG) and the Factors Chain International (FCI) are two global factoring associations which identified 27 companies in seven African countries offering factoring services (Bickers, 2013; IFG, 2013). However, the number of companies that offer factoring services in Africa may be higher than that reported by IFG and FCI. In this study, 22 executives expressed their views and lived experiences providing or promoting factoring in Cameroon, Egypt, Gabon, Ghana, Ivory Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe.

The results from this study might contribute to positive social change by bridging the information, knowledge, and research gap on factoring services in Africa. On the supply-side, investors may set up factoring businesses, boosting product availability. On the demand-side, SMEs may gain awareness of factoring, leading to increased product acceptance and utilization. On the business environment side, policy makers and regulatory authorities may address factoring impediments, boosting product availability and utilization. Improved financing options for African businesses may yield improved enterprise performance and competitiveness, which in turn, may result in improved job opportunities, household income, quality of life, and broadly Africa's economic growth.

Nature of the Study

The phenomenological design was the base of this supply-side study. Because researchers have not adequately studied the factoring phenomenon in Africa, a qualitative exploratory methodology was more appropriate than a quantitative methodology. I captured the voices and experiences of the research subjects using open-ended interview questions. The interview questions provided an in-depth understanding of the meanings ascribed to the problem (Aluwihare-Samaranayake, 2012). A phenomenological design, as opposed to a narrative, ethnographic, or case study, was more appropriate for the study given the intention to investigate the factoring phenomena in Africa through multiple viewpoints. The phenomenological design enabled illumination of the lived experiences of practitioners and industry specialists involved in the provision and promotion of factoring services.

Research Question

The aim of the study was to explore the potential of factoring as a financing alternative for African enterprises through a phenomenological exploration of the experiences of 20 practitioners and promoters of factoring services. The overarching research question of this study is as follows:

> What are the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring services in Africa?

Interview Questions

Data required to respond to the overarching research question were gathered using semistructured interviews. The open-ended interview questions were as follows:

1. What obstacles have you experienced availing or promoting factoring in your African country?
2. How can you boost the availability of factoring in your African country?
3. How can you increase the level of awareness of factoring in your African country?
4. How can you increase the level of acceptance of factoring in your African country?
5. How can you boost the level of utilization of factoring in your African country?

6. What are the prospects of factoring in your country and Africa in general?

Conceptual Framework

Capital structure and credit rationing theories and models, in particular the pecking order theory, provided the conceptual framework for this qualitative, phenomenological study. The pecking order theory, which emanated from the capital structure theory by Modigliani and Miller (1958) stated firms follow a financing order or financing hierarchy (Majluf & Myers, 1984). A firm faced by an adverse selection will first use retained earnings over debt, and if external financing is required, will use debt over equity (Majluf & Myers, 1984).

Stiglitz and Weiss (1981) fronted the credit rationing theory and declared credit rationing applies in situations where among observationally identical loan applicants, some receive credit and others do not, with the latter not being able to receive credit even if they were willing to pay higher interest or provide higher collateral than is demanded. As opposed to credit shortages, credit rationing is a result of imperfect and asymmetric information and incentive problems in bank lending (Stiglitz & Weiss, 1981). Small businesses, which have the greatest external financing needs suffer significant asymmetric information and are accordingly credit rationed (Canales & Nanda, 2012). The viability of SMEs is strongly influenced by credit rationing (Comeig, Del Brio, & Fernandez-Blanco, 2014).

In line with the pecking order theory, SMEs that exhaust internal sources go down the financing hierarchy and seek external finance. However, with credit rationing in the traditional credit markets in favor of large creditworthy firms, SMEs are less preferred candidates for external finance and are likely to be unsuccessful in their fund-raising efforts (Canales & Nanda, 2012). SMEs unable to access financing from traditional credit markets ought to seek alternative sources of finance, such as factoring, leasing, and other asset-based financing options (Fatoki & Smit, 2011). In this study, I determined the obstacles and prospects for using factoring by African SMEs to finance their operations.

Definition of Terms

Factor: A factor is an entity which buys the receivables of another firm before the expiry date of payment, takes over the debt collection activities, and assumes risk of collection of receivables (Ivanovic et al., 2011). The factor profits by charging a price higher than that paid for the purchased receivables (Ivanovic et al., 2011).

Factoring: Factoring is a financial transaction or service (not a loan) where an enterprise sells its accounts receivables (in the form of invoices) to a factor at a discount (Vasilescu, 2010). The factor levies an interest-based service charge on the seller, based on the expected length of time before the factor receives payment on the invoice from the debtor (Vasilescu, 2010).

Invoice discounting: Invoice discounting is where the financier purchases the sales ledger and advances funds against the approved debt, but does not take on the responsibility for the collection of the debt (IFG, 2012)

Nonrecourse factoring: Nonrecourse factoring is where the factor offers the client full credit management service cover on approved debts against the eventuality of the factor being unable to secure full payment of factored invoices (Vasilescu, 2010).

Published or secret factoring: Published or secret factoring depends on whether the seller (creditor) informs the buyer (debtor) about the transfer of their receivables (Ivanovic et al., 2011).

Recourse factoring: Recourse factoring is where the factor takes responsibility for the clients' debt collections but retains the right to seek full recourse from the client for any bad debts (Vasilescu, 2010).

Reverse factoring: Reverse factoring, also known as supply chain finance, is a form of funding where the factor and debtor, the latter usually a large company, enter into an agreement. The factor offers the suppliers of the debtor the option to assign or sell their debtor approved receivables (IFG, 2012).

Supply chain finance: Supply chain finance is an alternate type of financing where financially-strong buyers directly or indirectly support the liquidity needs of trading partners within their supply chains (Dyckman, 2011).

Assumptions, Limitations, and Delimitations

Assumptions

For this study, I assumed that the participants would be available and willing to offer their time and would be able to comprehend English, which was the language used for the interviews. I also assumed that participants would respond to the interview questions accurately; provide correct and reliable information; and be forthright, truthful, and objective in their responses. Given the broad geographic scope of the study, telephone interviews were the primary mode of data collection. I assumed respondents would agree to the telephone interviews and provide the required information. I also assumed the participants would willingly provide their consent and agree to the recording and transcription of the interview.

Limitations

In this study, 22 executives expressed their views and lived experiences providing or promoting factoring in 16 African countries; Cameroon, Egypt, Gabon, Ghana, Ivory Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe. The intended geographic scope of this study was continental Africa, which comprises of 54 countries. The limited number of countries involved in the study may affect the transferability of the results to the entire African continent. The diverse nature of the African continent and its people might affect the transferability of the results across countries.

The focus of this study was on the supply-side of factoring through an investigation of the experiences of acclaimed factoring industry specialists. For practical purposes, for this study I did not include the demand-side, which would include clients of the factoring companies or the SME managers. I also did not include the buyers or debtors, who are a key party to the factoring offering. Conducting a supply-, demand-, and debtor-side factoring analysis could have yielded better study reliability, but would have required extensive resources and a considerable amount of time. This study was only a supply-side analysis, forfeiting the benefits of triangulation through a three-way supply-, demand-, and debtor-side analysis. Future studies may fill this research gap.

A longitudinal study that spans a long period and involves observing participants in their environment over an extended period (case study design) would probably have yielded better results. Given time and financial constraints, I opted for a cross-sectional study over a short period using mainly telephone interviews. Conducting a cross-sectional study, as opposed to a longitudinal study, could have limited the reliability of the study due to the limited time in the field collecting data.

Delimitations

For this study, I included only companies whose leaders are providing or promoting factoring services. I excluded clients of the factoring companies (sellers) and the debtors (buyers). For this study, non-English speaking participants were excluded. Sample sizes varied across countries. Participants' diverse cultural backgrounds revealed differences in the understanding and legal application of factoring practice.

Significance of the Study

Contribution to Business Practice

The pecking order theory of the capital structure of firms, together with the credit rationing theory, point to an SME financing dilemma. SMEs, the backbone of national economic growth, have limited internal and external sources to finance their operations and expand their businesses. Innovation in SME financing is of utmost importance (Vasilescu, 2010). Factoring, an established alternate form of SME financing, could benefit African businesses. This study may be of value to African businesses, bankers, central bankers, tax authorities, regulatory bodies, legislative bodies, investors, insurers, investment promotion houses, business scholars, professional enterprise advisors, development agencies, and policy makers.

Factoring is an underresearched subject, in particular in the African context. The level of awareness of factoring is low in some African countries (Bickers, 2013; IFG, 2013; Ivanovic, Baresa, & Bogdan, 2011; Oramah, 2013). This study may contribute to effective business practice by filling the information, knowledge, and research gap on SME finance in Africa and other developing economies. The results of this study, when disseminated, could contribute to the increased awareness of factoring as an SME financing alternative instrument.

An increase in awareness of factoring can lead to an increase in the levels of availability, acceptance, and utilization of factoring by African enterprises. The results of the study may affect the availability of factoring in Africa by encouraging investors to set up factoring businesses. As a result of the increased awareness, the attention of policy makers, regulatory authorities, and developmental agencies might be drawn to facilitate factoring development in Africa. Business support services providers, including auditors, tax advisors, trainers, and consultants, might be encouraged to recommend factoring services to their enterprise clients. The attention of scholars and researchers might be drawn to this underresearched subject, further filling the gaps in the understanding and effective practice of factoring business.

Implications for Social Change

The African continent is the poorest and most underdeveloped in the world with around 585 million people (72%) of the sub-Saharan region's population, living in multidimensional poverty and deprived in education, employment, health, basic social services, and living standards (United Nations Development Program, 2014). The growth and development of the African continent and the improvement in the quality of life of its citizens hinges on the growth and competitiveness of its private sector, predominantly SMEs. Africa's SMEs, however, lack the key ingredients for growth and competitiveness–capital and finance.

In line with the pecking order and credit rationing theories, SMEs have limited internal finance sources and hence move down the pecking order to seek external finance. However, some banks' lending officers in Africa do not lend to SMEs (Haselip, Desgain, & Mackenzie, 2014; Osei-Assibey, 2013). Factoring, an established form of alternate financing, could benefit African enterprises. The level of awareness of factoring is low in some African countries with nearly no researchers conducting factoring studies in Africa.

The results from this study may contribute to positive social change by bridging the information, knowledge, and research gap on factoring services in Africa. Recommendations from the study enlist insight of African financial institutions, African SMEs, policy-makers, facilitative groups, and other private and public sector individuals to the opportunity factoring can offer in addressing the financing constraints faced by African SMEs. Increased awareness of the potential of factoring can contribute to increased availability, acceptance, and utilization of factoring services. Increased access to finance for African SMEs can yield improved enterprise performance, competitiveness, and growth, which in turn can contribute to improved household incomes, employment opportunities, social development, and quality of life for the African people, and the general economic performance of the continent.

A Review of the Professional and Academic Literature

The purpose of this qualitative, phenomenological study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. The goal was to investigate, describe, and draw lessons from the meaning of the lived experiences of supply-side practitioners and promoters of factoring services in select African countries. In this section, to put the study in context, I conducted a review of the professional and academic literature on SME financing, the pecking order theory, and accounts receivable management. The review includes an exploration of the literature on factoring and its history, mechanics, variants, risks, legal framework, opportunities, and prerequisites for development. In other segments, I explored the global factoring market with a particular emphasis on the African market. I compared and contrasted the viewpoints of different scholars as they relate to the study and identified weaknesses and gaps in the literature. I presented summaries of the main themes of factoring and illuminated the potential effect factoring has on business practice.

Although factoring is an underresearched topic, I accessed, reviewed, and synthesized a range of recent peer-reviewed academic journals and professional sources. The literature sources ranged from a number of management and business research databases including, ABI/INFORM Complete, Business Source Complete/Premier, ScienceDirect, Emerald Management Journals, and Google Scholar. Search words included *factoring, SME finance, accounts receivable management, invoice finance, invoice discounting, supply chain finance,* and *pecking order theory.* The main search parameters were articles that are peer reviewed and articles from within the last 5 years. Of the 101 references, 85 were peer-reviewed, while 85 were published within 5 years of expected approval of this study.

The Pecking Order and Credit Rationing Theory

The pecking order theory has its roots in the 1958 seminal works of Modigliani and Miller (1958). Modigliani and Miller made a proposition for an optimal debt and equity capital structure for a firm. Modigliani and Miller assumed capital markets were perfect and concluded that the capital structure decision is irrelevant. Modigliani and Miller's optimal capital structure theory was criticized because imperfections exist in capital markets that manifest as information asymmetry, agency costs, transaction costs, bankruptcy costs, and tax (Matemilola & Bany-Ariffin, 2011). Several theories explaining the relevance of capital structure subsequently emerged with the dominant ones being, the trade-off, pecking order, agency, market-timing, and signaling theory (Matemilola & Bany-Ariffin, 2011).

The pecking order theory offers the optimum explanation of capital structure decisions in the real world (Matemilola & Bany-Ariffin, 2011). The pecking order theory asserted firms faced by an adverse selection of financing needs, follow a financing order or financing hierarchy (Majluf & Myers, 1984). According to the pecking order theory, firms are expected to first use internal sources of finance such as retained earnings over debt, followed by debt over equity, and consider equity issuance as a last resort (Majluf & Myers, 1984). Internal sources of finance are higher in the financing hierarchy than external financing (Majluf & Myers, 1984). Firm managers prefer to invest using retained profit over external capital (Matemilola & Bany-Ariffin, 2011). Mac an Bhaird and Lucey (2011) found support for the pecking order theory and emphasized the importance of profitability in financing. The high information asymmetry costs associated with raising external capital render retained profit a higher position in the pecking order (Matemilola & Bany-Ariffin, 2011).

Owing to the asymmetric information between managers of firms and investors, equity is a less preferred means for raising capital (Majluf & Myers, 1984). Because managers have more information about the risks and prospects of the company as compared to investors; managers tend to overvalue, while investors tend to undervalue equity issuances (Majluf & Myers, 1984). Mac an Bhaird and Lucey (2011) found high use of debt financing and attributed it to provision of personal assets of firm owners' as a form of collateral. For some SMEs, debt is almost the only source of external capital available (Serrasqueiro & Nunes, 2012). Debt finance is positively associated with productivity growth (Osei-Assibey, 2013).

In line with the pecking order theory, some SMEs finance their investments with internal resources, equity, and informal finance (Beck, 2007). Yazdanfar and Öhman (2015) maintained that some SME managers finance thier enterprises to a high degree using equity. Dong and Men (2014) observed that some younger and smaller firms, especially in nonmanufacturing sectors, rely heavily on internal financing. In Nigeria, Ezeoha (2011) used data from 71 nonfinancial firms on the Nigerian Stock Exchange and concluded firms/industries that are profitable have less proportion of debt. In Greece, Daskalakis, Jarvis, and Schizas (2013) found micro and small firms relied heavily on their own funds and were not eager to raise new equity financing from sources outside the family. Serrasqueiro and Nunes (2012) concluded that the pecking order theory has greater relevance in explaining capital structure decisions of younger firms, as problems of information asymmetry diminish with age of a firm.

Credit rationing theory is another theory that underpins this study. Stiglitz and Weiss (1981) provided the first theoretical justification of credit rationing. Credit rationing theory applies in situations where among observationally identical loan applicants, some receive credit and others do not, with the latter not being able to receive credit even if they were willing to pay higher interest or provide higher collateral than is demanded (Stiglitz & Weiss, 1981). Credit rationing applies where an identifiable population segment are unable to access credit, even with a larger supply of credit (Stiglitz & Weiss, 1981).

Credit rationing is not a result of credit shortages, but rather imperfect and asymmetric information and incentive problems in bank lending (Stiglitz & Weiss, 1981). Ali and Deininger (2014) asserted that high levels of risk lead to widespread voluntary and involuntary credit rationing. Small businesses, associated with significant asymmetric information, naturally experience the highest levels of credit rationing (Canales & Nanda, 2012). Smaller and younger enterprises consistently face greater financing obstacles (Dong & Men, 2014).

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

Financing African SMEs

SMEs are recognized globally to be the engine of economic growth and are a source of employment, investment, innovation, and service delivery (Kumari, 2012; Narteh, 2013; Osei-Assibey, 2013; Wyld et al., 2012). SMEs dominate the African private sector. In Kenya, the private sector is dominated by micro, small and medium enterprises (MSMEs), numbering about 1.73 million and employing close to 80% of Kenya's total work force and contributing close to 20% of the GDP (Vinod, 2013). Naidu and Chand (2012) identified MSMEs to be the main economic growth drivers and contributors to GDP and employment. SMEs are key players in promoting economic growth and in stimulating competitiveness, entrepreneurship, and innovation (Vasilescu, 2010). Kumari observed that SMEs can play a major role in keeping the economic dynamism of a country, in creating jobs, and can increase opportunities, security, and empowerment of poor people.

Key to the challenges facing African SMEs is access to finance (Beck, 2007; Haselip et al., 2014; Kumari, 2012; Osei-Assibey, 2013). In South Africa, only 2% of new SMEs are able to access credit (Fatoki & Smit, 2011). On a continental level, Kounouwewa and Chao (2011) examined survey data of 1,559 firms from 16 African countries and found that size and ownership predict financing obstacles, with smaller and domestic firms reporting higher obstacles; however, foreign-owned firms reported less financing obstacles. SMEs in developing countries are more constrained than large enterprises by financing and institutional obstacles and weaknesses in the financial systems (Beck, 2007). SMEs operating in relatively new or unfamiliar sectors, such as energy products or services, suffer higher barriers to access affordable finance (Haselip et al., 2014). Serrasqueiro and Nunes (2012) added young SMEs particularly have constrained access to long-term financing.

The access to finance challenge for SMEs is not endemic only to African enterprises and developing countries. In the south Pacific, Naidu and Chand (2012) following a survey of 200 MSMEs in Fiji and Tonga, derived 19 financial obstacles affecting MSMEs. Daskalakis et al. (2013) observed micro and small firms in Greece were eager to use more debt, especially long-term debt; however, there were limitations in accessing long-term debt financing. In the UK, Armstrong et al. (2013) alluded to ongoing restrictions on the availability of credit to SMEs.

To enable SMEs reach a minimum scale of efficiency and influence economic growth positively, there is a need to support them overcome their financing challenges (Serrasqueiro & Nunes, 2012). Policy makers need to focus on the short- and long-term financing needs of SMEs, especially young SMEs (Serrasqueiro & Nunes, 2012). Banks and other financial institutions responsible for financial intermediation need to regard the financing needs of SMEs, rather than ration mobilized savings to the favor of large enterprises.

Bank lending to SMEs. Banks dominate the financial systems of some developing countries (Beck, Demirgüç-Kunt, & Singer, 2013). Banks are hesitant to extend credit to SMEs for a number of reasons, including a lack of a record of accomplishment, a lack of collateral against which to raise debt finance, and a lack of consistent reliable risk-assessment processes (Vasilescu, 2010). The extensive paperwork requirements by banks and the high-interest rates prevent SMEs from seeking bank finance (Beck, 2007).

Banks face difficulties in managing SME risk and experience high transaction costs servicing SMEs (Beck, 2007). The information between the borrower (SME) and the lender is asymmetric (Beck, 2007). Even smaller financial institutions are not necessarily better positioned and equipped to meet SMEs financing needs (Beck et al., 2013). There is a lack of supportive regulatory policies and frameworks for lending to the SME sector (Beck, 2007). There are no regulatory requirements for the strategic orientation of banks (towards SMEs), with banks acting voluntarily, resulting in credit rationing of SMEs (Paulet, Parnaudeau & Abdessemed, 2014).

Given the perceived risks associated with lending to SMEs, banks should shy away from the SME sector. However, some bank managers perceive the SME segment to be a strategic business opportunity (Torre, Peria, & Schmuler, 2010). Torre et al. refuted the preconceived notion that large banks do not wish to service SMEs. Torre et al. averred large banks may gain comparative advantage in financing the SME sector by leveraging new technology and risk management structures. Beck, Demirgüç-Kunt, and Pería (2011) found that banks (foreign, domestic, and government-owned) employ different technologies and organizational structures to lend to SMEs.

The main deterrent to access external finance by SMEs may be the cost of finance (Beck, 2007). SMEs encounter higher borrowing costs on a continuous basis in comparison to large enterprises (Kundid & Ercegovac, 2011). Narteh (2013) maintained that in Ghana, price competitiveness was a determinant of SME bank selection. Beck et al. (2011) found significant differences in the extent, type, and pricing of bank loans to SMEs across developed and developing countries. Beck et al. attributed the differences to the differing institutional and legal environment. Based on the probability of success, Comeig et al. (2014) advised that banks can distinguish between borrowers with those with a high probability of success being able to borrow at low interest rates if they provide real estate collateral.

The African financial sector. State-owned or a few large foreign banks dominate the African financial sector (Allen, Otchere, & Senbet, 2011). The African financial sector suffers liquidity and depth challenges, though recent reforms in the regulatory and economic environments have yielded improvements in capitalization and trading activity (Allen et al., 2011). Beck and Cull (2013) proclaimed that although the African banking systems are shallow, they are stable. Beck and Cull added African banks are well capitalized and liquid, but lend comparatively less to the private sector than banks elsewhere. African stock markets are nascent and suffer from thinness and illiquidity (Allen et al., 2011).

Variations exist in Africa's financial systems (Beck & Cull, 2013). Countries like South Africa and Mauritius have fairly developed banking systems and capital markets, whereas, countries such as Central Africa Republic or South Sudan have shallow banking systems with limited financial services offerings (Beck & Cull, 2013). Beck and Cull identified four factors that make banking in Africa more difficult than other regions: (a) small size economies with dispersed populations implying limited economies of scale, low demand for financial services, and commercially unviable population segments; (b) informal nature of business operations and economic activities, which increases costs and risk; (c) volatility emanating from informality and commodity exports (price and production), and sociopolitical uncertainty; and (d) governance problems in private and government institutions.

The nascent state of the African financial systems leads to credit rationing, with diminished chances for SMEs to access external finance. To understand the financing challenge facing African enterprises, it is essential to understand the cash requirements and cash management strategies of enterprises for meeting their short-term obligations, referred to as working capital management. It is also important to understand how companies attempt to boost sales by offering trade credit, which leads to the accumulation of accounts receivables that hold up needed cash.

The working capital management challenge. Working capital is a key ingredient for the survival of a business (Wasiuzzaman, 2015). The efficient management of working capital is a precondition for the success of an enterprise (Wasiuzzaman, 2015). Working capital, a form of short-term finance that enables enterprises meet their short-term financing obligations, is important for SME profitability (Tauringana & Afrifa, 2013). Because of the bargaining power of some buyers and industry practice, some enterprises often sell their products or services on credit to their customers (Klapper, 2006). Some buyers demand 30 to 90 days to pay following the delivery of goods and services (Klapper, 2006). Businesses record credit sales on their accounting books as short-term assets referred to as accounts receivables until the cash are collected (Klapper, 2006). SMEs may find it difficult to finance their production cycle given the amount of cash held in accounts receivables (Klapper, 2006).

Globally and in Africa, researchers have established a relationship between the accounts collection period and profitability. In a study of manufacturing firms in Egypt, Kenya, Nigeria, and South Africa over the period 2005-2009, Ukaegbu (2014) found a strong negative relationship between profitability (net operating profit) and cash conversion cycles. Ukaegbu concluded an increase in the cash conversion cycle leads to a decline in firm profitability. Baños-Caballero, García-Teruel, and Martínez-Solano (2014) supported the relevance of good working capital management. Managers must concern themselves with ensuring they attain an optimal working capital level to avoid negative effects on firm performance (Baños-Caballero et al., 2014).

While Paul and Boden (2011) warned of the dangers of amassing accounts receivables, firms continue to sell on credit due to customer demand and a need to attain strategic advantage. In Zimbabwe, Kwenda (2014) found the use of trade credit was associative with firm size and investment in current assets. Kwenda concluded in the absence of credit; firms resort to trade credit. There is a correlation between increased sales and trade credit (Soufani, Poutziouris, & Michaelas, 2013). Firms use trade credit as a means of price discrimination and internal financing (Ali Khan, Tragar, & Bhutto, 2012; Soufani et al., 2013). There is evidence that larger and profitable firms that generate internal funds and have access to lines of credit from financial institutions tend to give trade credit (Soufani et al., 2013). The nature of goods transacted is also a determinant for granting trade credit, with firms dealing in differentiated products and services being more vulnerable to amass accounts receivables as compared to firms dealing in standardized goods (Giannetti, Burkart, & Ellingsen, 2011). The volume of goods transacted is also a determinant for granting trade credit, with firms buying higher volume goods and services receiving longer-term credit (Giannetti et al., 2011).

Despite the benefits of boosting sales, trade credit can cause liquidity problems that can render profitable enterprises insolvent (Biswal, Samantaray, & Sahoo, 2012). Yazdanfar and Öhman (2015) warned trade credit negatively affects the performance of a firm as a result of an increase in agency costs and the risk of losing control of the firm. Bastos and Pindado (2013) warned of credit contagion in the supply chain if firms suffering credit constraints resort to postponing payments to suppliers. Relatedly, Wuttkea, Blome, and Henkea (2013) and Wyld et al. (2012), warned that powerful buyers are able to exploit their SME suppliers. Managers of firms need to maintain healthy relationships with suppliers to ensure access of goods and cost free finance (Kwenda, 2014). Firm managers in their working capital management decisions should consider the upstream and downstream partners within their supply chain (Grosse-Ruyken, Wagner, & Jonke, 2011).

Firm managers can strengthen their working capital positions by looking beyond the confines of a single firm (Wuttkea et al., 2013). Stakeholders along the entire supply chain need to collaborate and coordinate to optimize cash flows, a concept known as financial supply chain management (Wuttkea et al., 2013). More and Basu (2013) identified challenges confronting supply chains: lack of a common vision amongst the supply chain participants, delays in financial transactions resulting in unpredictable cash-flows, lack of automation of the payment processes, and lack of knowledge on supply chain finance tools. Firms can reduce the payment cycle time and improve overall financial stability through collaborative approaches across the supply chain (More and Basu, 2013). Supply chain financing can transform working capital management of participating firms, by enabling early payment (Basu & Nair, 2012). Silvestro and Lustrato (2014) argued that banks may have a role in helping buyers and suppliers in the supply chain optimize working capital through improved integration. Firms in the supply chain can optimize working capital positions by collaborating in two major areas: (a) before an invoice is released (preshipment financing) and (b) after an invoice is released (postshipment financing; Wuttkea et al., 2013). Access to value chain financing products can have an impact on profitability and production (Kopparthi & Kagabo, 2012).

There is a case for the provision of trade credit and the need for aggressive accounts receivables management (Vaidya, 2011). Smaller firms that are more vulnerable may not be able to compete without offering trade credit, and if they do, they may suffer working capital challenges. SMEs can address trade credit risk by putting in place credit policies, staffing the credit management function with specialized persons, categorizing customer risk, implementing improved control credit and payment methods, adopting credit management practices, and taking out credit insurance (Paul & Boden, 2011).

Noble as these recommendations maybe, they are challenging for SME managers to put into practice. Implementing detailed credit management procedures requires effort and management systems, and diverts SME managers away from their core function of running their businesses. Credit insurance is also likely to be a financial investment for SMEs. SMEs need to find alternatives to financing working capital, because of trade counterparties extending payment terms (Nienhuis, Cortet, & Lycklama, 2013). In making working capital management decisions, firms should shift concern towards low cost and efficient methods that do not impair flexibility and performance (Ray, 2012). The goal of this study was to explore the merits and demerits of transferring the management of the enterprises' accounts receivables risk to a third party, a factoring company, in exchange for immediate cash, a concept known as factoring.

Factoring: An Alternate Finance Source

Firms that offer trade credit can avert the working capital challenge related to holding receivables and the hassles of managing the sales ledger, by utilizing factoring. Factoring is a financial transaction or service (not a loan) where an enterprise sells its accounts receivables (in the form of invoices) to a factor at a discount (Vasilescu, 2010). Enterprises can gain immediate access to cash by selling their receivables (Klapper, 2006). Factoring as a financial tool enables small entities to improve their liquidity, at the same time limit risk of settlement of receivables (Czternasty & Mikołajczak, 2013).

Factoring involves a range of other financial services, which include credit protection, accounts receivable bookkeeping, collection services, and financing (Klapper, 2006). The factoring operation involves three steps: (a) a supplier with receivables that have materialized in the form of invoices that need to be recovered from buyers; (b) the sale or transfer of the receivables to a factor; and (c) the factor providing a range of services for a fee, including providing finance for the invoices, managing the receivables, recovering the debts, and hedging against nonactualization of receivables (Vasilescu, 2010).

Factoring is not a loan or a form of credit, but is an alternative funding model that makes it possible for companies to finance without additional borrowing (Ivanovic et al., 2011). In factoring, businesses place the value on the receivables (the financial asset) and the creditworthiness of the buyer (debtor), rather than on the creditworthiness of the seller, as is the case with traditional loans (Vasilescu, 2010). Approval for loans hinges mainly on the strength of the audited financial statements, the financial ratios, and the availability of acceptable collateral to secure the loan (Vasilescu, 2010). Acceptable collateral normally takes the form of immovable property, personal guarantees, or other commitments (Vasilescu, 2010). Another difference is, unlike loans, factoring involves three parties: a seller, a factor, and a buyer; a loan involves only two parties: the borrower and the lender (Vasilescu, 2010).

The advent of factoring activity draws 4,000 years back to the ancient civilization of Mesopotamia, under the reign of King Hammurabi (Ivanovic et al., 2011). In the 15th century, factoring took on a primitive form that involved factors providing guarantees for a commission to suppliers in colonial countries (Ivanovic et al., 2011). In the late 19th century, people practiced factoring on the Anglo-American territory, mostly in the high growth textile industry (Ivanovic et al., 2011). IFG (2012) reported factoring, in its current form, grew primarily from the US in the 1950s, to the UK, western Europe, and more recently, to emerging markets.

Factoring is a global alternative source of finance (Klapper, 2006; Vasilescu, 2010). Firms can address their working capital challenges by leveraging their receivables to get immediate cash through factoring. Firms can also benefit from a range of other value-adding services associated with factoring. Factoring, according to Peter Mulroy, the Secretary General of FCI, is a global product of choice well positioned on a solid path to play a vital role in the open account supply chain finance space (FCI, 2014).

Variants of commercial or invoice finance. Commercial or invoice finance can take on different forms in different markets. The most common variants of commercial or invoice finance include domestic factoring, international (two-way) factoring, recourse and nonrecourse factoring, reverse factoring, invoice discounting, and forfaiting (Vasilescu, 2010). International (export) factoring involves an international trade contract and the factoring activities are between an import and an export factor, with the export factor buying the exporter's debts (Vasilescu, 2010). The export factor benefits the factoring transaction by way of the local market knowledge, local presence, and local language (IFG, 2012). Domestic factoring differs from international factoring as the factoring transaction is local and all three parties involved in the factoring transaction (the client, factor, and debtor) are in the same jurisdiction (IFG, 2012).

Nonrecourse factoring is a process where the factor offers the client full credit management service cover on approved debts against the eventuality of the factor being unable to secure full payment of factored invoices (Vasilescu, 2010). Recourse factoring is where the factor takes responsibility for the clients' debt collections but retains the right to seek full recourse from the client for any bad debts (Vasilescu, 2010). With recourse factoring, the factor makes a prepayment to the client at an agreed rate for a predetermined period, typically 90 days (IFG, 2012). Should the debt go unpaid by the end of a predetermined period, the factor withdraws prepayments and requires repayment from the client (IFG, 2012). With recourse factoring, in case the debtor becomes insolvent or fails to pay, the client bears the credit risk; with nonrecourse factoring, the factor assumes the credit risk and any bad debts up to the preagreed limits. Nonrecourse factoring is typically more expensive (IFG, 2012).

Published or secret factoring is a type of factoring activity that depends on whether the seller (creditor) informs the buyer (debtor) about the transfer of their receivables (Ivanovic et al., 2011). Maturity factoring applies when the factor agrees to pay the full value of the invoice to the client on their maturity date (IFG, 2012). Service only factoring applies when companies do not have working capital needs, hence they seek out service only factoring (IFG, 2012). Service only facilities are mostly on a nonrecourse basis, with the factor providing credit control and sales ledger management services with the possibility of also providing credit protection services (IFG, 2012).

Reverse factoring, also known as supply chain finance, is a form of funding where the factor and debtor, the latter usually a large company, enter into an agreement. The factor offers the suppliers of the debtor the option to assign or sell their debtor approved receivables (IFG, 2012). Supplier chain finance is an alternate type of financing where financially strong buyers directly or indirectly support the liquidity needs of trading partners within their supply chains (Dyckman, 2011). Reverse factoring combines financial insight with electronic payment platforms enabling suppliers sell receivables to factors for immediate cash (Seifert & Seifert, 2011). Unlike traditional factoring, factors do not need to evaluate the buyer portfolios as they are usually investment grade companies and can charge lower fees (Seifert & Seifert, 2011).

Invoice discounting is another commercial finance instrument. Invoice discounting dominates the UK invoice finance market (IFG, 2012). With invoice discounting, the financier purchases the sales ledger and advances funds against the approved debt, but does not take on the responsibility for the collection of the debt (IFG, 2012). Some businesses manage invoice discounting facilities on a bulk basis rather than on an individual invoice basis, with routine monthly reconciliations (IFG, 2012).

Invoice discounting takes on several variants, including disclosed invoice discounting, confidential invoice discounting, and nonrecourse invoice discounting (IFG, 2012). In disclosed invoice discounting, the businesses receive an assignment notice to alert debtors to make direct payment to a nominated trust account, with recourse to the supplier. In confidential discounting, invoices bear no assignment notices, and there is no direct contact between the financier and the debtor, hence a higher risk profile (IFG, 2012). With disclosed or nondisclosed nonrecourse discounting, the financier provides credit protection with a preagreed limit for the debtors (IFG, 2012). Unlike traditional factoring, in all variants of invoice discounting, the client retains responsibility for the credit control function (IFG, 2012). Unlike the typical factoring and invoice discounting transactions, selective invoice finance involves selling only specific invoices and financing to particular customers (IFG, 2012).

Nature and characteristics of organizations using factoring. The differentiating factor driving a firm's choice of accounts receivable management policy is firm size (Hartmann-Wendels & Stöter, 2012). Some firms with many customers enter factoring contracts to reduce their information and monitoring costs (Hartmann-Wendels & Stöter, 2012). Larger firms tend to manage the accounting and debt collection of the accounts receivable on their own and prefer in-house factoring, whereas small firms rely on full-service factoring (Hartmann-Wendels & Stöter, 2012). Bigger limited liability companies are, however, the main users of factoring (Denčić-Mihajlov & Milenković-Kerković, 2011).

Factoring suits high-risk firms, given that underwriters can structure risk on the accounts receivables of the firms as opposed to placing reliance on the high-risk information opaque sellers (Klapper, 2006). High-risk firms with a need for short-term financing, and with restricted access to bank credit, can diversify their funding portfolios by using factoring (Hartmann-Wendels & Stöter, 2012). Start-up businesses that have a viable business model and growth potential are able to benefit because the emphasis of factoring is on the viability of the business and not only the soundness of the financial statements (Vasilescu, 2010).

Factoring can be of benefit to every industry, although, the textiles and clothing sectors are the most popular (Vasilescu, 2010). Factoring is also popular with manufacturing and food processing industries including industrial and farm equipment, office equipment, electronics, and processed food (Vasilescu, 2010). Factoring is concentrated in the manufacturing and trade sectors and with particular importance to the service industry due to the risks inherent in these sectors and the lack of sufficient security (Denčić-Mihajlov & Milenković-Kerković, 2011). Factoring can be of benefit to fast-growing, sales-driven organizations, given its ability to improve cash flow, efficiency, and profitability (Vasilescu, 2010). The use of trade credit and factoring is higher in countries that have greater SME financing barriers (Vasilescu, 2010). Factoring is sought after during a financial crisis and liquidity squeezes when banks impose restrictive conditions on SMEs (Vasilescu, 2010).

There are multiple viewpoints concerning the size and nature of organizations best suited to use factoring. Factoring is an appropriate source of financing for SMEs, although large enterprises dominate the usage of factoring and other invoice finance services. The case for selecting accounts receivable finance is compelling for firms of differing sizes, in different growth stages, and in different sectors. In light of an SME-dominated private sector, factoring may be an appropriate financing alternative in Africa.

The factoring legal and regulatory environment. The factoring legislative environment varies across different global markets. Moreover, the definition and terminology used in relation to factoring differs from one country to another (Kameni, 2014). The essential elements of the factoring transaction that need to be legally provided for in any jurisdiction where factoring is practiced include, the transfer of rights (also known as assignment or cession or subrogation) and the notice of assignment as a requirement (Brinsley, 2013). Additionally, the debtor's duty to pay the factor, rights over existing and future debts, receivables transfer to a factor when they come into existence, and rights of set-off (Brinsley, 2013).

The International Institute for the Unification of Private Law (UNIDROIT) convention adopted a legal framework in Ottawa in 1988 to facilitate international factoring (Brinsley, 2013). In Africa; Ghana, Morocco, Nigeria, and Tanzania have signed the UNIDROIT convention (Brinsley, 2013). The United Nations Commission on International Trade Law (UNCITRAL) convention on the assignment of receivables in international trade adopted in New York in 2001 is another global receivables assignment legal initiative (Brinsley, 2013). The UNCITRAL deals with receivables, which includes factoring, forfaiting, and securitization (Brinsley, 2013).

The IFG model factoring law is a global factoring legislation harmonization initiative that national legislators can draw from as they develop their specific legal environment (Brinsley, 2013). The model factoring law, drawn from UNCITRAL focuses on factoring and its variants, including domestic, international, reverse factoring, and nonnotified factoring products (Brinsley, 2013). With the IFG model factoring law, assignment includes future receivables without a new act of transfer (Brinsley, 2013). Furthermore, ban of assignment clauses imposed by the debtor do not prevent a factoring transaction although a debtor may claim damages from the supplier (not the factor) for breach of contract (Brinsley, 2013). An assignor additionally represents that they have the right to assign the receivable and that they have not previously assigned the receivable to another assignee (Brinsley, 2013). If debtor payment is to the assignor, the assignee (factor) is entitled to payment of the proceeds (Brinsley, 2013).

Another global and self-regulatory factoring legislative initiative is the General Rules of International Factoring (GRIF; Brinsley, 2013). The GRIF is a set of rules for international factoring aimed at ensuring the daily consistent and correct management of factoring operations. The GRIF outlines assignments, credit risks, collection of receivables, representations, transfer of funds, disputes, and regulation that could serve as a source for developing national law (Brinsley, 2013).

At a country level, different countries have different levels of factoring regulation. According to Brinsley (2013), France is a highly regulated market, while the UK is not. Regulatory bodies for factoring activities vary from country to country and may include central banks (as in France), financial services authorities (as in Egypt), national factoring associations (as exemplified by the Asset Based Finance Association in the UK; Brinsley, 2013). The level of regulation may vary for bank and nonbank factoring services providers, with national banking regulations binding factoring activities for bank providers in some markets (Brinsley, 2013).

In Africa, very few countries have factoring legislations, as some regulators and governments did not contemplate the use of factoring in their respective countries (Kameni, 2014). According to Kameni, the lack of specific factoring laws in certain African countries, such as Tunisia, means that factoring transactions are carried out on the basis of general principles of contract law. Kameni cautioned regulating factoring by contract law alone renders challenges and exposes factors to risk and uncertainty. Kameni revealed that recent legal and regulatory reforms in Africa are seeing to the adoption of the factoring law by some African states. Kameni stated Cameroon enacted a factoring law in April 2014, with Senegal likely to follow suit. In Morocco, Kameni maintained there is no specific factoring law in place and factoring activity is regulated under the

Moroccan banking law. The implication is that factoring companies are classified as financial institutions whereby banking requirements, such as capital adequacy requirements arise, which deters market entry of nonbank factoring companies (Kameni, 2014).

The factoring contract. At the center of factoring is the relationship between the different parties (the buyer, the seller, and the factor) involved in the transaction, realized by way of a factoring contract, which enables a creditor to legally assign its receivables to a factoring company (Spasić, Bejatović, & Dukić-Mijatović, 2012). Although there are numerous forms of factoring agreements in commercial practice, the subject matter of the contracts is the same, ordinarily addressing effect, termination, rights and obligations of the contracting parties, function of financing, advance payments, book-keeping, claims collection, claims management, and protection against failures of payment (Spasić et al., 2012).

The factoring contract includes a number of conditions with the risk of debtor insolvability normally assumed by the seller (creditor; Vasilescu, 2010). The contractual duties for parties of factoring contracts include transformation of the receivables to cash through the financing provided by the factor, and assuming responsibility for the receivables payment by the factor (Ivanovic et al., 2011). In addition, parties may forfeit any right to claim a refund in case a debtor does not pay. In this case, the factor takes responsibility for managing the receivables, and all associated administration and collection activities (Ivanovic et al., 2011).

Advantages of factoring. Researchers have documented the advantages and opportunities factoring has to offer, especially to SMEs. The advantages of factoring include cash flow improvement, bad debts elimination, operating expenses reduction, working capital expansion, borrowing potential enhancement, information management improvement, business growth, and several other reasons (Dragotă, Buzilă, Gordean, & Pavel, 2011). Besides greater liquidity and credit rating improvement, factoring offers companies a cost cutting advantage, full insurance of potential bad debts, and an opportunity to increase equity ratios (Hartmann-Wendels & Stöter, 2012).

Factoring stands out from other sources of external finance (Vasilescu, 2010). Factoring provides enterprises a range of advantages, including expedient access to finance irrespective of the company's credit rating with no added guarantees and access to unrestricted funds that could be invested immediately (Vasilescu, 2010). Enterprises that seek factoring finance have less chance of rejection if no shareholder relations exist between buyer and supplier (Vasilescu, 2010). Factoring enables management to focus on core business as opposed to debt collection (Vasilescu, 2010). Factoring provides protection against unpaid invoices in cases of nonrecourse factoring, protection against foreign exchange risk for export factoring, and provision of a range of export services that can enable SMEs to enter new and risky, but lucrative, markets (Vasilescu, 2010).

Factoring enables a firm to realize funds as opposed to bank short-term credit lines (Ivanovic et al., 2011). With the realization of cash, firms are able to better plan and manage their liquidity positions given the predictability of the payment time. This process enables firms to have better solvency ratios, better supply chain reputation given the timely meeting of company obligations, and improved sales volume given an increased ability to offer trade credit (Ivanovic et al., 2011). Some firms may benefit from better terms for export, reduced bad debts and exchange risk, improved profitability due to reduced credit risk, and reduced leverage and worries associated with being over leveraged (Ivanovic et al., 2011). Some firms using factoring benefit from their fixed assets not being encumbered (Ivanovic et al., 2011).

Milenkovic-Kerkovic and Dencic-Mihajlov (2012) argued in the changing financial environment characterized by high levels of credit, default, and liquidity risks, factoring allows firms to manage the required level of liquidity and offers them the advantage of obtaining further price discounts from suppliers. Although the benefits and opportunities factoring has to offer are well documented in the literature, the product has its own downfalls and associated risks that possibly have contributed to its low acceptance and utilization in certain markets.

Risks associated with factoring. Factoring as a form of financing has its own disadvantages. The cost associated with factoring is the main downside (Milenkovic-Kerkovic & Dencic-Mihajlov, 2012; Vasilescu, 2010). Factoring costs are based on different proportions. They include a factoring fee usually ranging from 0.2 to 4.0% of assigned claims, an annual interest usually ranging from 7 to 11% of the funded amount, and an administrative fee (Ivanovic et al., 2011). Vasilescu (2010) claimed factoring transactions have two cost elements: a factoring commission comprising of about 0.5 to 1% for domestic factoring and 1 to 2% for the export factoring of the nominal value of the paid invoices and a negotiated financing commission for each transaction applied to the financed invoices value (usually 80-90%) for the contract period.

The key drivers of pricing include the type of services, creditworthiness of customers, size of the factoring transaction, volumes, invoice amount, and the probability of bad debts (Ivanovic et al., 2011; Milenkovic-Kerkovic & Dencic-Mihajlov, 2012; Vasilescu, 2010). Chen and Chen (2012) rebutted the belief that factoring is expensive. Chen and Chen found factoring costs without recourse made up only 0.8% of the total costs of a particular construction project, which was lower than that of traditional financing. Chen and Chen conjectured given the range of advantages the application of factoring offers, factoring is a feasible financial tool.

Reverse factoring, a form of supply chain finance, uses electronic channels and debtor guarantees to reduce transaction costs (Seifert & Seifert, 2011; Vasilescu, 2010). Through electronic and digital invoicing approaches, costs and transactional risks are lowered, and SMEs can have their accounts receivables financed in real-time (Nienhuis et al., 2013). Replacing paper invoices with electronic documents provides near-term cost savings and accrues numerous benefits across the financial supply chain (Keifer, 2011). With reverse factoring, factors have guarantees and agreements with buyers and can leverage information about buyer approved supplier invoices (Cavenaghi, 2014). Factors are able to move the risk of financing from the SME suppliers, to the stronger party in the supply chain, the buyer (the debtor), reducing the cost of finance (Cavenaghi, 2014). Reverse factoring is of particular relevance to SMEs, as smaller firms tend to be the dominant suppliers, supplying large and creditworthy buyers, and obtaining contracts with the longest maturities (Klapper et al., 2012).

In addition to cost concerns, factoring can result in the loss of direct communication and relationships with business partners-suppliers (Ivanovic et al., 2011). In the event debtors delay to make payment, factors may take aggressive action against the buyer, antagonizing the buyer-seller relationship (Vasilescu, 2010). Disagreements are also likely to emerge between the factor and client in cases where product quality is not satisfactory, and the debtor returns goods to the client or imposes penalties (Ivanovic et al., 2011). In some cases, buyers may be unwilling to involve a third party (a factor) in the buyer-supplier relationships, which could negatively affect the cause of factoring (Ivanovic et al., 2011). Milenkovic-Kerkovic and Dencic-Mihajlov (2012) concluded legal restrictions and hidden costs are the main causes of the low use of factoring.

Mbatha (2011) set out to determine the risks and rewards of providing reverse factoring as a financing technology for SMEs in South Africa. Mbatha found the prevalent risks of reverse factoring are the lack of collateral and the risk of fraudulent invoices. Moreover, Mbatha compared the prevalent risks to the prevalent rewards, which included a boost in economic activity in the SME space, and the provision of liquidity. Mbatha concluded the rewards of reverse factoring outweigh the risks by a ratio of 1:0.6. There are various viewpoints on the benefits and risks of factoring. Cheng and Tu (2013) argued utilizing e-commerce platforms may reduce the risk and improve financing efficiency. A review of the global use and growth of factoring provides an indication of whether its potentials outweigh the pitfalls and its suitability for emerging and frontier markets such as the African markets.

The Global Factoring Market

Factoring, according to Mulroy, the Secretary General of FCI, is a global product of choice well positioned on a solid path to play a vital role in the open account supply chain finance space (FCI, 2014). Factoring is availed and utilized in over 60 countries, with some 3,000 providers of significant scale globally. The global factoring industry employs some 53,000 people with over 340 billion euros advanced to some 530,000 factoring clients in 2013 (IFG, 2014). According to the IFG, the global factoring and commercial finance volume in 2013 was 2.2 trillion euros, a 4.5% global GDP penetration and a 3% industry growth from the previous year (IFG, 2014). The FCI estimated the total worldwide factoring volume in 2013 at 2,230 billion euros (3,079 billion US dollars) up by 5% from 2012 (2,132 billion euros), up by 22% from 2011 (2,015 billion euros), and up by 23% from 2010 (1,648 billion euros; FCI, 2014). The global factoring industry has continued to grow over the past 5 years at a rate of 15% per annum, adding one trillion euros, despite the global financial crisis and subsequent global recession (FCI, 2014). In fact, the economic crisis increased the visibility and favorability of factoring (FCI, 2014).

Domestic factoring accounted for 82% of global factoring activity in 2013 at 1,828 billion euros, compared to international cross border factoring at 403 billion euros (FCI, 2014). Recourse factoring dominates receivables finance activity at 51%, with nonrecourse factoring at 21%, invoice discounting at 20%, and reverse factoring at 6%

(IFG, 2014). There is a concentration of the factoring industry in the five biggest companies totaling about 83% of the national market in each country (IFG, 2014). Banks mainly dominate the factoring industry, with 44.24% of factors being bank subsidiaries and 49.41% bank divisions (IFG, 2013), although almost half of ownership of new operations is by independent factors (IFG, 2014).

The global factoring industry is flourishing, albeit suboptimal performance is still evident in some markets (IFG, 2013; 2014). Banks and independent factors are increasingly engaging in open account supply chain finance, contributing to increased confidence and anchoring of the factoring industry (FCI, 2014). The factoring product is increasingly being perceived by governments and central banks as a safe and secure means to finance trade on open account terms and to finance SMEs (FCI, 2014). The increased acceptance of factoring as a suitable alternate source of trade finance is associated to the rise in trade on open account basis (FCI, 2014). FCI propounded there is a global shift in trade finance towards open account trade, with an over 90% projected increase in global trade on open account terms basis by 2020.

The European factoring market. More than 60% (1,298 billion euros) of the world factoring volume in 2013 was in Europe, with a 4.3% growth from the previous year (IFG, 2014; FCI, 2014). The overwhelming majority of European factoring is in the European Union (EU; IFG, 2014). Alongside China, the global receivables market continues to be dominated by the traditional European players; UK and Ireland with 15.1% market share, France with 9.2% market share, Italy with 8.2% market share, Germany with 7.9% market share, and Spain with 5.3% market share (IFG, 2014). In the

UK and Ireland, IFG reported total industry volume in 2013 at 329,302 million euros, commanding 15.10% of global turnover share and 16.45% GDP penetration. In Italy, IFG reported the total industry volume in Italy in 2013 at 178,002 million euros, commanding 8.16% of global turnover share and 11.82% GDP penetration.

In Romania, IFG (2014) reported the total industry volume in 2013 at 2,720 million euros, 0.12% of global turnover share and 1.97% GDP penetration. In Croatia, Ivanovic et al. (2011) proclaimed almost all banks offer factoring as one of their products, although factoring has not fulfilled its full potential yet as enterprises are not sufficiently familiar with it. IFG reported the total industry volume in Croatia in 2013 at 2,222 million euros, 0.10% of global turnover share and 5.26% GDP penetration. In Cyprus, IFG reported the total industry volume in 2013 at 2,750 million euros, 0.13% of global turnover share and 17.33% GDP penetration.

In Serbia, Denčić-Mihajlov and Milenković-Kerković (2011) found factoring was becoming a short-term finance instrument, although the practice was not universally accessible to all companies. Denčić-Mihajlov and Milenković-Kerković concluded the legal environment was not yet conducive to realize favorable factoring. IFG (2014) reported the total industry volume in Serbia in 2013 at 820 million euros, 2.65% GDP penetration. In Poland, Czternasty and Mikołajczak (2013) noted the legal, tax, and financial context of factoring and its method of dispensation, have made factoring gain greater popularity among companies. IFG reported the total industry volume in Poland in 2013 at 31,588 million euros, 1.45% of global turnover share and 8.42% GDP penetration.

The Asian factoring market. The Asian market performed quite well in 2013 with 4.7% commercial finance growth to 599 billion euros (FCI, 2014). FCI revealed that a number of Asian markets demonstrated positive double digit-growth in 2013: Korea 54%, India 44%, United Arab Emirates 21%, Russia 19%, Singapore 15%, China 10%, and Hong Kong 10% growth. China was the leading global factoring market in 2013 with 10% volume growth from 343 to 378 billion euros and with 54% growth over the past 5 years (FCI, 2014). According to IFG (2014), the total industry volume in China in 2013 was 378,128 million euros up from 343,759 million euros in 2012, commanding 17.33% of global turnover share and 5.66% GDP penetration. China currently accounts for over 20% of global cross-border factoring volume (FCI, 2014).

India experienced double-digit factoring volume growth (44%) from 2,800 million euros in 2012 to 5,100 million euros in 2013 (IFG, 2014). Japan, in contrast, experienced a precipitous drop in factoring activity volume by 21% from 97 billion euros in 2012 to 77 billion euros in 2013 (FCI, 2014). FCI attributed the drop to local currency depreciation when comparing growth rates in euro terms. The Turkish factoring industry is vibrant in the Mediterranean region (Ogucu, 2011). In 2013, the total industry volume in Turkey was 36,309 million euros up from 33,562 million euros in 2012, 1.66% of global turnover share and 6.04% GDP penetration (IFG, 2014).

The American factoring market. Market share for the Americas (south and north) in 2013 was 9.0% (188 billion euros), a 2.1% increase from the previous year (FCI, 2014). Katz (2011) approximated accounts receivables in the US at ten trillion US dollars, with a comparable amount in Europe. IFG (2014) reported total industry volume in the US dropped in 2013 to 73,232 million euros from 80,000 million euros in 2012, with a 3.36% global turnover share and 0.6% GDP penetration. Similarly, Brazil experienced a drop in the total industry volume from 35,000 million euros in 2012 to 31,552 million euros in 2013 (IFG, 2014). Mexico, in contrast reported an increase in factoring activity up from 25,000 million euros in 2012 to 28,061 million euros in 2013, 1.29% of global turnover share and 3.07% GDP penetration (IFG, 2014).

The African factoring market. Africa's share of the global volume of factoring traffic in 2010 was 1.01%, accounting for 17 billion euros, of which South Africa's share was 15 billion euros (91%; Ivanovic et al., 2011). In 2012, Africa's share of the global volume of factoring traffic increased to 1.12%, accounting for 23 billion euros of the 2.1 trillion euros global industry volume, of which South Africa alone contributed 21 billion euros (91%; Bickers, 2013; IFG, 2013; Oramah, 2013). In 2013, there was no factoring volume growth in Africa, with factoring volume stagnating at 23 billion euros (FCI, 2014; IFG, 2014). South Africa's share of African factoring activity noticeably dropped by 33% from 21,000 million euros (91% share) in 2012 to 14,160 million euros (61% share; IFG, 2014). In sharp contrast, Morocco's factoring activity grew by 49% from 1,500 million euros in 2012 to 2,600 million euros in 2013, and in Egypt it increased from 100 million euros in 2012 to 189 million euros in 2013 (IFG, 2014). However, factoring activity in Tunisia stagnated at 330 million euros (IFG, 2014).

Factoring has not yet taken root in Africa (Ivanovic et al., 2011). Oramah (2013) conjectured Africa remains at the periphery of global factoring despite the immense opportunities factoring offers SMEs globally. In 2010, factoring companies in only four

African states: South Africa, Egypt, Tunisia, and Morocco, were known to be active in the area of domestic and international factoring (Ivanovic et al., 2011). IFG (2013) observed 23 factoring companies in six African countries-Egypt, Ghana, Mauritania, Morocco, South Africa, and Tunisia carried out factoring activity in 2012. Similarly, the FCI identified 27 factoring companies operating in the following five countries - Egypt, Mauritius, Morocco, South Africa, and Tunisia, that offered factoring services in 2012 (Bickers, 2013).

A desk review of numerous online sources reveals a number of other organizations claim to offer factoring services in Africa. However, no activity data has been published. A number of organizations could be in the initial stages of starting factoring operations in various parts of Africa or have not taken up membership with the international factoring bodies that publish factoring volume data. Although Africa is still an insignificant player in the global factoring market, it has registered leaps and bounds in factoring volume over the past 10 years from 5.86 billion euros in 2001 to 23.93 billion in 2012 (Oramah, 2013). Africa's average annual factoring growth over the past 10 years is 14.2%, which exceeds the global industry average of 8.6% (Oramah, 2013).

Africa's factoring activity is dominated by bank-affiliated factors, with a few independent factors (Oramah, 2013). A number of African factors are small and undercapitalized, heavily limiting the size of business they can do (Oramah, 2013). Domestic factoring dominates Africa factoring activity with an 80% share (Ivanovic et al., 2011; Oramah, 2013). There is a concentration of factoring activity in Africa in a few sectors: telecom, mining, and retail, with factors predominantly placing risk on the credit worthiness of blue-chip corporate entities and governments (Oramah, 2013).

In Egypt, IFG (2013) reported total factoring industry volume in 2012 to be 100 million euros (0.05% of GDP), with total advances of 39 million euros, 71 clients, 400 debtors, and 52 jobs. In 2013, the Egyptian factoring industry volume increased to 189 million euros, with a GDP penetration of 0.10% (IFG, 2014). Nonrecourse factoring accounted for 43% of factoring activity in Egypt, while recourse factoring accounted for 31%, and reverse factoring 23% (IFG, 2013). Export factoring accounted for 43% of Egypt's factoring activity (IFG, 2013). The level of awareness and acceptance of factoring in Egypt is medium and the level of demand positive (IFG, 2013).

In Ghana, IFG (2013) reported total factoring industry volume in 2012 to be 4 million euros (0.01% of GDP), with total advances of 1 million euros, 58 clients, 36 debtors, and the sector employing 45 persons. The level of awareness and acceptance of factoring is medium and the level of demand positive (IFG, 2013). In Kenya, factoring is at a preliminary stage of development, with the presence of few small factoring entities and interest expressed by some international players and with banks undertaking mostly invoice discounting (Vinod, 2013).

In Mauritania, IFG (2013) reported total factoring industry volume in 2012 to be 10 million euros (0.32% of GDP), 5 clients, 38 debtors, and the sector employing 25 persons. The level of awareness and acceptance of factoring is medium and the level of demand positive (IFG, 2013). In Mauritius, the FCI reported total factoring industry volume in 2012 to be 128 million euros, up from 127 million euros in 2011, 125 million euros in 2010, and 121 million euros in 2009 (Bickers, 2013).

In Morocco, IFG (2014) reported total factoring industry volume in 2012 to be 1,500 million euros (2.03% of GDP), up from 623 million euros in 2011, with total advances of 188 million euros, 808 clients, 5,696 debtors, and the sector employing 139 persons. Factoring activity grew by 49% from 1,500 million euros in 2012 to 2,600 million euros in 2013 because of tightening bank credit (IFG, 2014). IFG (2013) indicated the level of awareness and acceptance of factoring is medium and the level of demand positive in Mauritius.

In South Africa, the total industry factoring volume was 21,000 million euros (7.21% of GDP) in 2012, up from 15,000 million euros in 2011 (IFG, 2013). The South African commercial finance industry made total advances of 1,300 million euros in 2012 with 1,616 clients, 79,742 debtors, and 306 jobs (IFG, 2013). Invoice discounting is the dominant product in South Africa, accounting for over 80% of the commercial finance activity (Mbatha, 2011). The level of awareness and acceptance of factoring is medium and the level of demand positive in South Africa (IFG, 2013). On the contrary, however, Mbatha (2011) observed factoring was not well known and was less developed in South Africa. Moreover, South Africa's factoring volume and share dropped by 33% from 21,000 million euros in 2012 to 14,160 million euros in 2013 (IFG, 2014).

In Tunisia, IFG (2013) reported total factoring industry volume in 2012 to be 330 million euros (0.95% of GDP), up from 281 million euros in 2011. However, total factoring industry volume stagnated at 330 million euros in 2013 (IFG, 2014). The factoring industry provided advances of 79 million euros to 575 clients supporting 46,487 debtors and 83 jobs (IFG, 2013). Seventy-five percent of factoring activity in Tunisia is recourse factoring (IFG, 2013). The level of awareness and acceptance of factoring is medium and the level of demand positive (IFG, 2013).

Challenges and Potentials to Expanding Factoring in Africa

Factoring is a financial instrument that can address the financing challenges of various enterprises operating in various sectors in both developed and developing markets. The rewards of factoring outweigh the associated risks. Factoring has come of age in developed markets, is picking up, and is projected to grow at much faster rates in emerging and frontier markets. The use of factoring for SMEs has, however, been identified to be slow in some markets. SMEs, per the capital structure management and credit rationing theories, are in the greatest need of alternative external finance given their limited internal resources and challenges accessing finance through traditional channels.

The slow use of factoring, in some markets, is a result of a number of factors including a lack of access to information about the product, the high cost, and legal and regulatory challenges (García-Santillán, Moreno-García, & Núñez, 2014). Oramah (2013) identified the lack or limited knowledge of factoring as a challenge to factoring growth in sub-Saharan Africa. Oramah observed prior to the year 2000, promotion of factoring was very limited in Africa. Many governments in Africa did not champion factoring as a result of limited knowledge and a misconstrued view of the scope and potential of the product (Oramah, 2013). Kameni (2014) argued there is a lack of awareness of what factoring is and is not in Africa, with different levels of understanding and use of terminology from country to country. Oramah revealed that African exporters were not interested in factoring, given the fact that payment for African exports, mostly commodities, were usually based on cash against documents, with little or no postexport credit. Besides, foreign factors hesitated to launch factoring as a result of an erroneous misconstrued risk perception of doing business in some parts of the African continent (Oramah, 2013).

In addition to the fact that African business transactions were mostly on a cash basis, the lack of domestic supply chains, rendered domestic factoring unviable (Oramah, 2013). Oramah claimed banks lacked an incentive to provide factoring as a line of business or to provide factors with lines of credit. Kameni (2014) asserted the lack of promotion and practice of factoring did not render the business community and supportive institutions and professions, such as courts, legislators, lawyers, and regulators, an opportunity to develop meaningful expertise and interest in factoring development in Africa.

A greater part of the African continent, with the exception of South Africa and parts of north Africa, lack infrastructure to facilitate factoring growth (Oramah, 2013). Factoring growth in Africa is hampered by a lack of a comprehensive facilitative legal and regulatory infrastructure to govern factoring activity (Kameni, 2014). The lack of judicial precedents and enforcement mechanisms are other impediments to factoring growth in Africa (Kameni, 2014). Lack of credit information services and credit insurance are likewise key impediments (Oramah, 2013).

Some Anglophone African countries levy stamp duties and registration charges, and in some cases, range from 3 – 5% of the collateral value for registering assignment of receivables (Oramah, 2013). Stamp duties and registration charges render factoring uncompetitive (Oramah, 2013). Besides, Brinsley (2013) disclosed a registration system for the assignment of receivables, preferably on an internet platform, is inexistent in many African countries. In addition to the reduction of fraud by way of duplicate assignments, a central registry for assignments is critical to enable factors to ascertain the priority of assignment easily without conducting detailed due diligence (Brinsley, 2013). The lack of facilitating financial infrastructure raises the risk profile of factoring impeding its growth (Oramah, 2013).

Vinod (2013) observed Kenya has great potential as a factoring market given the stable political environment, the immense east African trade, and the well-established legal and regulatory environment. Vinod revealed that there is no requirement for a banking license and capital adequacy threshold requirements to undertake factoring in Kenya. Vinod expounded a large number of SMEs in Kenya are operating in factorable industries. Vinod maintained there is no ban on assignment in Kenya with an assignment constituting a legal sale of receivables and no requirement for notification of assignment to debtor. Vinod revealed, the legal system in Kenya recognizes all types of assets (tangible or intangible, fixed or current) as collateral. Furthermore, stamp duty taxation on deed of assignment is not required in Kenya, with only VAT chargeable on the service fee (Vinod, 2013). A credit information bureau exists in Kenya, availing an opportunity to acquire negative data of borrowers including dishonored cheque history (Vinod, 2013).

Factoring, as an alternate form of financing SMEs, has potential in developed and developing markets, and is getting increasing interest and support from governments and central banks (Ivanovic et al., 2011; Vasilescu, 2010). The growth of factoring in emerging markets such as China, India, Turkey, eastern Europe, and South Africa is testament to the potential of factoring to finance African SMEs. Africa's enterprises, predominantly SMEs, that are grappling with access to growth finance and working capital challenges, could have their finance requirements met by factoring. Notwithstanding the challenges, the factoring industry in Africa is turning the corner and is poised to expand across the continent (Oramah, 2013).

Oramah (2013) revealed that although Africa was still an insignificant player in the global factoring market, it had registered leaps and bounds in factoring volume over the past 10 years from 5.86 billion euros in 2001 to 23.93 billion in 2012. Africa's average annual factoring growth rate over the past 10 years was 14.2% exceeding that of the global industry average of 8.6% (Oramah, 2013). Oramah projected factoring volume in Africa to expand from 24 billion euros in 2012 to 90 billion euros in 2017 and to 200 billion euros by 2020. Oramah proclaimed African factoring growth will result from the entry of new countries to factoring-Côte d'Ivoire, Ghana, Kenya, Mozambique, Nigeria, Senegal, Zambia, and Zimbabwe. Oramah avowed domestic factoring will continue to dominate African factoring with sectors such as oil and mining, telecommunication, retail, and nontraditional export fueling the growth.

Factoring has come of age in developed markets, is picking up, and is projected to grow at much faster rates in emerging and frontier markets (FCI, 2014; IFG, 2014). The rewards of factoring outweigh the associated risks (Mbatha, 2011). The use of factoring for SMEs has; however, been identified to be slow in some markets, and in particular in Africa due to several challenges (Kameni, 2014; Mbatha, 2011; Oramah, 2013). It is important to determine how to address the challenges impeding factoring growth in Africa. On the supply-side, Ivanovic et al. (2011) advocated corporate governance and professional financial management to boost factoring business strategy. On the business facilitation side, Kameni (2014) intimated there is need for a predictable, certain, clear, and facilitative legal and regulatory regime on factoring in order to stimulate factoring development in Africa. Kameni maintained on-going legal reforms in some African countries will spur others to adopt factoring legislation, which will stimulate and boost factoring growth on the continent. Ivanovic et al. advocated for the supervision of factoring companies by central banks and recommended the establishment of regulations to govern the operations of factoring companies. Klonowski (2012) recommended three policies for closing SME liquidity gaps: (a) cutting back governmental bureaucracy in assistance programs, (b) better coordination of governmental assistance, and (c) development of know-how to firms.

Transition and Summary

In Section 1, I provided a contextual base for the study. The central research aim of the study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in meeting the financing requirements of African SMEs. The conceptual framework was the pecking order and credit rationing theory. In the literature review, it emerged that SMEs face challenges accessing traditional external finance and factoring is an alternate source of finance for SMEs. In Section 2, I provided the selected research methodology and design and plan of action for conducting the study.

Section 2: The Project

In this section, I provided the selected research methodology and design and plan of action for conducting the study. I provided an overview and justified the use of the qualitative research methodology and the phenomenology research design. I described my role as the researcher in the data collection process and the relationship with the topic and participants. I described the eligibility criteria for study participants and identified the strategies for gaining access and establishing a working relationship. I discussed measures to assure the ethical protection of participants. I identified semistructured interviews as the data collection instrument. I provided techniques for data collection, organization, and analysis, including a logical and sequential process description for the thematic data analysis approach adopted for this study. I provided a detailed description on the reliability and validity of the study.

Purpose Statement

The purpose of this qualitative, phenomenological study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. The specific population group for the study included CEOs or heads of factoring divisions for companies and associations evidently providing or promoting factoring services in Africa. The IFG and FCI identified 27 companies in seven African countries offering factoring services (Bickers, 2013; IFG, 2013). However, the number of companies that offer factoring services in Africa may be higher than reported by IFG and FCI. In this study, 22 executives expressed their views and lived experiences providing or promoting factoring in Cameroon, Egypt, Gabon, Ghana, Ivory

Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe.

The results from this study might contribute to positive social change by bridging the information, knowledge, and research gap on factoring services in Africa. On the supply-side, investors may gain awareness of the factoring potential in Africa, which may lead them to set up factoring businesses, which in turn may boost product availability. On the demand-side, SMEs may gain awareness of factoring, which may lead to increased product acceptance and utilization. On the business environment side, policy makers and regulatory authorities may gain awareness of factoring, which may lead them to address factoring impediments, which may boost product availability and utilization. Institutions and industries that facilitate factoring, such as credit insurance institutions, may as a result, commence offering services, giving factoring a boost. Improved financing options for African businesses could yield improved enterprise performance and competitiveness, which in turn, could result in improved job opportunities, household income, quality of life, and broadly Africa’s economic growth.

Role of the Researcher

My role as the researcher for this qualitative study included, interviewing participants, collecting data using the interview protocol, assuming responsibility for providing all of the necessary ethical assurances as outlined in the proposal, analyzing the data, validating the data, and writing a scholarly report that addresses the research problem. I had no prior relationship with the topic under study. I selected the topic having realized a research, knowledge, and information gap. Given the background in SME development in Africa and awareness of the financing challenges of SMEs, I was captivated at the potential factoring could have in meeting the financing needs of African SMEs.

To build a knowledge base, I completed an online factoring training course offered by the IFG, a factoring workshop offered by the Africa Chapter of the IFG in Cameroon, and a 6 week trade finance and factoring course in Malta offered by the IFG, FIMBank, and the University of Malta. I have a background in finance, having completed a master's degree in development finance from the University of Stellenbosch in South Africa. The master's degree program had a focus on African SMEs development and financing. I am familiar with the African continent and have knowledge of African SMEs, having been an SME business consultant in the past, providing business support services to SMEs in Botswana, Malawi, Namibia, South Africa, Swaziland, Uganda, and Zambia. I had no prior relationship with the target study participants, other than the participants who are part of the factoring working group of the Africa Export-Import Bank (Afreximbank), the organization to which I am currently affiliated.

As the researcher, I anticipated ethical issues stated in the Belmont Report in the design and execution of the study and ensured protection of research subjects. I upheld the ethical credibility of the study and ensured adherence to the research ethical principles of justice, respect, beneficence, and nonmalfeasance (Aluwihare-Samaranayake, 2012). I secured informed consent agreement with the participants ahead of the scheduled interviews (Groenewald, 2008). I emphasized the voluntary nature of participation in the study and offered participants the option to opt out of the study at any point of the interview. I alerted the participants of the benefits of the study and assured them that there were no foreseeable risks with their participation in the study. I provided assurance to the participants about the confidentiality of the information they provided.

I informed participants that all information provided was not going to be used outside the proposed doctoral study, and of the measures to protect their identities. I was ready to sign a nondisclosure agreement with any company that required that level of confidentiality assurance, however, no company requested to sign a nondisclosure agreement. The Walden Institutional Review Board (IRB) approved all ethical considerations of the proposed study prior to collection of data. I provided the address of the Walden University representative in case participants wanted to raise any queries.

Groenewald (2008) declared the quality of phenomenological research may be improved by bracketing of the researchers views and putting the focus of the study on understanding the perspectives of the participant. I was mindful of the possibility of introduction of personal bias and made all endeavors to identify any elements and bracket them during the design, interviews, transcription, and data analysis processes. Moreover, I was able to minimize personal bias given that the factoring phenomenon was new to me.

The exploratory nature of the research question of the study, a qualitative methodology, and the phenomenology design dictated the data collection instrument. Aluwihare-Samaranayake (2012) declared open-ended interview questions are useful to capture the voices and experiences of research subjects and gain an in-depth understanding of the meanings ascribed to the problem. Consequently, I developed an interview protocol with open-ended questions that contribute knowledge to the research question. I sent a copy of the typed interview transcript to the participants to ensure member checking and to confirm the transcription is a true reflection of the proceedings of the interviews (Groenewald, 2008). Some interviewees returned the transcript with a few changes and additional material. I set up an electronic and hard copy filing system, applied codes to avoid participant identification, and have made plans for safe storage of the data collected for 5 years from the date of approval of the study.

Participants

Participants of a phenomenological, qualitative study should be persons who have experienced the phenomenon in question (Groenewald, 2008). The selection of eligible participants for a phenomenological study is a key decision in order to access the human experience phenomena (Giorgi, 1997). Groenewald argued the main concern of phenomenology is the lived experiences of the persons who were or are involved with the research issue. Participants selected for this study were persons involved in the factoring phenomenon in Africa. The participants for the study included CEOs or division heads for factoring companies evidently providing or promoting factoring services in Africa.

The IFG and the FCI, the two global factoring associations, publish annual global factoring activity reports and provide a directory or contact information of their member companies engaged in the provision and promotion of factoring services globally. These publications were the main source for identifying the target companies and subjects for this study. The IFG and FCI publications are public. From these sources, I prepared a list of 48 eligible participants for the study. Nonprobabilistic sampling was used in this study, in particular, convenience sampling techniques. Following approval by the Walden University IRB, I prepared and sent introductory letters (Appendix B) via e-mail to the CEOs and factoring division heads of the targeted factoring companies. The prospective interviewees were required to propose two or three conducive dates and times to hold the interview, and nominate their preferred telephone contact or a suitable venue (for the face-to-face interview).

A number of the electronic communications transmitted to the prospective candidates were undelivered, possibly owing to change of e-mail addresses on record or change of jobs. A few participants consented within a short span of time from sending the initial invitation. For those that did not revert as expected, I sent reminding e-mails and made follow-up phone calls. At least one participant consented from each of the targeted countries-Egypt, Ghana, Mauritania, Mauritius, South Africa, and Tunisia. However, no participant consented from Morocco, despite the reminding e-mails and follow-up telephone calls. I replaced Morocco with Kenya, for which the IFG and FCI have registered members. One of the participants who consented to participate was excluded owing to their unavailability for the interview.

Of the total population of 48 prospective interviewees who were invited to participate in the study, 22 senior executives selected from 20 targeted organizations expressed their views and lived experiences providing or promoting factoring in Africa. The participant response rate exceeded the target number of participants for this study, which was 20 subjects. Of the 22 participants, 11 were providers, while the other 11 were promoters of factoring services in Africa. The promoters were from the two global factoring associations, two global development and trade banks, two pan-African development and trade banks, a national private equity fund, and an international finance consulting house.

Although I specifically targeted seven African countries-namely, Egypt, Ghana, Mauritania, Mauritius, Morocco, South Africa, and Tunisia, the geographical reach of the participants extended beyond these countries. Three of the participants from factoring companies have operations beyond the target African country and hence offered experiential views extending beyond the borders of the study target country. The eventual countries directly involved in the study included, Cameroon, Egypt, Gabon, Ghana, Ivory Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe. Similarly, six of the 11 participants, drawn from the category of companies promoting factoring, had an Africa-wide factoring phenomenon experience, while five had a global-wide experience.

Research Method and Design

The research method and design employed in this supply-side study was a qualitative methodology and a phenomenological design. Given the exploratory nature of the research question and the need to use open-ended interview questions to gain an in-depth understanding of the meaning the participants ascribe to the research problem, the qualitative methodology was the most appropriate for this study (Aluwihare-Samaranayake, 2012). The phenomenological design was the optimum design given the need to gain an in-depth understanding of the lived experiences of the practitioners and industry specialists involved in the provision and promotion of factoring services in

Africa (Groenewald, 2008). A phenomenological design, as opposed to a narrative, ethnographic, or case study, was most appropriate for the study, as the intention for the study was to explore the factoring phenomena through multiple viewpoints.

Research Method

Research methods are different inquiry approaches for carrying out research and take on the form of quantitative, qualitative, or mixed methods, each appropriate for different research agendas (Karami, Rowley, & Analoui, 2006). Quantitative approaches are used more often in management research given their ability to establish higher levels of reliability and validity (Karami et al., 2006). However, the choice to adopt a quantitative or qualitative method should be based on the context of the study and the research question (Karami et al., 2006). The qualitative methodology has not been a common feature of management research, primarily because of misconceptions that the methodology lacks in rigor and objectivity (Ehrich, 2005). Consequently, positivistic quantitative research approaches have tended to dominate management research (Ehrich, 2005; Karami et al., 2006). However, Morley (2012) observed qualitative research has come of age and has passed accepted scientific practice.

To ensure the selection of a research approach that is most appropriate for a particular study, a researcher should understand the different research methodologies to ensure an informed choice (Groenewald, 2008). In line with this recommendation, I carried out a review of the literature of the different approaches of research methodologies to determine the most appropriate for the study. I deemed the qualitative approach the most appropriate strategy of inquiry to respond to the research question of this study. I based my decision on the match of the study attributes to the characteristics of qualitative research: (a) the exploratory nature of the research question, (b) the multiple units of analysis, (c) the form of data to be collected being lived experiences, (d) the data collection method being semistructured, open-ended interviews, and (e) the data analysis strategy being thematic analysis.

I did not deem the quantitative methodology fit primarily given its explanatory nature, a dominant focus on testing theories, and relationships among variables, and structured methods of data collection. A mixed research methodology would have been appropriate as a quantitative study conducted concurrently or subsequently to the qualitative study would have enabled achievement of triangulation (Karami et al., 2006). However, given the associated time and expenditure requirements, the mixed methodology was not favored. The failure to triangulate the study through mixed methods approach is one limitation of this study. Future researchers may attempt to achieve triangulation using a mixed methods study.

Research Design

Qualitative research can take on five dominant approaches: narrative research, phenomenology, grounded theory, ethnography, and case study (Morley, 2012). The focus of narrative research is to explore the life of an individual and tell the individual’s story. The limitation in the unit of analysis (one individual) makes narrative research inappropriate for a Doctor of Business Administration (DBA) study. The object for a DBA study is to find solutions to tangible organizational or business problems. I did not consider the grounded theory design given that the focus of the study was not to advance academic theory, but rather, to apply theory to business practice.

Ethnographic research is primarily concerned with describing and interpreting accounts of the daily life of a community sharing common values and requires researchers to spend extended time in the field (Cunliffe & Karunanayake, 2013). Though appropriate for DBA studies, it is not suitable to address the research problem. The main downfall of the ethnographic design lies in its nature, that is, its focus on culture-sharing groups. Although they have experienced the same phenomena of providing and promoting factoring services in Africa, the target participants for this study do not share the same cultural values and behaviors. The ethnographic design would also have posed challenges given the required extended observation of the participants, which would translate into prolonged duration of stay in the field (in this case, various African countries). A multiple case study design would have been appropriate for this study, however, I did not choose it given the challenges identified with the approach. Given that the geographic scope of this study was various African countries, selecting multiple cases would pose challenges, particularly, in demarcating the boundaries of the study.

Phenomenology is a philosophy, a research paradigm, a research methodology, and an overarching perspective (Anosike, Ehrich, & Ahmed, 2012). Phenomenology is a descriptive approach that provides a path to access the human experience phenomena (Giorgi, 1997). The focus of any phenomenological investigation lies with the phenomenon and not the subjective experience of the participants and on description as opposed to the human experience explanation (Ehrich, 2005). In the phenomenology research design, the focus is on the experience of the subjects being studied and developing a deeper understanding of their lived experience (Lamb, 2013). Giorgi observed the operative word in phenomenological research is describe; that is, to accurately describe the phenomenon as possible, being factual and avoiding any stipulated framework. The main concern of phenomenology is the lived experiences of the persons involved with the research issue (Groenewald, 2008). The use of the phenomenology design in the field of management research is low, despite its appropriateness as a research approach for exploring a range of human experiences within management studies (Ehrich, 2005).

The objective of this qualitative study was to explore the obstacles and potentials of factoring as a financing alternative for African enterprises through an investigation and description of the experiences of practitioners and promoters of factoring services in Africa. Given the focus on the lived experiences of the research participants, I adopted a phenomenological design to gain an in-depth understanding of the lived experiences of the executives, practitioners, and industry specialists involved in the support or provision of factoring services in the select African countries.

The focus of qualitative research is not on maximizing numbers (quantity), but achieving data saturation (Bowen, 2008). Data saturation is the point when no new information or themes are observable in the data (Guest, Bunce, & Johnson, 2006). From a study involving 60 in-depth interviews from nonprobabilistic samples in Ghana and Nigeria, Guest et al. claimed data saturation occurred within the first 12 interviews. Bowen claimed data saturation is achieved when research findings, are reflected in more than 70% of the interviews, can be confirmed by member checking (interviewee feedback on the analyzed data), resonate with key respondents, and are aligned with the literature.

I put in place procedures during and after the study to ensure data saturation. I ensured attainment of the target number of respondents required by Walden University for a DBA phenomenological study. I carried out member checking by submitting the transcripts to the participants for content ratification. The themes and patterns emerging from the different interviews resonated with each other, with high-frequency levels. The four resultant themes that morphed from the study aligned with the literature and Porter's national or industry competitiveness diamond (Porter, 1998).

Population and Sampling

The population for the study included the CEO or officer in charge of factoring operations from the target companies that are offering or promoting factoring services on the African continent. Factoring organizations comprise bank subsidiaries, bank departments, and independent nonbank factoring companies. According to IFG (2013), 23 factoring companies in six African countries-namely; Egypt, Ghana, Mauritania, Morocco, South Africa, and Tunisia-are known to have carried out factoring activity in 2012. However, the FCI claimed 27 factoring companies operated in five countries in Africa in 2012-namely, Egypt, Mauritius, Morocco, South Africa, and Tunisia (Bickers, 2013). A desk review of numerous online sources revealed that a number of other organizations in various parts of Africa indicated factoring was one of their product offerings. However, no factoring activity data is available. Some of these organizations may be inactive in factoring, are in the initial stages of offering factoring, maybe offering other variants of commercial or invoice finance, or are not members of the international factoring organizations and hence do not report on their factoring activity. The population for the study also included global, regional, and national factoring associations, development agencies, credit insurance companies, and international financial consulting houses, known to be actively promoting factoring services in Africa. Altogether, a total of 48 executives that evidently promote and provide factoring services in Africa formed the population for the study.

In phenomenological research, to enable engagement and extraction of patterns and meanings, a researcher must limit the levels of analysis to a manageable number of two to 10 participants who have experienced the phenomenon in order to reach saturation (Groenewald, 2008). Sikahala (2011) adopted 11 participants, while Salih (2012) adopted 15 participants. Guest et al. (2006) referred to the data saturation point when no new information or themes are observable in the data. From a study involving 60 in-depth interviews from nonprobabilistic samples in Ghana and Nigeria, Guest et al. (2006) claimed data saturation occurred within the first 12 interviews.

Achieving representativeness through sampling techniques has limited significance in qualitative, phenomenological research (Englander, 2012). Guest et al. (2006) maintained the most common form of nonprobabilistic sampling is purposive and convenience samples. Purposive sampling involves the selection of interview elements from the target population based on fit with the study objectives and selection criteria, while, with convenience sampling, the basis is on the availability or convenience of the researcher (Guest et al., 2006). Guest et al. added virtually no guidelines for determining nonprobabilistic sample sizes exist, with the saturation point used as a trigger for the appropriate sample size. In light of this, I used nonprobabilistic sampling in this study, in particular, convenience sampling techniques, to identify the sample for this qualitative, phenomenological study.

In line with the Walden University requirements for phenomenological DBA studies, the target number of participants for this study was 20 subjects evidently providing or promoting factoring in Egypt, Ghana, Mauritania, Mauritius, Morocco, South Africa, and Tunisia. This number is sufficient to achieve data saturation (Guest et al., 2006). The participants for the study included the CEOs or division heads for factoring services for companies evidently providing or promoting factoring services in Africa. An introductory e-mail with the consent form was dispatched to the entire population of eligible participants (48) seeking their participation in the study and explaining the research and consent process. The introductory e-mail outlined the purpose of the study and study procedures. The eligible participants received further clarification as required by e-mail and telephone. Of the 48 participants invited to participate, 23 provided their consent to participate in the study. However, one participant who consented failed to confirm a time for an interview. Consequently, the eventual number of participants that participated in this study was 22 executives and senior managers drawn from 20 companies.

I selected participants based on availability and willingness to consent to the study requirements. The participants are evidently providing or promoting factoring in Africa. Of these, 11 participants were from factoring companies operating in Egypt, Ghana, Kenya, Mauritania, Mauritius, South Africa, and Tunisia. Due to the lack of consent from participants in Morocco, I recruited a replacement participant from a bank in Kenya that is evidently providing factoring services. In addition, I included 11 participants evidently promoting factoring services in Africa. These participants are from the two global factoring associations, two global development and trade banks, two African regional development and trade banks, a national private equity fund, and an international financial consulting house.

The interviews took place during the normal office work hours (Monday to Friday from 8am to 5pm Cairo Standard Time) in the months of June and July 2014. Six interviews were conducted face-to-face in Cairo, Egypt and in St. Julian, Malta. The remaining interviews were conducted over the telephone while I was based in Cairo, Egypt and on one occasion in Kampala, Uganda and with the respondents in various locations; Accra, Amsterdam, Cairo, Dakar, Johannesburg, London, St. Julian, Mumbai, Nairobi, Nouakchott, Port Louis, and Tunis. The interviews on average lasted about 45 minutes. In a few cases, there were telecommunication challenges with telephone lines not being audible enough, breaking, and in some cases not connecting.

Although I specifically targeted seven African countries-namely; Egypt, Ghana, Mauritania, Mauritius, Morocco, South Africa, and Tunisia, the geographical reach of the participants extended beyond these countries. Three of the participants from the target countries had operations in more than one African country and hence shared views and experiences extending beyond the borders of the study target countries. The eventual countries I drew views and experiences included; Cameroon, Egypt, Gabon, Ghana, Ivory

Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe. Similarly, six participants had an Africa-wide factoring phenomenon experience, while five had a global-wide experience.

Ethical Research

Researchers need to anticipate ethical issues in the design of a study and adhere to the principles of justice, respect, beneficence, and nonmalfeasance (Aluwihare-Samaranayake, 2012). Researchers need to secure an informed consent agreement with the participants ahead of the scheduled interviews (Groenewald, 2008). In this study, I conformed to the ethical principles of justice, respect, beneficence, and nonmalfeasance. I dispatched consent forms together with the introductory letters to the eligible participants. The consent agreement included as Appendix A, covered issues such as research subject consent to participate in the research, the research purpose, the research procedures, research risk and benefits, the voluntary nature of participation in the research, and confidentiality protection procedures. The research subjects were required to read and consent to the interviews by sending back a message stating, *I consent* or send back a signed form. All received consent messages and forms were saved electronically with the file name bearing the participant unique identification code. I did not commence interviews prior to receiving the consent.

The participants did not receive any incentives in exchange of their participation in the study, other than a promise to provide them with an electronic copy of the summary of the findings of the study. Some participants requested to receive an electronic copy of the full study report. To ensure member checking and to confirm the transcription is a true reflection of the proceedings of the interviews, I sent a copy of the typed interview transcript to the participants. Some interviewees returned the transcript with changes and additional text. I informed the participants of the voluntary nature of their participation in the study and offered them the option to opt out at any point of the interview or research process. Because of time availability, one participant who had earlier consented to the study was excluded. An eligible participant from a different company who consented was instead selected. Morocco based factoring companies did not consent to the study despite reminding e-mails and telephone calls to the executives. A factoring company from Kenya replaced Morocco.

Participants were made aware there were no envisaged foreseeable risks with their participation in the study. I alerted participants the information provided will not be used outside the proposed doctoral study, and participant identities will be protected. In order to protect the confidentiality, the names of the participants and those of their organizations were not mentioned in this study. Instead, unique codes were assigned to each participant and used in the study. A research log that is password protected and securely kept, pairs the unique code and the name of the participant and organization. No company requested to sign a nondisclosure agreement as a measure to provide a higher level of confidentiality assurance. I provided the participants with the address of the Walden University representative in case the eligible participants want to raise any queries. Walden University's approval number for this study is 06-02-14-0316024, and it expired on June 1, 2015. Data collected will be kept under lock and key for 5 years in order to protect the rights of the participants. The Walden IRB approved all ethical considerations of the proposed study prior to collection of data.

Data Collection

Instruments

The aim of the study was to explore the obstacles and potentials of factoring as a financing alternative for African enterprises by investigating and describing the lived experiences of executives and specialists involved in the provision and promotion of factoring in Africa. I employed a qualitative research methodology and a phenomenological design. Unlike quantitative research approaches that include questionnaires, surveys, or other instrumentation, for this qualitative, phenomenological study, I developed an interview question protocol for collecting data, employing open-ended and semistructured questions. Sikahala (2011) used open-ended and semistructured interviews as a research instrument in his phenomenological study to determine perceptions of participants of the causes of microbusiness failure in rural Kenya. Salih (2012) likewise used in-depth, semistructured interviews to explore middle managers' perspectives pertaining to organizational strategy implementation. Englander (2012) argued open-ended and semistructured interviews are a good way of collecting data from subjects about their lived experience of the phenomenon.

As the researcher, I played a primary role in the data collection for this qualitative research study (Aluwihare-Samaranayake, 2012). My role included, developing the interview protocol, collecting data using the interview protocol, taking field notes, audio-recording the interviews, transcribing the interviews, validating the transcripts, organizing and analyzing the data, and preparing the study report. I used in-depth, open-ended, and semistructured interviews as data collection instruments for this study. I used semistructured interviews to explore the experiences of the executives of the factoring companies involved in providing and promoting factoring services in the targeted African countries. The interview questionnaire enabled me to collect supply-side information and data necessary to answer the research question. The four resultant themes that morphed from the study were supply-side conditions, demand-side conditions, business environment conditions, and facilitating institutions and industries.

I put in place various measures to ensure trustworthiness, credibility, transferability, dependability, and confirmability of the study. I audio recorded and transcribed all interviews. I identified areas of personal bias and made sure I bracketed these out during the interviews. To ensure validation of interview responses, I transcribed the interviews and submitted the transcripts to the interviewees for content ratification, language corrections, and provision of additional clarification (Mero-Jaffe, 2011). A few participants returned the transcripts with editorial changes and added text.

Data Collection Technique

Multiple legitimate sources of data are available and at the disposal of researchers that enable understanding a phenomenon in question. Ehrich (2005) listed some of the sources: (a) personal experiences, (b) insights from tracing the etymology of a phenomena, (c) experiential descriptions of others obtained through interviews or by observation of behavior, and (d) experiential descriptions obtained from the literature (i.e. poetry, art, journals, books, plays, biographies, diaries). Groenewald (2008) advised collecting data from various sources enables data triangulation because a researcher can contrast the data and validate the findings.

Interviews employing open-ended questions are a commonly used technique for collecting data for qualitative research (Tessier, 2012). Englander (2012) declared interviews are a means of finding the meaning of a phenomenon as it is lived by other subjects. Block and Erskine (2012) added with the proliferation of technology, researchers may increase their reach and reduce costs by using telephone interviews as a tool for collection of data. Block and Erskine further elaborated telephone interviews, as a data collection method, are more cost effective, require less time, have relatively low participant refusal rates, and offer comparable data quality with face-to-face interviews. Irvine (2011) commented on average, telephone interviews are typically shorter than face-to-face interviews, resulting from respondents speaking for less time, without a proportional reduction in the talking time by both parties.

For this phenomenological study, I used in-depth, semistructured telephone interviews as the main method of data collection to obtain the experiential descriptions of 22 factoring senior executives and industry specialists. I prearranged the interviews with the participants. I used the Microsoft Outlook calendar program, together with a manual research log, to keep track of the interview schedule. I administered the telephone interviews during the normal office work hours (Monday to Friday from 8am to 5pm Cairo Standard Time) and during the period June to July 2014. I conducted 15 telephone interviews from my office in Cairo, while I conducted one in Kampala, Uganda, where I had traveled. I conducted three face-to-face interviews in Cairo, Egypt, and three in St. Julian, Malta.

The interviews on average lasted 45 minutes, with the shortest ones being over 30 minutes and the longest ones being around one hour. The preparatory and notification processes for the face-to-face interviews were the same as for the telephone interviews. To validate the interview responses, I carried out member checking. Immediately after transcribing the interviews, I submitted the transcripts to the interviewees to enable them ratify the content and language and make any corrections or provide additional clarification (Mero-Jaffe, 2011). A few participants returned the transcripts with editorial changes and added text. The interview questions that formed the basis for the data analysis were:

1. What obstacles have you experienced availing or promoting factoring in your African country?
2. How can you boost the availability of factoring in your African country?
3. How can you increase the level of awareness of factoring in your African country?
4. How can you increase the level of acceptance of factoring in your African country?
5. How can you boost the level of utilization of factoring in your African country?
6. What are the prospects of factoring in your country and Africa in general?

Data Organization Techniques

Following the advice of Groenewald (2008), I audio-recorded all interviews with the permission of the interviewees. I recorded the interviews using the in-built recording facility of my laptop and smart phone. I additionally used a separate second back-up smart phone voice recorder. To protect the identity of the respondents and for confidentiality purposes, I developed and used a participant identification coding system. I assigned a unique code to each respondent to protect their identity and uphold their confidentiality. I maintained separate codes for the two interviewee categories; providers and promoters.

I assigned the following codes to the providers of factoring services: PV-1, PV-2, PV-3, PV-4, PV-5, PV-6, PV-7, PV-8, PV-9, PV-10, and PV-11. I assigned the following codes to the promoters of factoring services: PM-1, PM-2, PM-3, PM-4, PM-5, PM-6, PM-7, PM-8, PM-9, PM-10, and PM-11. I assigned a password to the participant identification log to protect participant identities. Immediately upon concluding an interview, I saved the recordings from both the primary and secondary recording devices onto my personal computer and onto a secure external device. The audio file name was the same as the assigned unique code. I opened manual files to store the hard copy documents and followed the same filing nomenclature.

Researchers should write field notes as the telephone interview progresses (Groenewald, 2008). For this study, I developed a data collection tool, where I indicated the study title, interviewee/interviewer identifiers, interview date and location, interview questions, and provided space against each question to annotate field notes. Besides each interview question, I annotated points derived from the literature that I used for follow-up purposes as the interview progressed. I maintained a research log to keep track of the coding system, interview schedules, and any other pertinent information.

I repeatedly listened to the audio recordings of the interviews and transcribed the interviews, taking care to capture any nuances, intonations, pauses, emphases, and repetitions that came forth from the interviews (Mero-Jaffe, 2011). Upon transcribing the interviews, I saved a copy using the unique identifier on my personal computer, made a hard copy for my files, and submitted an electronic copy to the participants for content verification. I incorporated suggested changes from the participants, saved the final version on my computer and an external source, and printed a hard copy for my file. I will securely store the raw and processed data in hard copy and electronic format for a period of 5 years under lock and key, and after the 5 years, permanently delete and dispose of all of the data.

Data Analysis Technique

Ehrich (2005) explained in phenomenological studies, the analysis of data is through a systematic and rigorous process. Giorgi (1997) outlined four steps for phenomenological data analysis: (a) reading the entire transcript to make sense of it, (b) identifying units of meaning, (c) transforming respondents' expressions into psychological language, and (d) synthesizing of the transformed meanings into a consistent and structured description or statement. For this study, these four steps for the analysis of the phenomenological data were adopted (Giorgi, 1997).

The main data analysis technique for this study was thematic analysis. Thematic analysis is a qualitative data analysis approach used to identify, analyze, and report patterns (themes) within phenomenological data (Braun & Clarke, 2006). Thematic analysis may be used to organize and describe a dataset in rich detail and to interpret the different aspects of the data (Braun & Clarke, 2006). Thematic analysis, unlike other qualitative analysis methodologies, such as interpretative phenomenological analysis (IPA), grounded theory, and narrative analysis, is not linked to any particular theoretical framework (Braun & Clarke, 2006). This process offers thematic analysis a character that makes it a suitable data analysis approach within different theoretical frameworks for different purposes (Braun & Clarke, 2006). Braun and Clarke outlined the phases of thematic analysis:

1. Familiarization with the data, that is, transcribing, repeatedly reading, and making notes.
2. Initial coding, that is, systematically identifying interesting data features, coding, and collating to each code.
3. Themes identification, that is, compiling codes into themes and their respective data.
4. Themes review, that is, confirming themes in line with extracts and full data set and producing a thematic map.
5. Theme definition, that is, refining themes, names of themes and overall story specifics.

6. Report production, that is, the final analysis and research report relevant to research questions and the literature.

For this study, I adopted Braun and Clarkes’ six steps thematic data analysis approach, as the dominant approach for data analysis. The thematic analysis approach was preferred to other phenomenological analysis approaches, such as IPA, modified van Kaam, grounded theory, and narrative analysis, given the ease and flexibility of the approach, but yet maintaining a high level of rigor. In the next section, I describe the phases of the thematic data analysis method I followed.

Familiarizing with the data. Following completion of the interviews, I listened to the recordings over and over and transcribed the interviews verbatim word by word, capturing any nuances, intonations, pauses, emphases, and repetitions. By repeatedly listening to the recordings and transcribing them personally, I was able to gain a deeper understanding of the data (Aluwihare-Samaranayake, 2012). I submitted the transcripts to the participants for validation and collaborated with those who requested changes. I installed and activated NVivo for Windows on my computer and took time to understand how the program works and familiarize with the workspace. I watched a number of videos and downloaded the user manual. NVivo is a recognized and useful software program for qualitative data management and analysis (Leech & Onwuegbuzie, 2011).

I created a new standalone project in Nvivo named factoring in Africa and saved it on my computer. Once familiar with the program and having all the transcripts validated, I imported the transcripts into the Nvivo project. The transcripts were categorized into two sources: promoters (11 transcripts) and providers (11 transcripts).

Each transcript imported carried its unique identifier code. Once all transcripts were loaded to Nvivo, I again read the transcripts in Nvivo to gain further familiarity, get a real feel, and appreciate the entire story.

Generating initial codes. A code refers to data features that are of interest to the researcher, and refer to basic elements about a phenomenon in the data set (Braun & Clarke, 2006). A data set refers to all the data collected for a particular analysis (Braun & Clarke, 2006). I started the coding process by deciphering the transcripts and systematically looking for any striking issues and interesting data features. I reviewed the literature review section and identified interesting elements about the factoring phenomenon. Following the generation of a list of codes, I recorded the generated codes in Nvivo by way of creation of new nodes, one corresponding to each code. Following creation of the nodes in Nvivo, I examined every sentence of the data items to see what they reveal about the phenomenon.

Braun and Clarke (2006) defined a data item as each individual piece of data collected, which together makes up the data set. As I examined the text in the data items, I extracted portions of data that related to a code and coded it at the respective node created by the drag and drop approach in Nvivo. A data extract is an individually coded portion of data identified within and extracted from a data item (Braun &Clarke, 2006). Following data extraction, I was able to gather all material about particular codes, themes, and topics into specific silos, from which I could determine the prevalence of these codes, themes, and topics showing up in the data set. As the extraction process progressed throughout the dataset, I kept identifying new codes and accordingly opened new nodes (referred to as inVivo in Nvivo language). I generated an initial comprehensive list of 96 codes from the data set.

Searching for themes. Following the initial coding and collating of the data across the dataset, I embarked on sorting the different codes into potential themes and patterns (Braun & Clarke, 2006). I was able to define which nodes were subordinate to another and in Nvivo, respectively made the superordinate node, the parent, while the subordinate node, became a child. By so doing, I was able to refocus the analysis at a broader level of themes and not on codes. In Nvivo, all data extracts under a subordinate code would also be subordinated and collated with the superordinate code. Through the process of exploring relationships between different themes, codes, and subcodes and through the use of visual representations, I was able to combine different codes to form overarching main themes and subthemes within them (Braun & Clarke, 2006).

Reviewing and refining themes. Following completion of phase 3, I produced a set of candidate themes. For each candidate theme, I revisited and reviewed the data extracts to ensure the candidate themes cohered meaningfully, and clear distinctions existed between the themes (Braun & Clarke, 2006). I observed for connections and patterns and reflected deeply on the candidate themes and patterns and made adjustments as necessary, combining, refining, separating, or discarding themes and codes as necessary (Braun & Clarke, 2006). I then went ahead to refine the emerging themes, considering the validity of each theme in relation to the entire data set.

Defining and naming themes. Following the definition of the emerging main themes and subthemes, it became apparent to me they aligned to some extent to Porter's

(1998) four determinants of national advantage, also known as Porter's national or industry diamond. Porter's four determinants of national advantage include: (a) firm strategy, structure and rivalry, (b) demand conditions, (c) factor conditions, and (d) related and supporting industries. I reviewed the literature on Porter's national or industry diamond model, continued to refine the themes and subthemes, and continued to engage with the data extracts underlying each theme and subtheme. I was able to define the themes that were to morph out of the study and those that were not, and I was able to discretely describe the scope and content of each theme (Braun & Clarke, 2006). Following the definition and scoping, I developed a table with the main themes and subthemes (Table 1). Having completed the clustering and reclustering of themes in Nvivo, I created reports and exported the extracts of the data from Nvivo to MS Word and MS Excel. I saved the reports under the name of each corresponding theme and subtheme.

Producing the report. Having the fully worked-out themes and supporting data extracts in hand, I embarked on the process of describing and telling the complicated story of the data in a coherent, concise, logical, interesting, and convincing manner. I belabored to link each morphed theme to the overall research question, to the literature (including new studies published since writing the proposal), and to the conceptual framework (Braun & Clarke, 2006).

Reliability and Validity

Qualitative studies, by their very nature, are highly susceptible to personal bias; hence, there is a need for validating the quality and reliability of the data (Groenewald, 2008). Groenewald observed the quality of phenomenological research may be improved by consciously bracketing of the researcher's views and putting the focus of the study on understanding the perspectives of the participant. Ehrich (2005) likewise underscored the need for bracketing, where the researcher suspends their beliefs, biases, and presuppositions and lets the phenomenon reveal itself.

Bowen (2008) emphasized the focus of qualitative research is not on maximizing numbers (quantity), but achieving data saturation. Bowen claimed data saturation is achieved when research findings, are reflected in more than 70% of the interviews, can be confirmed by member checking (interviewee feedback on the analyzed data), resonate with key respondents, and are aligned with the literature. Mero-Jaffe (2011) concurred with Bowen about the relevance of member checking. By transferring transcripts to the interviewees, a researcher can validate the transcripts, preserve research ethics, and empower the interviewees to control the findings (Mero-Jaffe, 2011). Interviewees' review of responses enables ratification of content, maintaining interview authenticity, language corrections, and provision of additional clarifications (Mero-Jaffe, 2011). Groenewald advocated audio recording of each interview and researcher bracketing during the process of transcription of the interviews.

Unlike quantitative researchers who employ conventional positivistic reliability and internal and external validity criteria, Bowen (2008) asserted qualitative studies, given their interpretive nature, ought to focus on trustworthiness. Bowen added, trustworthiness and saturation provides confidence of qualitative research findings and enable transferability of results to new situations or experiences. Bowen advised of the need to have in place, both during the research process (constructive) and posthoc (evaluative), procedures to establish research trustworthiness and quality assurance. Qualitative researchers should aspire to achieve data triangulation, by using multiple methods and sources of data (Bowen, 2008).

Negative case analysis is another key strategy for establishing credibility of the study (Bowen, 2008). According to Bowen, negative case analysis involves reexamining the analyzed data for any counter or disconfirming evidence to the emerging themes. Bowen argued for the use of a research auditor to look for any negative case or disconfirming evidence or any omissions and inconsistencies. Bowen further advocated a detailed description of the phenomena ought to be provided, narrating how and why events occurred in a given context and attitudes and experiences of the participants. Bowen concluded to assure dependability and confirmability of research findings; it is imperative to provide an audit trail from the data transcriptions to the final findings.

In light of this, I put measures in place to assure the trustworthiness, credibility, transferability, dependability, and confirmability of the study. I identified and bracketed out areas of personal bias during the interview, transcription, and data analysis processes (Groenewald, 2008). Given that the factoring phenomenon was new to me, personal bias was mitigated, and reliability and viability of the study improved as preconceived notions were limited, and if any, could easily be bracketed out. I assured credibility, transferability, dependability, and confirmability of the study by achieving data saturation. I achieved data saturation by meeting and exceeding the DBA recommended number of participants for a phenomenological study, which is 20, while I achieved 22 interviews. The high level of resonation of the main emerging themes amongst respondents assured data saturation. Resonation occurred with high prevalence levels with 18 of the 22 participants (over 80%) referencing the four main themes which emerged from this study. The main themes and subthemes that morphed from the study resonated with the literature, confirming further data saturation. In addition, given the fact that the themes that emerged from this study aligned with a model that has received global accolades, Porters national/industry advantage determinants diamond model, this provided indubitable evidence of the trustworthiness, credibility, transferability, dependability, and confirmability of the results of this study.

Member checking and leaving an audit trail was another way to assure trustworthiness, credibility, dependability, and confirmability of the study. I ensured all interviews were audio-recorded, transcribed, and transcripts submitted to the interviewees for ratification of content, language corrections, and provision of additional clarifications (Mero-Jaffe, 2011). The Walden University doctoral study committee members served as the research auditors, critically reviewing the report and looking out for any negative case, disconfirming evidence, or any omissions and inconsistencies (Bowen, 2008).

I further assured the trustworthiness, credibility, transferability, dependability, and confirmability of the study by preparing a detailed description of the factoring phenomena in the select African countries, narrating how and why events occurred in the particular contexts, and describing the attitudes and experiences of the participants. Views and experiences from 16 countries (Cameroon, Egypt, Gabon, Ghana, Ivory Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe) covering all regions of the African continent (north, east, west, central, and south), were shared about the factoring phenomenon. This assures transferability of the results across the continent, across nations, and across developing markets. I will safeguard all documentation related to the study for a period of 5 years, after which, permanently dispose.

Transition and Summary

In Section 2, I provided an analysis, review, and justification of the research methodology and phenomenology, which aligns best with the research objective. I provided a strategy for data collection, organization, analysis, and report writing, which I benchmarked against the literature. Thematic analysis was the dominant data analysis approach. I devoted section 3 to the lived story of the participants and emerging themes that helped answer the research question. The results address gaps in the literature and improve business practice, by signifying factoring as an alternative source of finance for African enterprises.

Section 3: Application to Professional Practice and Implications for Change

The purpose of this supply-side qualitative, phenomenological study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. In this section, I presented an analysis of the views and lived experiences of 22 practitioners and promoters of factoring services in Africa and a detailed discussion on the applicability of the findings with respect to the professional practice. I discussed the tangible improvements to SMEs, supporting entities, and benefits to societies. I made recommendations for further study and provided a reflection on my experience with the research process.

Introduction

In accord with the pecking order and credit rationing theory, African SMEs lack access to external finance which affects their growth and competitiveness. Factoring is an alternate and globally proven way of financing SMEs. There is limited availability of factoring in Africa and the level of awareness, acceptance, and utilization of factoring is low in some African countries (Bickers, 2013; IFG, 2013; Ivanovic, Baresa, & Bogdan, 2011; Oramah, 2013). Several obstacles impede factoring growth in Africa as shown in the results of this study. The purpose of this phenomenological study was to explore the obstacles and prospects of factoring in Africa. I fill a key research gap through this study by generating knowledge and information about the factoring phenomenon, which is underresearched, especially in the African context.

In this study, 22 executives expressed their views and lived experiences providing and promoting factoring in Cameroon, Egypt, Gabon, Ghana, Ivory Coast, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Tunisia, Zambia, and Zimbabwe. I collected data through semistructured interviews and analyzed data using the Braun and Clarke (2006) thematic analysis approach. Four themes, emerged from the study: (a) supply-side conditions, (b) demand-side conditions, (c) business environment conditions, and (d) facilitating institutions and industries. In Table 1, I present the themes which morphed from the study and the supporting concepts which comprise a strategic framework for developing factoring at either a firm-, industry-, or national level. Implications for positive social change include increased awareness of factoring which may boost product availability, acceptance, and utilization by African enterprises. Improved financing options may yield improved enterprise performance and competitiveness, which in turn, may result in improved job opportunities, household incomes, quality of life, and more broadly, Africa's economic growth.

Presentation of the Findings

The central research question of the study was the following: What are the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring services in Africa? For this study, I used in-depth, semistructured telephone interviews as the main method of data collection to obtain the experiential descriptions of 22 factoring senior executives and industry specialists. The interview questions included the following:

1. What obstacles have you experienced availing or promoting factoring in your African country?
2. How can you boost the availability of factoring in your African country?

3. How can you increase the level of awareness of factoring in your African country?

4. How can you increase the level of acceptance of factoring in your African country?

5. How can you boost the level of utilization of factoring in your African country?

6. What are the prospects of factoring in your country and Africa in general?

I audio-recorded, transcribed, and validated all the interviews and exported the transcripts to Nvivo for analysis. To protect participant identity and uphold confidentiality, I assigned pseudonyms of PV-1 to PV-11 for providers of factoring services and PM-1 to PM-11 for promoters of factoring services. I read the data set, examining every sentence and looking out for any striking issues. I systematically identified data features of interest (codes) about the factoring phenomenon. I generated an initial list of 96 codes from the dataset. For all codes generated, I created nodes in Nvivo and extracted portions of data that related to a particular code and coded it at the respective node. I was able to collate and gather all material about particular codes, themes, and topics into specific silos, from which I determined the prevalence of these codes, themes, and topics showing up in the data set.

Following the initial coding and collating of the data across the dataset, I embarked on sorting the different codes into potential themes and patterns. I explored relationships between different themes, codes, and subcodes, and using visual representations, was able to combine different codes to form overarching main themes and subthemes within them. For each candidate theme, I reviewed the data extracts to ensure coherence and a distinction between the themes. I continued to reflect on the candidate themes and patterns, making adjustments as necessary, and combining, refining, separating, and discarding themes and codes as necessary. I then refined, defined, and named the emerging themes.

Following the definition of the emerging main themes and subthemes for the study, it became apparent that the themes, to some extent, aligned to Porter's (1998) four determinants of national advantage (also known as Porter's national or industry diamond): (a) firm strategy, structure, and rivalry, (b) demand conditions, (c) factor conditions, and (d) related and supporting industries. I reviewed the literature on Porter's national or industry diamond model and continued to refine the themes and subthemes, and engage with the data extracts underlying each theme and subtheme.

At the end of this rigorous process, I defined the themes that emerged from the study, and discretely described the scope and content of each theme (Braun & Clarke, 2006). In Table 1, I present the fully worked-out themes and subthemes and the related concepts that emerged from the data set. In the following section, I describe the themes in details in a coherent, concise, and logical manner. I present supporting data verbatim as evidence of the emerging themes. I provide a link of each morphed theme to the overall research question, to the literature (including new studies published since writing the proposal), and to the conceptual framework. The following are the themes, supporting concepts, and extracts that emerged from the expressed views and lived experiences of the 22 executives providing or promoting factoring in Africa.

Table 1

Presentation of Emergent Themes

Core Themes	Supporting Concepts
Supply-side conditions	Proposition, perception, and positioning
	Prospects and attractiveness
	Product strategy
	Provision strategy
	Competition and pricing
Demand-side conditions	African SMEs
	Supply chains
	Middle class and household consumption
	Domestic markets and sectors
	Intra-Africa and International markets
Business environment conditions	Legal, regulatory, and tax environment
	Product awareness
	Human resources
	Technology
	Capital and finance
	Open account culture
Facilitating institutions and industries	Debtors
	Credit insurance
	Associations
	Governments, courts, and central banks
	Registries of cessions
	Development agencies
	Enterprise advisors
	Credit reference bureaus

All study participants underscored the critical role of SMEs in stimulating economic growth and development. As an example, PM-3 declared that countries will only grow if you stimulate SMEs. This view is consistent with other researchers who observed that SMEs are the main drivers of economic growth, employment, investment, innovation, and service delivery globally (Kumari, 2012; Narteh, 2013; Osei-Assibey, 2013; Wyld et al., 2012). All participants, in accord with the literature, alluded to the challenges SMEs face accessing external finance (Haselip et al., 2014; Osei-Assibey, 2013). In accordance with the pecking order theory, the participants observed SMEs have limited internal financing sources and resort to external sources. Additionally, in line with the credit rationing theory, the participants observed SMEs have limited success raising external finance (Canales & Nanda, 2012; Comeig et al., 2014). The study participants, in accord with the literature, maintained factoring, an alternate source of external finance, has great potential in meeting the financing needs of African SMEs (Klapper, 2006; Vasilescu, 2010). The study participants advocated deliberate and concerted strategic efforts to boost factoring availability, awareness, acceptance, and utilization on the African continent.

Supply-side conditions. The study participants expressed varied views and experiences on the obstacles and prospects to stimulating the supply and availability of factoring in Africa. Accordingly, the following are the prevalent supply-side subthemes that emerged from this study: (a) factoring proposition, perception, and positioning, (b) factoring prospects and attractiveness, (c) factoring product strategy, (d) factoring provision strategy, and (e) competition and pricing strategy. A brief discussion is provided in this section for each of the subthemes.

Factoring proposition, perception, and positioning. In accord with the opinions expressed by researchers (Klapper, 2006; Vasilescu, 2010), all study participants (100%) alluded to the benefits and value proposition of factoring in financing African SMEs. PM-9 proclaimed the factoring product is designed for SMEs. In addition to availing much-needed working capital, the participants revealed that the main attraction of factoring comes from the factoring value addition services: the protection against nonpayment of invoices, professional commercial collection services, and professional credit risk management to assess credit worthiness of buyers (PV-2, PM-9). PV-1 elucidated,

> Factoring is key because it enables the availability of much-needed working capital finance for businesses with good account receivables. By having a continual business relationship with the factoring companies, small traders can improve their cash flows and the liquidity of their businesses and also benefit from other services like sales ledger accounting, collecting of receivables, credit protection, even credit management, and so on.

Despite the strong factoring proposition, some participants observed the factoring product suffers some perception issues, which creates an image dilemma for the product. In South Africa, PV-9 observed that the perception of factoring might have been poor at one stage as it was believed that only companies in difficulty would factor. PV-7 and PM-9 suggested factoring was perceived to be expensive and a product of last resort or one to use during financial distress. Other researchers arrived at a similar conclusion (Ivanovic et al., 2011; Milenkovic-Kerkovic & Dencic-Mihajlov, 2012; Vasilescu, 2010). PV-9 expounded, “it is until when the bank staff cannot give the overdraft or import lines or working capital facilities that they push the client to factoring, or if they have a client having difficulties.”

Another perceptual issue affecting factoring that was raised by the participants is the loan shark perception (PM-4). The loan shark perception, PM-4 revealed, results from the lack of regulation or industry standards. In order to stimulate the availability, acceptance, and utilization of factoring and to optimize the factoring proposition, the participants advocated the factoring product be appropriately positioned in Africa. PM-4 implored the need to have some minimum amount of regulatory oversight in place to curb excessive pricing and manipulation.

Factoring prospects and attractiveness. All study participants declared the prospects for factoring in financing African SMEs are high. The same view was expressed by Oramah (2013). PM-1 and PM-7 explained that there is a huge opportunity for factoring in Africa given the recent unprecedented growth of the African private sector (mostly SMEs) and the rapid growth of the African economies. PV-9 maintained the factoring industry in Africa is attractive and provides an acceptable rate of return. PM-5 disclosed, “we have seen it [factoring] as a very profitable business generally..., profitability before provisioning, before impairments, is always excellent [emphasis].” PM-10 predicted factoring will play a significant role in developing the backbone of SME financing in Africa. PM-6 foretold the future of factoring to be massive with an expected exponential growth rate. PM-2 projected factoring volume in Africa will exceed 90 billion US dollars in the next 3 to 5 years. PM-10 concluded factoring will increasingly become one of the tools to manage and grow trade between countries.

The participants expressed varied views on the growth prospects of factoring in the different African markets. PV-9 affirmed South Africa had very good prospects and factoring was one of the few industries that had sustained a continuous growth over a 15-20 year period. PM-10 propounded prospects for factoring in Nigeria are endless if the impeding obstacles can be resolved. PV-1 likewise observed prospects for factoring in Ghana are very high. In Kenya, PV-11 claimed their clients are demanding for larger facilities, while in Mauritius, PV-7 alluded to double digit factoring business growth since inception. In Tunisia, PV-5 projected a continued 20% annual factoring growth owing to heavy demand.

PV-6 likened the factoring growth prospects for Egypt to the success of the Turkish factoring industry. PV-6 elaborated, “Turkey which started with 2 or 3 companies some 15 or 20 years ago, now boasts of a huge turnover and over 1,000 factoring companies.” Accordingly, PV-6 deduced, Egypt, being a similar market to Turkey, has similar growth potential. On the contrary, PV-3 suggested a different trend in South Africa, “the South Africa factoring industry has gone to the doldrums with the number of suppliers going down since 2010, while outstanding invoices stayed virtually unchanged and advances decreasing.” This revelation is in line with the statistics published by the IFG which revealed that South Africa’s factoring volume and share had dropped precipitously by 33% from 21,000 million euros in 2012 to 14,160 million euros in 2013 (IFG, 2014).

Factoring product strategy. In order to actualize the factoring prospects for African SMEs, the participants expressed varied views on an optimal product mix for factoring in African markets. Unequivocally, the participants underscored the high prospects of domestic factoring in Africa. PM-1, PM-3, PM-5, PV-5, and PM-7 propounded domestic factoring is and will remain the largest product in Africa with an estimated share of 70-90%. Other researchers arrived at a similar conclusion (Ivanovic et al., 2011; Oramah, 2013). PM-1 and PM-5 attributed the dominance of domestic factoring to the fact that SMEs primarily carry out their business activities locally. PM-1 and PM-5 accentuated the importance of domestic trade for local economies. In contrast, PV-6 disclosed that domestic factoring is minimal in Egypt. PV-6 attributed the low uptake of domestic factoring in Egypt to the perceived risk and lack of credit information on Egyptian companies.

Another product that obtained significant mention by the participants (60%) is import and export factoring, also known as international factoring or two-way factoring. PM-6 argued despite the focus on domestic factoring in Africa, there is huge scope for export factoring. In support of this view, PM-1 avowed export factoring will gain prominence as a trade finance instrument given that Africa is an export-oriented continent. PM-1 highlighted an emerging global trend towards open account terms for international trade. PM-1 explained that, “this will drive international factoring”. PM-3 expounded on the benefits of international factoring: “the two-factor system assists with managing cross-border risk in the sense that you have a factor on the other side [importing country] and this side [exporting country], essentially doing what the confirmation will do on the letters of credit."

In addition to domestic and international factoring, the participants shared experiences and views on the prospects of both recourse and nonrecourse factoring in Africa. PM-5 and PV-5 averred recourse factoring will be the main initial product. PV-5 declared the majority of factoring activity in Tunisia is recourse factoring. PV-5 attributed the preference for recourse factoring, over nonrecourse factoring, in Tunisia to the lack of financial information on the part of sellers. Notwithstanding the current dominance of recourse factoring, PV-5 envisaged the future of factoring in Tunisia will be nonrecourse factoring given its special appeal to SMEs.

In Kenya, PV-11 propounded: "for now, majority factoring [in Kenya] is recourse factoring because not a lot of people would be able to provide the credit risk cover that would enable us to provide nonrecourse factoring." For nonrecourse factoring to flourish, PM-7 cautioned, "there is need to have credit insurance in place on the buyer." PM-7 disclosed that credit insurance is not readily available or is too costly in Nigeria. Notwithstanding the lack of credit insurance in many African markets, PV-2 revealed, "the main product we offer (in Cameroon, Gabon, Ghana, Ivory Coast, and Senegal) is nonrecourse factoring, because we promote credit insurance."

Another factoring product that received notable mention by the participants (45%) and has particular appeal to SMEs is reverse factoring. PM-5 argued reverse factoring, also known as supply chain finance, is the best start for factoring in any emerging market.

PM-5 argued that the reverse factoring product proposition is unique to SME suppliers given that the buyer (debtor), who normally has a strong balance sheet, provides the factor with a guarantee. The involvement and cooperation of the buyer (debtor) in the factoring transaction, significantly reduces the risk and renders a special appeal to the product. Other researchers' reached similar conclusions on the potential of reverse factoring in financing SMEs (Cavenaghi, 2014; Klapper, Laeven, & Rajan, 2012; Seifert & Seifert, 2011; Vasilescu, 2010).

PM-3 proclaimed that a huge market for reverse factoring has been created in countries with large extractive industries, such as Nigeria, Angola, and Zambia, and where governments are promoting increased local value addition in the industries. However, PV-5 advised that there is need to have strong software tools in order to effectively offer reverse factoring. PV-3 made a notable passionate plea for reverse factoring as a special SME financing tool.

> I think that singularly, reverse factoring or supply chain financing will provide access [to finance] to the SME. We do not have to look into the ratios and all sorts of things that we apply when you look at a business. We do not have to look at the creditworthiness, when the product is okay and the chain store [buyer or debtor] is willing to buy this product and there no returns [of goods] etc., we do not need to go into this massive analysis of the SME, which will never ever reach the standard that banks want it to be at. But once you know that the corporates [buyer or debtor] on the other side or the government agency on the other side is going to pay you, the risk is basically taken away… If we can get the buy-in of big

> business and government… if they… say, 'yes I received the goods and I will pay you'... once big business and government give that undertaking, the prospects will go through the roof."

Invoice discounting is another variant of commercial finance, which according to some participants (32%), has high prospects in Africa. PV-9 observed that invoice discounting is fairly well accepted and accounts for nearly 90% of the receivables market in South Africa. PV-3 attributed the demand for invoice discounting in South Africa to the fact that some clients have got their own accounting system and do not need the collection part of factoring. PV-3 additionally indicated that invoice discounting is favored in some markets because it is not as invasive as factoring. A researcher (Mbatha, 2011), concluded that invoice discounting was the dominant product in South Africa.

PV-4 disclosed the main product they intend to offer (in Malawi, Mauritius, Mozambique, Tanzania, Zambia, and Zimbabwe) is disclosed factoring and invoice discounting, given the preference not to offer debt collection services. Similarly in Mauritius, PV-7 corroborated this view and revealed that major exporters are more interested in the finance and less interested in the collections. PM-2 proclaimed there is a very rapid expansion in invoice discounting in countries with large extractive sectors (Angola, Ghana, Nigeria, Zambia) given that mining companies present a very good payment risk. PM-2 mentioned invoice discounting is also expanding in African countries where governments are promoting local content.

Factoring provision strategy. The participants suggested factoring prospects are high in some parts of Africa, however, there are no commensurate supply. Researchers arrived at a similar conclusion and advocated setting up of factoring companies in Africa (Kameni, 2014; Oramah, 2013). Moreover, the participants (59%) conjectured the setting up of a few factoring companies in each African country can have a demonstration and snowball effect, stimulating factoring availability and supply (PM-1, PM-2, PM-5, PM-9, PM-10). PM-9 elucidated: “once a few leading financial institutions adopt the product, then the business community kind of takes it that factoring is a safe product.” PM-10 likewise propounded, “the good thing about the Nigerian market is, once you achieve that initial success, it is usually [followed by] a stampede [repeat], you will be amazed by how long you will go in a short time.”

The participants (17 of the 22) avowed banks are key prospective providers of factoring in Africa. This view was held by other researchers (IFG, 2013; Oramah, 2013). PM-2 claimed many of the factoring companies in Europe are subsidiaries of banks. PM-10 posit the commitment of financial institutions is necessary to stimulate factoring availability. Notwithstanding the fact that there are several well capitalized and liquid banks in Africa (Beck & Cull, 2013), the participants claimed banks in Africa are reluctant to provide factoring (PM-2, PM-3, PM-9, PM-10). PM-3 and PM-10 claimed banks in Africa are comfortable doing invoice discounting and other big ticket oil and gas deals and may not immediately see the need to venture into SME finance products such as factoring.

The reluctance of banks to provide factoring, an SME appropriate financing product, is akin to credit rationing, where SMEs, with the greatest financing needs, are unable to access finance, even with an oversupply of liquidity in some markets (Ali &

Deininger, 2014; Armstrong et al., 2013; Canales & Nanda, 2012; Stiglitz & Weiss, 1981). Additionally, the reluctance of banks to provide factoring, invokes product resistance and a negative market perception, as market players may perceive the noninvolvement of big reputable banks in factoring as an indicator of product risk (PM-9). The SME financing situation is exacerbated by the lack of regulatory requirements to compel banks to strategically orient to finance SMEs (Paulet et al., 2014). PV-7 posit the newly introduced and stringent Basel III regulations that call for an increase in capital requirements may perhaps compel some banks to change strategies and embrace capital efficient products such as factoring.

Banks could be reluctant to delve into factoring given the rigor involved in dispensing the product. PM-3 shed light on some factors that may deter banks from availing factoring. PM-3 specified that factoring goes beyond financing and requires the provider to offer a range of other services, such as debt collection and credit protection services. PM-3 expounded that for banks to be able to provide these extra services, there is need for them to invest in elaborate and expensive back-office processes and systems. PM-5, however, counseled that banks can overcome the challenge of having to invest in systems by resorting to ‘white-labelling’. Through white-labelling, PM-5 suggested, certain aspects of the factoring offering, such as the back-office operations, can be outsourced to external parties.

PM-2 claimed banks in Africa have not introduced factoring as a result of a lack of awareness and there is a need for them to inform themselves on the potentials of the product. PM-11 maintained banks must lead factoring provision in Africa. PV-5 appealed to managers of banks in Africa to create in-house factoring units and take advantage of product complementarity and existing branch networks. More generally, PM-5 appealed to banks in Africa to embrace their social responsibility and introduce finance products appropriate for SMEs.

Foreign banks dominate the African banking sector (Allen et al., 2011). Foreign banks could play a significant role in stimulating factoring availability in Africa, more so, drawing on experiences dispensing factoring in their respective home countries. PM-4 accentuated foreign banks, in particular, those originating from the ex- European colonial countries (France, Britain, Spain, Portugal etc.), as potential significant players in the development of factoring in Africa. PM-4 emphasized these foreign banks can easily get into factoring provision in Africa given that they already have a strong investment presence, at the same time, already have mature factoring operations in their home countries. PM-4 asserted these foreign banks can bring the much needed expertise, capital, networks, and technology to Africa. PM-4 disclosed that some of these banks are already beginning to take interest. Furthermore, PM-4 propounded Chinese banks, orient banks, Indian ocean banks, and some regional African banks, in particular South African banks (like Standard Bank, ABSA, First National Bank etc.) were beginning to have an influence on factoring development in Africa.

Although banks are projected to lead factoring provision globally and in Africa (IFG, 2014; Oramah, 2013), study participants suggested independent (nonbank) factors have a significant role in stimulating factoring availability in Africa. PV-9 maintained that there are a lot of opportunities to fund outside of the banking sector. PM-2 disclosed that given the reluctance of banks to offer factoring, small finance companies have been left to venture into factoring. The study participants concurred with a researcher (Oramah, 2013), who observed that Africa's factoring industry has few independent factors, most, being small and undercapitalized and constrained in terms of the size of business they can do. PM-2 and PM-3 suggested that independent factors in Africa are small, some of them with balance sheet sizes of half a million to 1 million US dollars. The participants revealed that the market entry barriers for nonbank factors, as compared to bank-affiliated factors, are particularly high (PM-2, PM-3). PM-7 opined that while banks can depend on deposits and other financing sources, the financing challenges of independent factoring companies were greater. PV-9 provided some perspective from South Africa.

> While the regulated market includes the eight members of the factoring debtor finance association, which is a subcommittee of the South African Banking council, outside of that committee, there must be 40 -50 [independent] companies that offer factoring type products, …that have been created or seen opportunity over the last 5-10 years because there are a lot of opportunities to fund small businesses.

The participants suggested international factoring companies have a key role to avail factoring in Africa. PV-5 advocated for the formation of joint ventures between African factoring companies and the international factoring companies. Through joint ventures, PV-5 propounded, local companies can leverage the financial and technical capabilities of the international factor, while the foreign companies can leverage the local market knowledge and the operational and regulatory capabilities of the local factor. PV-4, an international factor, shared experiences setting up joint ventures with local providers in some parts of Africa.

> What we have done so far in Zimbabwe, is to align ourselves with the bank [a local bank] and work through them to get the regulatory approvals. The local bank will give us full support, and the advice that we need largely. That is our first portion of call to get to establish business in Zimbabwe, and get along and align ourselves with other banks in other countries [in Malawi, Mauritius, Mozambique, Tanzania, Zambia, and Zimbabwe] where we can do the same modus operandi.

Competition and pricing. The participants (32%) shared views and experiences on the inter-firm rivalry situation within the factoring industry in the different African markets. The participants declared that there is virtually no competition in the factoring industry in some Africa markets despite the sector being attractive and profitable. Other researchers arrived at a similar conclusion (FCI, 2014; IFG, 2014; Milenkovic-Kerkovic & Dencic-Mihajlov, 2012; Oramah, 2013; Vasilescu, 2010). The participants suggested traditional banking products offer some kind of competition to factoring, although factoring is not lending activity (PM-5, PV-6, PV-11).

In concurrence with the conclusions reached by some researchers (Ivanovic et al., 2011; Milenkovic-Kerkovic & Dencic-Mihajlov, 2012; Vasilescu, 2010), the participants suggested pricing is a major detriment to factoring development (PM-5, PV-6, PV-11). However, PV-6 averred the basis for competition between factoring products and traditional bank products should not be pricing, but, the value add services: collection, credit protection, risk management, and other services. PM-9 appealed to factoring companies to differentiate their offering from that of banks. In Egypt, PV-6 confirmed their clients are beginning to differentiate between factoring and traditional bank products, based on service, that is, better collection service, better reports, some guarantee for their buyers, and not only on which company offers lower interest rates.

Demand-side conditions. All study participants suggested there are strong prospects for factoring in Africa. Other researchers arrived at a similar conclusion (FCI, 2014; IFG, 2014; Kameni, 2014; Oramah, 2013). This section entails the factors driving factoring demand in Africa and some of the lucrative market segments for factoring in Africa. The following are the prevalent demand-side subthemes that emerged from this study: (a) emerging African SMEs, (b) emerging supply chains, (c) emerging middle class and consumer products, (d) emerging domestic markets, and (e) emerging intra-Africa regional and international markets. A brief discussion is provided in this section for each of the subthemes.

Emerging African SMEs. The participants (more than 50%) propounded that African SMEs are on the rise, rendering a market for products such as factoring. This view is supported by other researchers (Mbatha, 2011; Oramah, 2013). PM-1 and PM-2 averred African SMEs are becoming more and more important and are on the rise to become one of the engines of growth of the African economy. PM-3 proclaimed global economic growth can only be achieved in tandem with SME growth. In agreement with the views of researchers, the participants declared factoring is a good product that can finance SMEs (Klapper, 2006; Vasilescu, 2010). PM-1, PM-3, PM-6, and PM-9 postulated factoring is one of the very few ways to get to SMEs, is a product designed for SMEs, and is a real potential instrument that can finance SMEs.

In Tunisia, PV-5 revealed their main clients were SMEs, while in Mauritius, PV-7 disclosed; “I must say that the typical clients are mostly SMEs; we do have some big large corporates, but it is very rare.” In Nigeria, PM-10 declared, “SMEs are our target; the lower end of the market particularly.” In Kenya, PV-11 maintained, “majority [of our clients] right now under our portfolio are medium.” In South Africa, Botswana, and other countries in Africa, the participant’s opined how emerging legislation is shaping the growth potential for SMEs and the prospects for factoring. PV-3 and PM-3 respectively shared insights on the emergence of African SMEs and the resultant factoring prospects.

> In this country of South Africa, we have something called BEE [Black Economic Empowerment], where major business has to give a certain amount of the orders or contracts to the small companies. They have to by legislation; they have got to give it. So, they give these orders out to small business. Big business does that. But then, the guys [SMEs] who are buying or manufacturing the products, they have no money. So big business themselves, by using a facility that has become extremely popular in the last couple of years, called reverse factoring or supply chain finance... Big business can self-promote factoring and introduce the factoring by saying ‘we can only pay you after 60 days, but if you need your money quicker, here is a list of guys [factors] that can go ahead help you’. And the big business can verify that they are going to pay the factor, which will

> streamline the entire supply chain, and it will empower all these smaller companies to grow.
>
> A lot of governments are encouraging local content initiatives, whereby certain services and supplies have to be provided by locals, and some of those locals are usually the SMEs. That is creating a market [for factoring]. Taking Botswana as an example, we have a huge number of factoring companies who necessarily have to be there, because the government has made a conscious effort to promote local content initiatives. So, that is driving the stimulation of the markets.

Emerging supply chains. The participants (over 50%) claimed that the emergence of African SMEs and a vibrant African private sector is fueling the emergence of supply chains in some parts of Africa. The participants, in accord with the literature (Oramah, 2013), suggested that the emerging supply chains in Africa are creating an opportunity for the growth of supply chain finance instruments, such as factoring. PM-2 claimed that a historical trend of trade hindered the emergence of inclusive supply chains in Africa, however, the trend has shifted, creating enormous opportunity for trade finance and factoring. PM-2 attributed the emergence of supply chains in the domestic sector to the rising economic growth supported by favorable government regulations.” PM-2 expounded some countries in Africa (Angola, Ghana, Nigeria, and Zambia) are beginning to promote local content in some of their extractive industries and are introducing legislation that requires sourcing of goods and services locally. PM-2 concluded that this is creating an opportunity for supply chain finance and factoring.

The participants suggested that the different supply chain participants, sellers, debtors, and multinational corporations, can play a role in stimulating the acceptance and utilization of factoring. PM-7 revealed that debtors, in some cases being large multinational corporations, can play a critical role in promoting factoring. PM-9 illuminated that weak and illiquid suppliers can adversely affect activities of large corporations including the end product quality and hence the need to take an interest in their performance and sustainability. By participating, PM-7 expounded, debtors not only improve their own cash flow situation, but also improve that of their own suppliers. For this reason, PM-9 suggested some multinational corporations are beginning to take more interest in ensuring the health of the entire supply chain up to the final product. PM-5 declared, “factoring makes sure your suppliers are healthy, and an overdraft will not do that to your suppliers.” PM-9 foretold more and more supply chain finance structures, including factoring structures, will be witnessed in some parts of Africa, as supply chain participants attempt to secure both ends of their business chains.

Emerging African middle class and household consumption. The participants, in accord with the views of a researcher (Oramah, 2013), suggested the African middle class is emerging and with a commensurate expansion of household consumption. Oramah (2013) alluded to this emerging trend. PM-2 accentuated by declaring: “things are changing; …Africa… started changing some 15 years ago, and we are having a very rapidly expanding middle class that has spurred a rapid growth in retail activities.” PM-2 and PM-3 claimed Africa has the second fastest global growth rate in household consumption and middle class. PM-2 and PM-3 avowed the emergence of the middle class and expansion of household consumption and retail activities in Africa will stimulate factoring growth in Africa. PM-4 prevised, “factoring will be a prime product in Africa because of the development of consumer products and labor intensive products or industries that do not require a lot of capital and which tend to be shied upon by banks.”

Developing African domestic markets and sectors. The participants (more than 50%), in accord with the views of a researcher (Oramah, 2013), suggested there is a developing and strong domestic market potential for factoring in Africa. The participants identified some African countries which offer the greatest market prospects: Cameroon, Egypt, Ghana, Ivory Coast, Kenya, Morocco, Mozambique, Nigeria, Senegal, South Africa, Tunisia, Uganda, Zambia, and Zimbabwe (PM-2, PM-3). PM-5 argued countries that have started to introduce factoring regulations have good factoring potential, as better regulations and less corruption increases the attractiveness of factoring. PM-7 claimed southern and northern Africa will continue to lead in factoring growth, while in the sub-Saharan Africa region, Kenya will lead the way.

PM-7 claimed the regional blocks (the east African community, the economic community of west African States region, etc.) are poised to become very good markets for factoring, considering there is a common market and there is some awareness of the factoring product. PM-9 suggested some French-speaking west African countries were on their way to factoring growth, given the commencement of operations by some credit insurance companies. PM-2 and PM-3, in accord with the views of a researcher (Oramah, 2013), identified the following sectors as strategic sectors for factoring growth in Africa:

oil, mining, and other extractive industries, telecommunications, and the retail sector (stores and supermarkets).

Developing intra-Africa and international markets. The participants (nearly 70%), in concurrence with the conclusions of a researcher (Oramah, 2013), revealed that the African continent offers an attractive market for factoring given the rapidly developing intra-Africa, south-to-south, and international trade. The participants' suggested intra-Africa, south-to-south, and international trade is set to grow at unprecedented rates, creating a mammoth opportunity for factoring development. PM-3 claimed intra-Africa trade volumes have more than quadrupled between 2000 and 2011 reaching 144 billion in 2011, while merchandise trade has more than quadrupled over the last 12 years to approximately 1.2 trillion US dollars in 2011, from 280 billion US dollars in 2000, representing an average growth of 12.13%. PM-3 projected south-south trade led by Brazil, China, and India to grow by 30% by 2030. The participants postulated trade growth and development will drive expansion of factoring in Africa (PM-2, PM-3, PM-9, PM-10). PM-10 predicated factoring will increasingly become one of the tools to manage and grow trade between African countries. PM-5 declared international factoring and the two-factor system will facilitate intra-Africa and international trade, with the potential to replace the use of letters of credit (LCs), which currently dominate trade finance structures. The participants, as supported by a researcher (Oramah, 2013), suggested the utilization of factoring and a move towards open account terms in trade transactions will go far in deterring SME credit rationing and making African SMEs more competitive and resilient.

Business environment conditions. The participants identified some impediments to factoring development in the operating environment in some parts of Africa. This section contains the views of the participants on the prevalent business environment obstacles impeding factoring growth in Africa: (a) weak legal, regulatory, and tax environment, (b) limited product awareness and knowledge, (c) lack of skilled human resources, (d) high technology investment requirement, (e) high refinancing costs, and (f) lack of an open account culture. In this section I present a brief discussion of each of the identified business environment subthemes.

Weak legal, regulatory, and tax environment. All participants (100%) identified legal, regulatory, and tax considerations as major impediments to the growth and development of factoring in their respective areas of business engagements. Other researchers arrived at a similar conclusion (Brinsley, 2013; Kameni, 2014; Mbatha, 2011; Oramah, 2013). For factoring to work, PM-1 and PM-4 contended, "it is of paramount importance to have a clear law on assignment of receivables." A clear law on assignment of receivables ensures the factoring company, availing the finance against the receivables, can become the uncontestable owner of the receivables (PM-1, PM-4). PM-1, PM-2, and PM-4 claimed, "there is not always a clear law on assignment of receivables in many parts of Africa." PM-4 maintained, "at the end of the day, what is important is the end buyers' ability to pay the receivable ultimately to the factor, and to pay down the advances made to the seller."

In addition to having factoring and solvency laws in place, the laws need to be enforceable (PM-1). PM-1 argued legal precedents, where courts provide rulings in favor of the factoring industry, need to be present. PM-1 submitted, “if the legal environment and enforceability is not established, it will be very difficult to run the business [factoring] safely.” Furthermore, because funding is made against an intangible asset (the account receivables), there is need to have very strong enforceable rights protecting the factor in the ownership of the receivables (PM-4). PM-7 claimed, “factoring being an unsecure product, you need to have a very clear legal infrastructure for the enforceability of the valid assignment to be done.” Other researchers expressed confirming views (Brinsley, 2013; Kameni, 2014). Kameni concluded that the legal environment and enforcement of laws is weak in some African countries, impeding factoring operations (Kameni, 2014). As a result, PM-1 suggested, “open account terms are seldom provided in some African countries because of the lack of a good legal system and the difficulty to get money back if things go wrong.”

The participants shared views and experiences on the legal and regulatory environment in their respective areas of business engagement. PV-9 hinted his (South African) company has desired to expand operations to other African countries but has been unable to, due to the inability of companies to legally accomplish an assignment. PV-1 and PM-10 revealed that there is no legal framework for factoring in Ghana and Nigeria, and that factoring is not recognized as a ‘sale and purchase’. In Kenya, PV-11 observed there is no proper legal framework for factoring, hence a lot of financial institutions shy away from factoring given the lack of a legal recourse. Similarly, PV-5 hinted there is no dedicated law governing factoring activity in Tunisia, although it is possible to execute an assignment legally with the existing commercial legal framework.

PV-5 however disclosed that in Tunisia contract enforcement for bad debts is challenged with court procedures taking months or even years to have a judgment or to enforce the buyer to pay back. PV-8 admitted the legal environment in Mauritania is not well structured with the factoring product not perceived to comply with Islamic (sharia) principles. As a result, PV-8 revealed, some companies in Mauritania, that chose to operate as sharia-compliant institutions, have had to abandon factoring.

In contrast, PV-6 suggested that the law is conducive for factoring in Egypt. PV-6 disclosed that there is legal support for assignment of receivables in Egypt with no ban on assignment of receivables imposed. However, notwithstanding the conducive legal environment, PM-5 revealed it is difficult to enforce assignments in Egypt, with court processes taking 2-3 years. For this reason, PM-5 expounded, factors take postdated checks in Egypt as additional security, a practice that is not ideal and one which advances SME credit rationing. In Mauritius, PV-7 purported there is no legislation on factoring, albeit factoring can be conducted based on the subrogation civil code (derived from French law). However, as disclosed by PV-7, factoring as practiced currently in Mauritius has not been tested in a court of law. Similarly, the legal system in South Africa supports factoring and the cession of assignments can be done quite freely, albeit it has not been legally challenged in a court of law (PV-9). Notwithstanding the conducive legal environment in South Africa, PV-9 lambasted the current practice in South Africa where some buyers, including some big mining companies, governmental bodies, and municipalities, adopt nonassignment clauses in purchase agreements, which preclude their suppliers from selling or ceding their debtors books. For factoring to attain its full potential and impact, PV-1 advocated African countries need to adopt and enforce a factoring law to provide a well-defined legal framework for assignment of receivables.

In addition to legal impediments, the participants suggested regulatory deficiencies exist in some African countries, impeding the availability, acceptance, and utilization of factoring (PV-1, PV-4, PM-5, PV-6, PM-9). Some participants indicated it was difficult to obtain regulatory approval and licenses to operate factoring businesses in some African countries (PV-1, PV-4, PM-5, PV-6, PM-9). Other researchers have expressed similar views (Brinsley, 2013; Kameni, 2014; Oramah, 2014). In Zimbabwe, PV-4 claimed, “the Reserve Bank of Zimbabwe requires factors to obtain a banking license as factoring is not treated as an asset purchase but money lending.” Similarly, in Ghana, PV-1 stated, “if you are a stand-alone factoring company, they [the Bank of Ghana] do not know where to classify you,” expounding, “they do not even know whether it is a specialized credit institution or nonbanking financial institution.” PV-1 lamented, “it is a big problem, and they [the Bank of Ghana] cannot now get us a proper definition and registration in this country.”

Similarly, in Tunisia, PV-5 observed that all factoring organizations, bank or nonbank, are regulated by the central bank of Tunisia, with a minimum capital requirement of 10 million Tunisian dinars (4 million euros). In contrast, however, PV-6 revealed that the regulatory environment in Egypt is appropriate with factoring activity under the supervision of the Egyptian financial association for nonbanking financial institution (EFSA). PM-5 and PM-9 maintained the biggest obstacle to factoring growth in Africa is the lack of appropriate regulation to support the factoring industry.

The participants (32%), in accord with the views of researcher Oramah (2013), argued that documentary taxes and registration charges impede factoring development in Africa. PV-7 pointed out that in certain countries, a documentary tax is imposed for assignments to be legally binding. PM-4 claimed the stamp duty tax system was put in place in some anglophone African countries by the British common law system during the rise of the British empire. Given that it is already considered an expensive product, PV-7 suggested documentary taxes and registration charges make factoring even more expensive and very difficult to sell. In order to boost factoring growth in Africa, PM-4 advocated some African governments to eliminate the stamp duty tax system and other documentary and registration charges.

The participants (36%) indicated foreign exchange controls impede international factoring given that cross-border transactions require use of multiple currencies. PM-4 claimed that nonbank factors in some markets require licenses to receive and manage foreign currency on behalf of their clients. In Ghana, for example, PV-1 claimed foreign exchange controls prevent nonbank factors from holding foreign currency accounts for cross-border assignments. Similarly, PV-10 alluded to challenges accessing foreign currency in Egypt, while PV-5 claimed the Tunisian dinar is not a convertible currency, which hampers international factoring transactions. The participants advocated for lifting of foreign currency controls in some African countries where they are imposed, to enable importers and exporters source or export on open account basis (PV-1, PM-4, PV-5, PV-10).

High interest rates, inflation, and profit repatriation restrictions are other impediments identified by the participants that hamper factoring growth in some African markets. PV-2 elucidated, “in Ghana there is a high level of interest rate… the inflation rate is very high, 16%, and the central bank lending rate around 19%.” Repatriating profits by international factoring investors is another impediment identified by the participants. PV-4 argued, “getting money in and out is another issue,” adding, “you put money into a company and its fine, it is another thing to get that money out of the country.” The participants advocated some African governments need to address the high interest rates, inflation, and challenges faced by investors repatriating profit, as a way to boost factoring growth.

Limited product awareness and knowledge. The majority of the participants (90%) averred there is a lack of awareness, knowledge, and information about the factoring product impeding the availability, acceptance, and utilization of factoring in Africa. This finding is consistent with that of other researchers’ (Bickers, 2013; IFG, 2013; Ivanovic et al., 2011; Mbatha, 2011; Oramah, 2013). PM-9 claimed there is a lack of knowledge about sophisticated financial services (in general), and in particular about trade finance solutions such as factoring, both on the part of financial services providers as well as businesses. PM-9 cautioned the lack of awareness of factoring can trigger a vicious cycle: a perceived lack of demand could beget bank hesitation to venture into the product, which could beget government hesitation to put in place regulatory infrastructure, which could beget SMEs treating the product suspiciously.

The participants shared varied experiences on the level of awareness of factoring in their respective areas of business engagement. PM-10 declared factoring is not well known in the commercial space in Nigeria, while PV-1 maintained customers are not aware of the factoring services in Ghana and factors have not been successful in creating an awareness about the concept of factoring. PV-5 professed, “it [factoring] is not very well accepted by the Tunisian market because it remains an unknown product because there is no communication around the product.” PV-10 argued, “SMEs in Egypt do not know what factoring is - they have no idea, and they are kind of suspicious... they always doubt us from the beginning.” PV-10 revealed that factoring is misconceived to be lending activity in Egypt. In contrast, however, PV-9 indicated the awareness and acceptance of factoring in South Africa is steady.

In order to harness the prospects of factoring, there is need to raise the level of factoring awareness in some African countries. The participants shared multiple viewpoints on how to raise the level of factoring awareness, which find support in the literature (Ivanovic et al., 2011; Mbatha, 2011; Oramah, 2013). PV-1 advocated educating the by offering workshops, seminars, and media campaigns. PV-1 appealed to regulators, financial institutions, and market/professional associations to champion factoring awareness creation efforts. PM-11 suggested politicians in government and the financial authorities should be lobbied to promote factoring. PV-7 mentioned factoring awareness in Mauritius is created by regularly participating in SME fairs, publishing articles in business magazines, holding business meetings, and specialized press events. PV-7 advised that awareness can be increased by targeting key decision makers such as associations of directors, accountants, and government officials. PV-7 argued such parties can demonstrate how factoring can help SMEs and contribute largely to the progress of an economy and a nation.

In Kenya, PV-11 disclosed they conduct sector specific road shows, client forums, and solicit referrals from clients and partners, such as insurance companies. PV-11 advised against mainstream advertising, indicating that as messages may not be well understood. PV-4 advocated holding seminars in major cities in African countries where a range of speakers can talk about factoring and its benefits. PV-4 shared an experience: “I was in Zimbabwe couple of months ago, over 3 days, and I met about 20 something references and I explained it [factoring] all to them. It was very [repeat] useful.” PM-10 appealed to financial institutions, regulators, private sector parties, and multinational corporations to promote factoring awareness through a sustained educational and advocacy program and running of pilot initiatives.

Lack of skilled human resources. The participants (64%), in accord with the views expressed by Oramah (2013), claimed a lack of skilled human resources in factoring activity Africa. The participants argued that factoring skills are a necessary prerequisite to conduct factoring operations. PM-6 claimed expertise is required to run a robust back office infrastructure that ensures proper internal checks and balances in managing factoring invoices. PM-2 suggested that there is no skill set in sub-Saharan Africa based on which factoring can be built, given the lack of a factoring history. The participants argued the lack of skilled manpower and capacity stifles factoring prospects in Africa necessitating investments to develop factoring skills in Africa in order to boost factoring availability, acceptance and utilization (PM-1, PM-3, PM-5, PM-6, PM-10, PM-11, PV-11).

High technology investment requirement. The study participants (55%), in accord with views put forward by researchers (Nienhuis et al., 2013; Oramah, 2013), suggested there are challenges accessing appropriate and affordable technology platforms, on which to efficiently provide factoring services in Africa. PV-2 and PM-6 claimed factoring requires an information technology (IT) platform or system to monitor back office operations and payments. PM-6 additionally claimed some of the factoring IT systems available on the market are very expensive and complex, and maybe out of reach for small and capacity-constrained factoring companies. To bring the cost of IT platforms to acceptable levels, PM-6 advocated for joint investment into online centralized factoring IT platforms, rather than each factoring entity having to buy its own system. White-labelling is another option, the participants identified, through which, some factors can outsource their technology intensive back office operations to specialized entities.

Lack of access to and high cost of capital and (re-)finance. The findings of this study suggested that the lack of access to and high cost of capital and (re-)finance impedes the availability, acceptance, and utilization of factoring in Africa. The participants (32%), in accord with the views expressed by Oramah (2013), revealed that finance is often not easily accessible, especially to the nonbank independent factors, and where available, the cost is too high. The participants remarked capitalization and getting the source of funds to be able to do factoring is a big issue constraining factors (PV-1, PV-3, PM-11). PV-5 argued the higher [re]financing costs for factoring companies renders factoring uncompetitive. PV-2 lamented the high level of interest and inflation rates in Ghana render factoring very expensive. Moreover, PV-3 and PV-4 argued independent nonbank factors have particularly a greater problem accessing affordable finance necessary to conduct factoring. PV-3 shared some revealing insights about the specific challenges independent factors face accessing finance in South Africa.

> They [independent factors] have to go and borrow the money from the banks and strangely enough, the banks look at debtors with a jaundiced eye. They do not believe that debtors are the best form of collateral, which is very silly... yes, there is a bit of a challenge. But what is happening [in South Africa] when I see, is overseas companies are coming in and financing a lot of our independents. The other day a small independent factor in Cape Town got a lot of financing from a Singapore company. I see that a lot. I see one of the big banks got financing from the IFC [International Finance Corporation]. So, the Bank's got extra financing specifically for the trade and debtor financing operation. So and of course there is a lot of private money in this country [South Africa]. A lot of individuals with a lot of money and they have been investing in because they get big returns by investing in a factoring or invoice discounting company. The problem is…, yes, the banks are a problem when you approach them for finance. The other hand is, no, these guys [factors] do not have a problem getting finance because they are getting it from other sources other than the bank.

Lack of an open account terms of trade culture. The FCI publication projected an over 90% global shift in trade finance towards open account trade terms by 2020 (FCI, 2014). The FCI attributed the projected shift to trading on open account terms to the increasing level of confidence, which is a vital prerequisite for factoring activity (FCI, 2014). In agreement with the literature, the majority of the participants (over 80%) alluded to the general lack of an open account terms of trade culture in many parts of Africa. The participants indicated the lack of an open account terms of trade culture negatively impacts the availability, acceptance, and utilization of factoring on the continent. PM-1 and PM-4 claimed there are no regulations and policies to support the development of open account terms of trade business in many parts of sub-Saharan Africa.

PM-1 and PM-4 maintained African trade is seldom conducted on open account terms for a number of reasons; a lack of a good legal system to be able to get your money back if things go wrong, a lack of trust and confidence, and too many restrictions and red tape. PV-7 likewise attributed the excessive use of expensive letters of credits and bank guarantees, commonly used in African trade, to the lack of trust and an open account culture. PM-3 declared for factoring to flourish, as in Europe, African countries need to cultivate an open account terms of trade culture. PM-11 predicted that as the African sellers get more powerful, they will resist letters of credit because they costs them money. PM-11 conjectured, “going forward, there is going to be a move towards trading on open account terms in Africa.”

Facilitating institutions and industries. The participants identified a number of institutions and related industries crucial for facilitating and supporting the growth of the factoring industry in Africa. The following are the prevalent institutions and industries that emerged from this study: (a) debtors, (b) credit insurers, (c) factoring associations, (d) governments, central banks and courts, (e) registries of cessions, (f) development agencies, (g) enterprise professional advisors, and (h) credit reference bureaus. A brief discussion is provided in this section for each of the subthemes.

Debtors. In accord with the views expressed by researchers (Brinsley, 2013; Ivanovic et al., 2011; Vasilescu, 2010), more than 50% of the participants affirmed debtors are critical participants in the success of factoring activity. The participants claimed some debtors in Africa are not willing to support factoring transactions. Debtor cooperation is a critical prerequisite for successful factoring transactions and is required, in particular, in confirming and honoring the assignment and channeling payment, for the goods or services, to the factor, as opposed to the supplier. PM-7 pointed out that in some countries, a return of assignment has to be given to the debtor for acceptance, before the assignment can take effect.

PV-11 indicated some buyers (debtors) of goods and services in Kenya do not want to acknowledge there is a third player, the factor, and refuse to confirm or honor any assignment of contract proceeds. PV-9 disclosed some of the larger buyers, typically the big mining companies or the municipalities, impose nonassignment clauses in purchase agreements that preclude their suppliers from selling or ceding their debtors books in South Africa. PV-3 provided some perspective on the challenge faced dealing with government or a governmental institution as a debtor.

> The biggest problem we have had since I started in factoring and it prevails to this day is the [South Africa] government’s reluctance to pay third parties when they

> have the legal cession of debtors. As you might call it an "assignment," we call it, "cession" in South Africa. In other words, it emphasizes agreement with an SME or any company as a matter of fact, and they are dealing with government, quasigovernment, municipalities, etc. We have a problem that those parties will not pay us [the factor] directly. They will ignore the cession and still carry on paying the client directly, which, of course, opens us [the factor] up to enormous risk and therefore precludes those companies from getting finance from the factoring industry. It is not a small problem, in fact some of the mining groups, also ignore the cession and will not pay the third party, or be it that the third party is a bank, a major bank in this country, they just will not pay. That is a huge problem in South Africa.

In Nigeria, PM-10 claimed many multinational debtors do not accept assignment of receivables, as some have their accounts payable processes automated and controlled globally, with little decision latitude to local managers. PV-2 suggested some buyers (debtors) are not cooperative, are not willing to provide financial information for an assessment to be carried out before granting a facility to the suppliers, and are unwilling to provide verification for an invoice. In contrast, PV-5 revealed public (government agencies) debtors in Tunisia, are generally cooperative, while private debtors require prior sensitization. In Egypt, however, PV-6 insinuated debtor hesitance to support factoring activity is rife and provided some perspective.

> We faced this problem that when you go to the buyer they say no, "I will only pay to my supplier", "I will not sign the letters [notice of assignment]". Now it is

> much better because we go first and hold a meeting between the sellers and buyers and our team to introduce our service and to convince them [debtors] that "now we are going to be collecting from you". "We will not ruin the relationship between the buyer and seller, but rather will give better service, which may include longer credit terms". Until now there are some buyers that are not willing to pay to other parties [factors], than their suppliers. Big corporate companies that use corporate paying mechanisms do not want anyone to interfere with their relations because it is all systemized, they have the name of the supplier on the system and payments are done automatically.

Credit insurance. The majority of participants (82%), in accord with the views expressed by Oramah (2013), claimed a vibrant credit insurance industry is a key prerequisite to the development of factoring in Africa. PM-4 suggested factoring has a 'symbiotic relationship' with credit insurance, while PM-2 expounded, credit insurance is required to cover certain kinds of payment risk to enable factoring activity. The participants disclosed the credit insurance industry is inexistent in many African countries and where available, the cost of credit risk cover is prohibitive (PM-2, PM-3, PM-7). PM-10 claimed factoring was growing in west and central Africa because of a credit insurance scheme by one provider, COFACE.

PM-7 conjectured nonrecourse factoring is only and only possible if you get a credit insurance on the buyer. PM-2 and PM-3 professed factoring will not develop in Africa if the credit insurance capacity does not develop. In Kenya, PV-11 revealed that only two insurance companies are willing to provide credit risk cover against default, and provide up to 90% of the value of the factoring deal. PV-4, who is launching factoring operations in Malawi, Mauritius, Mozambique, Tanzania, Zimbabwe, and Zambia, revealed that, as a term of their financing agreement, all credit must be insured for bad debts. PM-4 provided some additional perspective on the role of the credit insurance industry in stimulating the factoring industry in Africa.

> I am talking with a lot of the major insurance houses like COFACE, Euler Hermes, Atradius…, and I think they are in various stages present in Africa, some more than others. But I think that they see this market [Africa] as an important market and of course, in factoring as you know, if you are funding against a receivable, ultimately the factor will like to have that receivable underwritten either by themselves or by a third party. Meaning the debtor, the buyer, being underwritten, and of course insurance plays a natural role in that regard. So I think it is very important that the insurance industry continues to grow and prosper, and I think that will ultimately also have a significant influence in the growth of factoring. The word 'symbiotic'; they are symbiotic, and you see that. You are seeing that there are programs being developed today with insurance jointly with banks to develop factoring products. That is happening in a lot in the French-speaking region in west Africa, as an example.

Factoring associations. The study participants (55%) underscored the key role of an industry association in stimulating the awareness, availability, acceptance, and utilization of factoring. PV-3 and PM-11 claimed national factoring associations are one vehicle for educating both the market and potential financiers. PM-11 admitted factoring associations do not exist in sub-Saharan Africa at the moment. PM-9 advised banks and other financial institutions to organize themselves in national factoring associations; to lobby authorities for proper regulations and guidelines, to organize joint events to introduce the features or benefits of factoring to business associations, to set industry standards for both providers and customers, and to use testimonials as models for future prospects. PM-2 and PM-4 suggested the two international factoring associations (IFG and FCI), can support factoring development in Africa by partnering with the local industry organizations, chambers of commerce, and other organizations that all have an interest in the deployment of factoring in these markets. PV-3 provided some additional insight on the role of factoring associations in stimulating factoring growth and development.

> When you go to the auditors, you are not going as, some banks' factoring association which looks as if it is self-promoting, you are going as an industry. You are not trying to sell your own particular brand, you are there to sell the whole concept of a particular type of finance, so you are not favoring one above the other, you are just selling the whole industry and you get a whole lot of credibility going for instance to the South Africa Association of Accountants or Auditors or the Bankers association, or the legal fraternity. Anybody you go to, you get a lot of credibility if you go as an entire association instead of one particular factoring company if you are not just promoting your company.

Governments, central banks, courts, and other governmental agencies. Governments and the different related governmental institutions are critical players in boosting the awareness, availability, acceptance, and utilization of factoring. Governments have a key role to play in assuring a conducive business environment for the growth of the factoring industry, and private business in general. In this study, and in accord with conclusions of researchers (Kameni, 2014; Mbatha, 2011; Oramah, 2013), the participants (more than 55%) confirmed the key role of government in facilitating factoring growth. The participants averred African governments can promote factoring and stimulate SME growth by addressing the impediments in the business environment. PM-3 and PM-5 castigated some African governments for doing so little to promote and support factoring, leaving some private investors to struggle on their own.

PM-5 appealed to African governments to stimulate factoring awareness through propaganda and organizing and sponsoring events. PM-5 and PM-9 advocated governments, central banks, courts, and other governmental authorities put in place and enforce regulations to protect the minimum rights and interests of factors, in order to facilitate a safe offering of the product. PM-5 urged governmental authorities to waive documentary taxes and registration charges on receivables. PV-3 argued the government of South Africa could stimulate factoring by lifting the ban on assignment or cession and by putting in place other supportive legislations.

As a major purchaser of factorable goods and services, African governments can play a key role in promoting factoring in Africa. PM-6 elaborated on efforts of the Government of Botswana in promoting factoring, while PM-7 shared lessons, relevant to African markets, on how the Government of India concertedly supported the factoring industry.

I believe that Botswana is an example of a country that is moving in the right direction in supporting SMEs through factoring. We find they are a little bit advanced. We find that even the government itself has gone ahead and setup a fund that helps private factors. So when an SME supplies to government, government itself acknowledges that its various departments might take a long time to pay SMEs. So they have facilitated the setting up of a "factoring fund" with representatives of industry, commerce, factoring associations, and the government itself. The factoring fund is set up as a "Trust," which is independently administered and funded by the Government. Independent factors are, therefore, in a position to support SMEs, who will have supplied to various government departments by working [accessing] the "factoring fund." The SMEs no longer have to wait for anything around 60 to 90 days for a particular government department to pay them, because a factor has now got this relationship with the factoring fund, which the government is behind. So we find that if we can replicate that kind of model in the continent, it will be useful because governments tend to be big players for domestics supplies on the continent. (PM-6)

We have gone to the development stage of factoring as a product in India. We always thought that Africa is a similar market in terms of opportunity. India also at that point in time did not have a structured legal environment to support factoring as a product. But yes, a lot of the initiatives were taken by the government and the central bank and institutions like Small Industries

> Development Bank of India, to promote this product in the country. That is why it was pushed very hard. In fact, two of the leading state-owned banks started doing factoring by forming a subsidiary. So that push was already there in the Indian market. (PM-7)

Registries of cessions. Brinsley (2013) claimed a central registry for assignments is a critical financial infrastructure that can enable factors ascertain the priority of assignment without having to conduct detailed due diligences. The participants (36%) concurred with this view, propounding a central registry or database of assignments is a critical tool for stimulating factoring growth in Africa. PM-4 claimed most African and developing markets do not have the legal process in place to register the receivables they purchase, and hence the increase in the likelihood of financing invoices already financed by a third party. PV-6 and PV-9 disclosed there are no central registries of cessions of book debts in Egypt and in South Africa respectively. PM-4 and PM-9 appealed to authorities to setup a public register where all assignment rights are booked, to enable all financiers know from the outset their standing in relation with the security (the assignment) and as a means for curbing fraud. PV-3 provided additional perspective on criticality of credit registries.

> We do not have a central register of cessions or assignments or charges, you might call it all things [in South Africa]. In other words, when we take a cession, and it is registered in favor of the financier or bank, nowhere is that cession registered. So when it comes to implementing that cession, let us say the company defaults and you now have to collect your money, you could find that there is

> someone with a prior cession. That causes terrible problems because now instead of you being the first cessionary, you might end up being the second or even the third cessionary. Obviously there is a lot of things affected as you try to preclude that, you write to the auditors, you write to all the creditors, but there still no 100% way of making sure that you are the first cessionary. It is like buying a car and not being able to get the registration papers.

Development agencies. More than half of the participants underscored the important role multilateral organizations, development banks, donor agencies, civil society organizations, and other development agencies can play in promoting SME growth and factoring growth in Africa. PM-4 claimed development banks and other development agencies have increased their awareness of the importance of factoring to SMEs in the last few years and are taking a renewed interest in the product. PM-4 maintained development banks -including African Export-Import Bank, Africa Development Bank, International Finance Corporation, - are going to play a very important role, both in terms of intellectual capital, but also financial capital. PM-7 suggested, pan-African development banks are an ideal platform to promote factoring in a much larger way into the African continent.

Enterprise professional advisors. The participants (25%) opined on to the role professional business advisors including, business support providers, auditors, lawyers, advisors, and consultants, can play to stimulate factoring awareness, availability, acceptance, and utilization in Africa. PM-3 maintained a lot of factoring companies need a consulting intervention to be able to start offering factoring; developing business plans and feasibility studies, selecting software, setting up manuals and processes, and offering on the job training. PV-3 expounded on the important role of enterprise professional advisors can play to stimulate factoring growth in Africa.

> You can up the level of awareness, by the education of young auditors and accountants, bankers, and attorneys at law, as you know those are what you call the professional advisors or the appeal leaders. If you are a small business the very first person you go to if you need money will probably be your auditor or your accountant. Nowadays, you will be scared to go to your bank, if you tell your bank you got a problem, they will cut your facility. But they are trying to improve. So you will go to your accountant and your auditor.

Credit reference bureaus. More than half of the participants, in accord with views expressed by a researcher Oramah (2013), alluded to a lack of access to reliable credit information sources as an impediment to the availability of factoring. PM-6 and PM-7 claimed there is a lack of critical financial infrastructure in Africa, in particular, credit information services, where factors can find information necessary for assessing the credit risk of buyers. PV-2 disclosed some African countries do not have a credit reference bureau, and for some that do, not all the banks consistently supply information on their borrowers. PV-11 revealed that the credit reference bureau in Kenya, has been useful in obtaining information on whether prospective clients have been blacklisted and what they have been blacklisted for. PV-5 professed, a credit bureau is still in the project stage in Tunisia, admitting they rely on other information sources, such as internal and partner databases, to gather information on prospective clients. PM-5 appealed to governments to proactively set up credit bureaus, which could in turn generate revenue for governments. PM-3 declared, “[credit bureaus] need to be developed to be able to have a holistic solution to the factoring business in most of our economies in Africa.”

In this section, I described the views and experiences of the participants providing or promoting factoring in Africa. The discussion was structured around the four themes and subthemes that emerged from this study. I discuss the applicability of the findings with respect to the professional practice of business in the next section.

Applications to Professional Practice

The purpose of this qualitative, phenomenological study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. Four main themes emerged as a result of this study: (a) supply-side conditions, (b) demand-side conditions, (c) business environment conditions, and (d) facilitating institutions and industries. In this section, I provide a detailed discussion on the applicability of the findings with respect to professional practice of business. I argue in detail why and how the findings are relevant to improved business practice.

I found support for the pecking order and credit rationing theory. I found that SMEs, which are critical economic agents, have limited internal and external financing sources and are accordingly credit rationed. Given the strategic importance of SMEs to any developing or developed economy, these findings are of paramount importance to professional practice of business. The findings enlist action from policy makers and other actors to craft policies and strategies to address the financing challenges of SMEs, in order to assure firm, industry, and national competitiveness and growth.

I found evidence supporting the potential and proposition of factoring in meeting the financing needs of African SMEs. I found that factoring is a unique and globally accepted SME financing instrument that can enable African SMEs to gain access to finance, as underwriters place the risk mainly on the receivables, as opposed to the firm itself. I found there are enormous prospects for factoring in Africa with the industry attractive, profitable, and with limited inter-firm rivalry. I made recommendations for positioning factoring to overcome negative market perceptions. The findings of this study are vital to professional business practice, as they point practitioners to a solid and untapped strategic solution that could address the African SME financing needs. The factoring development framework I developed as a result of this study is of paramount importance to professional business practice as it can be used to generate development strategies for factoring at a firm, industry, national, and regional or international level.

I suggested a factoring product mix for African markets. I found that domestic factoring has a huge potential in Africa given that trade is first and foremost conducted domestically. I found that international factoring has significant potential, given the export-orientation nature of the African continent. I found nonrecourse factoring and reverse factoring are vital products to SMEs given their ability to provide credit protection cover to SMEs and an opportunity to ride on the financial strength of stronger participants in the supply chain. These findings are vital to professional business practice, as they point would-be suppliers of factoring to viable and appropriate products for the respective African markets.

I proposed supply-side strategies for availing factoring. I found that local and international banks and nonbank independent financial institutions have a key role to play in providing and demonstrating the potential of factoring. I proposed a number of strategies such as white labelling, joint ventures creation, leveraging complementarity and existing branch networks, and taking first mover advantages given the low inter-firm rivalry. These strategies can be employed to stimulate factoring availability. These findings are relevant to professional business practice, as they not only provide entry strategies for prospective suppliers of factoring, but if acted on, serve to stimulate factoring availability in Africa and similar emerging and frontier markets.

I found there is an immense demand for factoring in Africa given the emergence of a vibrant private and SME sector, domestic and international supply chains, a middle class and consumer base, and domestic, regional, and international markets. I found some African governments have passed affirmative action legislation (black economic empowerment and local content legislation) that is fueling SME growth and demand for SME finance. The findings of this study are of relevance to professional business practice as they map out an emerging trend in Africa and provide a case for investment in factoring operations. These findings provide a strategic course for African legislators keen to promote African SMEs.

I deduced a number of obstacles that impede factoring in the operating environment in many African countries: a weak legal, regulatory, and tax environment, limited factoring awareness and knowledge, lack of skilled human resources, high technology investment requirement, high refinancing costs, and lack of an open account terms of trade culture. From this study, I identified that the legal and regulatory environment for factoring is weak in many African countries: no clear laws on assignment of receivables and company insolvency, challenges enforcing rights under receivables, a lack of legal precedents where courts rule in favor of factoring providers, and no clear legal and regulatory recognition of independent factors given their nonbank status. I found a number of other impediments to factoring growth in Africa: documentary taxes and charges related to perfecting securities, foreign exchange rate controls, interest rates, inflation, and profit repatriation challenges.

These findings are of significance to professional business practice as they point governments, courts, central banks and other regulatory, and facilitating bodies to the obstacles factors are facing in Africa and which are impeding SME financing and growth. The findings are also of significance to professional business practice as they provide feasible strategies for addressing business environment impediments, specifically in areas of, education, advocacy, skills development, and technology. The findings point to an important trend in trade finance, operating on the basis of open account trade terms. I advocate for a cultural shift to embrace and demand for open account terms, which in addition to promoting factoring and trade finance in general, will provide African SMEs cost competitiveness.

I found the need for various institutions and industries to facilitate and support the growth of factoring and trade finance in general: debtors, credit insurers, factoring associations, governments, central banks and courts, registries of cessions, development agencies, enterprise professional advisors, and credit reference bureaus. I found some debtors, mostly large buyers, multinational corporations, mining companies, and governmental agencies, are adamant to support factoring, with some imposing nonassignment clauses, which preclude their suppliers from benefiting from supply chain financing.

I found the credit insurance industry, a key industry symbiotic to the factoring industry, is inexistent or too costly in some African countries. It was additionally found that credit registries and credit information services, critical for preventing fraud and assessing credit risk, were inexistent in some African markets. These findings are vital to professional business practice as they call for action from various related institutions and industries to support factoring and SMEs in general. The findings, draw the attention of business support services providers to factoring, with potential to boost revenues for providers and their SME clients. The findings are of relevance to development agencies as factoring has significant potential for generating development impact given its suitability for financing SMEs. The findings are of relevance to governmental authorities as they provide specific actions and strategies for SME development, which is linked to job creation, service delivery, investment, and economic growth in general.

Implications for Social Change

The purpose of this study was to explore the obstacles and prospects to stimulating awareness, availability, acceptance, and utilization of factoring in Africa. The results suggest high prospects and demand for factoring, low levels of factoring awareness, legal and regulatory impediments, bank reluctance to avail or finance factoring, high entry barriers for nonbank factors, debtor hesitance to confirm and honor assignments, a lack of credit insurance, credit information services, and credit registries, a lack of requisite factoring skills, a lack of appropriate and affordable technology platforms, and a lack of an open account trade culture. As a result of the study, I advanced a framework and strategies that can be used at firm-, industry-, and national-level to boost factoring development. I made recommendations for action to overcome the barriers impeding factoring development in Africa and proposed strategies for exploiting the factoring opportunity.

The findings of this study contribute to positive social change by bridging the information, knowledge, and research gap on factoring services in Africa and other developing frontier markets. This study contributes to the increased awareness of factoring as an SME financing alternative instrument. An increase in awareness of factoring can lead to an increase in the levels of acceptance, availability, and utilization of factoring by African enterprises. The findings of this study may affect the availability of factoring in Africa by encouraging local and international investors (banks and independent nonbank factors) to tap into the attractive market and set up factoring operations or joint ventures in Africa.

In this study, I appeal to African policy makers, legislators, central bankers, regulatory authorities, civil society, developmental agencies, and other players to address the legal, regulatory, fiscal, and business environmental impediments to factoring growth. I encourage business support providers, and as well as professional enterprise advisors, including auditors, tax advisors, trainers, lawyers, and consultants, to recommend factoring services to their enterprise clients. I advocate promotion and development of the credit insurance industry in Africa, which has broader benefits to not only the factoring industry, but to the general credit industry.

I advocate putting in place credit reference bureaus and credit registries, which in addition to benefitting the factoring industry, offer benefits to other industries such as the trade finance, commercial banking, and leasing industries. I suggest in this study that factoring could become a potential career path for young Africans given the prevailing skills deficiency, and provide some recommendations for action to build factoring skills of Africans. I draw the attention of technology providers to target future factoring companies by providing IT platforms upon which to conduct factoring business, thus creating a market opportunity for IT businesses. Factoring is an underresearched subject, especially in the context of Africa and other developing countries. Scholars and researchers should focus attention on this highly underresearched subject, and continue to fill the gaps in the understanding and effective practice of factoring business.

The findings of this study are of benefit to African individuals, firms, households, communities, and nations. The results contribute to the increased awareness of the potential of factoring, which may lead to increased availability, acceptance, and utilization of factoring services. Increased access to finance for African SMEs affect firm performance, growth, and competitiveness, which in turn may affect household incomes, employment opportunities, social development, quality of life of the African people, and the general economic performance of the continent.

Recommendations for Action

Four themes emerged from this supply-side phenomenological study, that reflect the current state of factoring in Africa. In this section, I presented the most prevalent recommendations for action to stimulate awareness, availability, acceptance, and utilization of factoring in Africa. The recommendations are presented in the order of the major themes that resulted from the study. I intend to disseminate the recommendations through seminars, conferences, online business forums, and by journal publication of articles.

Supply-Side Conditions

Businesses need to appropriately promote and position factoring as a full package to avoid the product being treated as conventional lending activity. Regulatory bodies need to adopt industry standards to curb loan shark tendencies and excessive pricing. Local and international banks need to setup in-house factoring units and joint ventures with local and international independent factoring companies to pursue the tremendous business opportunity factoring has to offer in the different African markets. Banks should exercise their moral and social responsibility to finance African SMEs by providing and supporting products such as factoring. African banks should pioneer factoring, which can have a domino effect by attracting other players to the industry. Banks and nonbank factors should pursue ‘white-labeling’ by outsourcing noncore activities, such as back-office operations, for which they may lack skills or technology.

Factors should provide both nonrecourse domestic and international factoring, and explore credit insurance as the credit protection element offers greater benefits to SMEs.

Factors need to aggressively pursue the provision of reverse factoring given the tremendous potential and cost benefits the product has in funding SMEs. In order to strengthen supply chains, debtors should provide guarantee to their suppliers through reverse factoring transactions and should not hesitate to confirm and honor debt book assignments. Factors should base their competition strategy on the value services proposition of factoring as opposed to pricing. By focusing their competition strategy on services, factors can avoid the misconception of factoring being perceived as a loan and can gain competitive advantage over traditional banking products.

Demand-Side Conditions

African and international factoring companies need to target the SME sector in Africa given the immense demand for finance, the attractiveness of the industry, and the low competition rivalry. African governments should pursue policies that promote the growth of the SME sector such as local content and economic empowerment programs. Drawing from the experiences of Botswana and India, African governments need to setup institutions to fund and support factoring growth. Factoring companies need to look beyond individual enterprises and target the emerging supply chains with innovative products such as reverse factoring and innovative cost-effective technology platforms. Moreover, factors need to position themselves appropriately to tap into business opportunities presented by the rapidly emerging African middle class and the resultant unprecedented growth in the household consumption of factorable goods in Africa. I recommend factors position themselves to take advantage of the unprecedented expansion of African domestic, regional, and international trade. African factoring companies have a lot to learn from the benchmark growth strategies of other emerging markets like China, India, Turkey, and South Africa that have registered a record factoring growth over the past 10 years.

Business Environment Conditions

African governments should address the legal, regulatory, fiscal, and taxation barriers that impede factoring and SME growth and development in Africa. To accomplish this goal, African legislators need to adopt a factoring and solvency law that enables assignment of receivables. A dedicated factoring and solvency law is essential to ensure factors can become the uncontestable owners of the receivables (an intangible asset), against which they are advancing funds. African legislators can make progress in putting in place a factoring law by adopting the IFG model factoring law. African governmental authorities additionally need to ensure speedy enforcement of factors rights by improving court processes and issuing judgments in favor of the factoring industry. Furthermore, I recommend African governments and other authorities adopt appropriate regulations and industry standards to ensure factoring products are favorably positioned and perceived in the market. There is need for African governments to clarify the approval process for independent (nonbank) factors in the different African countries. There should be in place appropriate measures to avoid treating independent factors as banks or financial institutions, and applying the rigorous bank requirements on nonbank factors. In order to stimulate factoring growth, African governments should discontinue documentary taxes, stamp duties, and other charges for registering invoices and receivables. Moreover, the loss of income to governments from documentary taxes can be compensated by the stimulation in SME activities through factoring. To stimulate international factoring and trade, African governments need to ease foreign exchange controls and pursue macroeconomic stability policies. Implementing these measures will not only stimulate factoring, but generally improve the business and investment climate in the different African countries.

I recommend that civil society, financial institutions, factoring companies, and factoring associations should engage in active advocacy measures to stimulate factoring awareness: promotion, marketing, and awareness building workshops and seminars, advertising, and talk shows. African governments, civil society, financial institutions, factoring companies, business schools, and factoring associations should bridge the gap in factoring knowledge and skills by engaging in active capacity building and training programs in factoring. Factors should avoid attempts to provide factoring without appropriate technological platforms, but rather, consider outsourcing, white-labelling, or resorting to using shared platforms. Nonbank factors should attempt to diversify their funding sources to attain price competitiveness. African governments, private sector players, supply chain participants, and society should work towards the promotion of open account terms of trade in order to minimize operating costs, boost competitiveness, and boost domestic and international trade.

Facilitating Institutions and Industries

Multinational and large-sized companies should take interest in the financial prosperity of their supply chain participants. I recommend that multinational and stronger companies (debtors) in the supply chain support their weaker SME suppliers by cooperating with factors. This can be achieved by debtors providing guarantees for their suppliers, confirming and honoring invoices, and making payments directly to the factors as opposed to the suppliers.

There is need to develop the credit insurance industry in Africa to bring the risk of receivables to acceptable levels for factors. Companies should establish (where nonexistent) local, regional and international factoring associations to drive factoring awareness and provide education, advocacy, and industry standards. African governmental institutions such as legislative and regulatory bodies, tax authorities, and courts should address legal, regulatory, fiscal, and tax barriers impeding the development of factoring in order to promote the growth of SMEs. African governments and financial institutions should setup central registries of cessions or assignments to prevent fraud and reduce the cost of due diligence. Development agencies including multilateral organizations, development banks, civil society, and others business entities should actively advocate, educate, fund, and promote factoring and SME development in Africa. Given its benefits, SME advisors, including auditors, accountants, consultants, attorneys, and bankers should acquaint themselves with factoring and recommend the product to their enterprise clients. African governments and financial institutions need to setup and maintain credit reference bureaus to facilitate access to information on enterprise credit standing and borrowing habits.

Recommendations for Further Study

The research and information gap for factoring, particularly in Africa and other emerging markets, is immense. Further research into a number of areas on factoring could result in advancement of knowledge and improved business practice. This study was exploratory in nature. I recommend similar studies (exploratory or explanatory) in specific African countries and other frontier and emerging markets, which could be useful in filling the informational and awareness gap. This study was a supply-side analysis and did not include a demand- or debtor-side analysis. A demand-side study would have included an analysis of the factors that determine acceptance and utilization of factoring by SMEs. A debtor-side analysis would determine the factors affecting debtor willingness to participate in factoring transactions. Such studies conducted using a quantitative, qualitative, or mixed methods approach could further fill the research, knowledge, and information gap. Other viable areas of future studies include: factoring legislation and regulation, factoring operation and systems, fraud and risk management, marketing strategies for factoring, pricing, reverse factoring, two-factor system, purchase order finance, and compliance of factoring with Islamic finance principles.

Reflections

Having been a provider of business support services to a number of SMEs in some parts of Africa, I was familiar with the financing challenges of African SMEs. The pecking order and credit rationing theory that underpin this study accurately describe the financing dilemma African SMEs confront. A review of the literature revealed that factoring is a well-established form of SME financing in developed and emerging economies, and has the potential to supply finance to SMEs in Africa in a short time and with minimal requirements. I was intrigued at this fact and set out to learn as much as I could about factoring. I completed a 6 week commercial finance course at the University of Malta, Fimbank, and IFG; attended a number of meetings, and took other factoring courses to build my knowledge. I eagerly awaited approval of my study so I could start to talk to the factoring practitioners and specialists to obtain their views and lived experiences on ways to promote factoring in Africa.

The main findings from each of the 22 interviews of this study were succinctly captured by one participant: "factoring is one of the best ways of financing an SME and I do not see any other facility that can do what factoring can do" (PV-3). I conclude this study with a strong conviction that factoring can play an important role in addressing the financing constraints of African SMEs. I can only hope the recommendations of this study will be put into action by the different identified parties. I can also hope there will be a boost in the awareness, availability, acceptance, and utilization of factoring in sub-Saharan Africa. It is my expectation that the plight of African SME owners, African households, and the African economy in general, will change for the better as the result of factoring.

Summary and Study Conclusions

The purpose of this supply-side phenomenological study was to explore the obstacles and prospects to the development of factoring in Africa and generate recommendations for action to stimulate awareness, availability, acceptance, and utilization of factoring in Africa. In this study, 22 executives expressed their views and lived experiences providing and promoting factoring in 16 African countries. Four themes emerged: supply-side conditions, demand-side conditions, business environment conditions, and facilitating institutions and industries. The findings of this study provided support for the pecking order and credit rationing theory in Africa. The results suggest the prospects for factoring are enormous in Africa. Factoring prospects in Africa are driven by the unprecedented emergence of African SMEs, supply chains, a middle class, consumption of factorable goods and services, and the expanding domestic, regional, and international trade.

The results suggest a number of obstacles impede the growth of the factoring industry in some African countries: low factoring awareness, legal and regulatory impediments, bank reluctance to venture into factoring, high entry barriers for nonbank factors, debtor hesitance to confirm and honor invoices, a lack of requisite factoring skills, a lack of appropriate and affordable factoring technology platforms, a lack of an open account trade culture, and a lack of credit insurance, credit information services, and credit registries. These impediments affect the availability (supply) of factoring and contribute to the low levels of awareness, acceptance, and utilization (demand) of factoring by SMEs in Africa.

As a result of this study, I advanced a framework to overcome factoring barriers and exploit factoring prospects and which is of relevance to developing firm, sector, national, and international factoring development strategies. I made recommendations for action for stimulating factoring awareness, availability, acceptance, and utilization in Africa. This study has the potential to fill a key research gap on factoring in the African context and in similar frontier and emerging markets. The implications for positive social change from this study include increased awareness of factoring which may boost availability, acceptance, and utilization of factoring by African enterprises. Improved financing options may contribute to social change by improving African enterprise competitiveness, which in turn, may result in increased job opportunities, better household incomes, quality of life, and more broadly, significant economic growth in Africa.

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Appendix A: Informed Consent

This is to invite you to take part in a research study on the potential of factoring as an alternative source of finance for African enterprises. You were selected for the study given your specialty and involvement with factoring activity on the African continent. This form is part of a process called informed consent to allow you to understand this study before deciding whether to take part. A researcher named Robert Tomusange, who is a doctoral student at Walden University, is conducting this study

Background Information:
The purpose of this study is to explore the obstacles and prospects of factoring as an alternative source of finance for African enterprises. The intention of this study is to investigate the experiences of supply-side practitioners and promoters of factoring services in Africa. From this study, recommendations for action for deepening of factoring services in Africa will be advanced. The study results might affect social change by bridging the current information, knowledge, and research gap on factoring services in Africa. The study results may encourage investors to set up factoring businesses in Africa and to encourage African enterprises to seek out factoring finance.

Procedures:
If you agree to be in this study, you will be asked to, respond to interview questions over the telephone or a face-to-face interview and to share your lived experience as a practitioners and promoters of factoring services in Africa. It is anticipated that the telephone or face-to-face interview will take no more than one hour. The researcher will audio-record and transcribe the interview. The researcher will send the typed transcript to you to confirm if the transcription is a true reflection of the proceedings of the interviews and to propose any additions or deletions. The researcher will prepare and submit to you an electronic copy of the summary of findings of the final research study.

Voluntary Nature of the Study:
Your participation in this study is voluntary. This means that everyone will respect your decision of whether or not you want to be in the study. If you decide to join the study now, you can still change your mind during the study. If you feel stressed during the study, you may stop at any time. You may skip any questions that you feel are too personal.

Risks and Benefits of Being in the Study:
In this research, there are no foreseeable risks to you. The main benefit of participating in this study is the contribution to producing a research study that could help in bridging the current information, knowledge, and research gap on factoring services in Africa.

Compensation:
There is no compensation for being in this study.

Confidentiality:
The researcher will keep confidential any information you provide. The researcher will not use your information for any purposes outside of this research project. Furthermore, the researcher will not include your name or anything else that could identify you in any reports of the study. There are no potential conflicts of interest in this study. You may keep a copy of this informed consent form.

Contacts and Questions:
You may ask any questions you have now. Or if you have questions later, you may contact the researcher by email at rtomusange@afreximbank.com or robert.tomusange@waldenu.edu or by telephone Tel: (202) 24564100. If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Walden University representative who can discuss this with you. Her phone number is 001-612-312-1210 or email address irb@waldenu.edu. Walden University's approval number for this study is 06-02-14-0316024 and it expires on June 1, 2015.

Statement of Consent:
I have read the above information and I feel I understand the study well enough to make a decision about my involvement. I am/have been a supply-side practitioner and promoter of factoring services in Africa and I have experience in factoring finance. I will keep or print a copy of the consent form.

By replying to the e-mail with the words "I Consent," I am agreeing to the terms described above.

Appendix B: Letter of Introduction

The Chief Executive Officer
Factoring Company XYZ

Dear [Name of officer],

This is to invite you to take part in a research study on the potential of factoring as an alternative source of finance for African enterprises. You were selected for the study given your prominent role in the provision and or promotion of factoring services in [country X] and in Africa in general. A researcher named Robert Tomusange, who is a doctoral student at Walden University, is conducting this study.

The purpose of this study is to explore the risks and rewards of factoring and its potential as an alternative source of finance for African enterprises. Your experience will be of huge interest to this study. You will be asked to respond to interview questions via [a recorded telephone call or a recorded face-to-face interview], to share your perspective and experience on factoring in your [country X] and in Africa in general. The data gathered through the interview will provide a narrative of your account and will inform the research study.

In undertaking the interview, please note the following guidelines:

- The researcher will conduct the interview and research project in strictest confidentiality.
- The researcher will ask six substantive questions. A copy of the interview questions is attached.
- The researcher will complete the interview within 1 hour and at one sitting and will be conducted in English.
- The researcher will transcribe the interview and submit a copy to you for your ratification.
- The researcher will submit to you an electronic copy of the summary of findings of the final research study.

Please read the attached consent form and if willing to participate, return it back to me with the statement “I consent.” Please propose two or three dates, times during the normal office work hours, and [preferred contact number or place] when the interview can be conducted. The researcher will make a confirmatory telephone call to confirm all arrangements ahead of the interview.

I would like to thank you for expressing your interest to participate in this research study.

Yours Faithfully,
Robert Tomusange

Appendix C: Interview Questions

1. What obstacles have you experienced availing or promoting factoring in your African country?
2. How can you boost the availability of factoring in your African country?
3. How can you increase the level of awareness of factoring in your African country?
4. How can you increase the level of acceptance of factoring in your African country?
5. How can you boost the level of utilization of factoring in your African country?
6. What are the prospects of factoring in your country and Africa in general?