

An empirical investigation on factors influencing on insurance issued by export guarantee funds

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ABSTRACT

This paper attempts to find important factors influencing on insurance issued by export guarantee funds. The study uses factor analysis to detect important factors based on a questionnaire in Likert scale. The study has determined four factors including risk management, customer oriented, quality management and trade management. The first factor is associated with risk management and it includes four sub-factors. The factors include being responsive, reliability, service quality and customer detection and reliability plays the most important factor. The second factor is associated with being customer oriented where the factor includes four components including cost recognition, access, marketing knowledge and the level of management training. The third factor is associated with quality management, which includes four variables including responsiveness, reliability, quality of services and customer recognition. Finally, the last factor is associated with trade management, which includes three variables including trade risk, insurance premium and currency.

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1. Introduction

There are many reasons for developing countries to look for more revenue through exporting goods and services. However, there are different barriers on gaining successful exports around the world such as international laws, domestic barriers, etc. (Hennig-Thurau, 2004; Singh & Koshy, 2011; Fuentes-Fuentes et al., 2011; Idris & Zairi, 2006; Ndubisi, 2012). During the past few years, there are many studies for finding important factors influencing exports. Ross and Pike (1997), for instance, provided some evidence from Canadian industries on export credit risks and the trade credit offer. Serra et al. (2012), for instance, determined which particular organizational and managerial factors contributing to the propensity to export in a declining sector. They analyzed firms' resources and capabilities, as well as decision-makers' objective and subjective characteristics in a sample of 167 Portuguese and 165 UK firms in the textile and clothing industry. They stated that, for Portugal, the

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size of firm and the educational level of managers were the key determinants of export propensity. As to the UK, age and perception of expenditures were the essential factors.

Monreal-Pérez et al. (2012) analyzed the effect of innovation on a firm's export activities while discussing potential endogeneity concerns. They also investigated the effect of export activity on a firm's innovation performance. They stated that innovation could induce firms to increase their export activities. Bloemer et al. (2012) explored the impacts of trust, commitment, relation-oriented competencies and entrepreneurial competencies on export performance on exporting organizations located in the Netherlands. They proposed a conceptual model and tested the effects of trust and affective commitment act as energizing forces for the development of competencies. Aydemir and Gerni (2011) measured service quality of export credit agency in Turkey by using SERVQUAL (Parasuraman, 1990, 2000; Parasuraman et al., 1994).

Ellis et al. (2011) proposed that in exchange situations involving transition economy firms, the advantages of long-distance trade could outweigh the expenditures of knowledge acquisition. They reported some support for this proposition in their study by building a link between the export intensity of Chinese exporters and their acquisition of marketing know-how. They also offered some evidence that the marketing knowledge of transition economy firms had a positive impact on overall performance. Mah (2006) provided some other evidences on the effect of export insurance subsidy on export supply from Japan.

Rienstra-Munnicha, and Turvey (2002) performed an investigation on the relationship between exports, credit risk and credit guarantees in Canadian industries. Wang and Barrett (2002) presented a new empirical look at the longstanding question of the impact of exchange rate volatility on international trade flows by studying the case of Taiwan's exports to the United States over the period of 1989-1998. Dewit (2001) concentrated on the public provision of export insurance where the objective was insurance against the risk of default faced by firms exporting to risky markets, these insurance programs were often embedded in more global policy objectives of the exporting country's government. The study investigated how premium rating of official export insurance was influenced by strategic export promotion and the pursuit of other political objectives.

Abraham and Dewit (2000) explained that export promotion did not necessarily imply trade distortions and that most export destinations did not benefit from insurance premium subsidies. Kim et al. (2012) investigated the associations among different quality management (QM) practices and investigate which QM practices directly or indirectly relate to five types of innovation: radical product, radical process, incremental product, incremental process, and administrative innovation. They reported that a set of QM practices through process management had a positive relationship with all of five kinds of innovation. Their findings also disclosed that the value of an individual QM practice was tied to other QM practices. Mokhtari et al. (2012) presented a decision support framework for risk management on sea ports and terminals based on fuzzy set theory and evidential reasoning approach.

2. The proposed study

The proposed study of this paper attempts to find important factors influencing on insurance issued by export guarantee funds. The study designs a questionnaire consists of 23 questions and, after preliminary questionnaire, the questions were reduced to 20 questions. The study distributes 200 questionnaires among experts, which were arranged in Likert scales. Table 1 demonstrates some basic statistics on our survey.

Table 1
Descriptive Statistics

	N	Range	Minimum	Maximum	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Credit	200	8	1	9	1.775	-.722	.172	.274	.342
Trust	200	8	1	9	1.694	-.753	.172	.268	.342
Security	200	8	1	9	1.660	-.761	.172	.371	.342
Planning	200	8	1	9	1.661	-.512	.172	.110	.342
Responsiveness	200	8	1	9	1.601	-.795	.172	1.191	.342
Guarantee	200	8	1	9	1.613	-.730	.172	.906	.342
Commitment	200	8	1	9	1.523	-1.172	.172	2.621	.342
Insurance fee	200	8	1	9	1.614	-.771	.172	1.380	.342
Trade risk	200	8	1	9	1.978	-.910	.172	.376	.342
Political risk	200	8	1	9	1.735	-1.085	.172	1.317	.342
Non-payment	200	8	1	9	1.802	-1.092	.172	1.189	.342
Marketing	200	8	1	9	1.824	-.366	.172	-.257	.342
Cost	200	8	1	9	1.585	-.661	.172	.746	.342
Access	200	8	1	9	1.819	-.579	.172	.139	.342
Management	200	8	1	9	1.702	-.537	.172	.068	.342
Customer	200	8	1	9	1.697	-.715	.172	.640	.342
Reliability	200	8	1	9	1.473	-.930	.172	1.859	.342
Service quality	200	8	1	9	1.559	-.802	.172	.817	.342
Currency	200	8	1	9	1.736	-.764	.172	.545	.342
Innovation	200	8	1	9	1.789	-.442	.172	.093	.342

After a more comprehensive survey, the number of questions has been reduced to 17 questions. Cronbach alpha has been calculated as 0.847, approximate Chi-Square is equal to 1487.775. The results represent meaningful results in terms of statistics. Table 2 shows total variance for 17 variables.

Table 2
The summary of Rotated Component Matrix

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Trust	6.122	36.014	36.014	6.122	36.014	36.014	3.674	21.610	21.610
Planning	2.191	12.891	48.905	2.191	12.891	48.905	2.727	16.042	37.653
Security	1.136	6.684	55.589	1.136	6.684	55.589	1.802	10.601	48.254
Guarantee	1.087	6.396	61.985	1.087	6.396	61.985	1.684	9.907	58.161
Credit	1.029	6.054	68.039	1.029	6.054	68.039	1.679	9.878	68.039
Responsiveness	.774	4.556	72.595						
Cost recognition	.720	4.233	76.828						
Access	.667	3.922	80.750						
Marketing	.574	3.379	84.128						
Mang. training	.474	2.790	86.919						
Reliability	.456	2.680	89.598						
Service quality	.394	2.319	91.917						
Innovation	.335	1.969	93.886						
Cust. detection	.330	1.941	95.827						
Comm. risk	.283	1.666	97.492						
Insurance risk	.221	1.300	98.793						
Currency	.205	1.207	100.000						

3. The results

In this section, we present details of our findings on applying factor analysis. The study has determined four factors including risk management, customer oriented, quality management and trade management.

3.1. The first factor: Risk management

The first factor is associated with risk management and it includes four sub-factor including being responsive, reliability, service quality and customer detection. Table 3 shows details of our findings,

Table 3

The summary of factors associated with risk management

Variable	Factor weight	Eigenvalues	% of Variance	accumulated
Responsiveness	0.363	1.136	6.684	55.589
Reliability	0.827			
Service quality	0.785			
Customer detection	0.348			

The results of Table 3 indicate that reliability is the most important factor followed by service quality, being responsiveness and customer detection.

3.2. The second factor: Customer orientation

The second factor is associated with being customer oriented where the factor includes four components including cost recognition, access, marketing knowledge and the level of management training and the results of factor analysis are summarized in Table 4.

Table 4

The summary of factors associated with customer orientation

Variable	Factor weight	Eigenvalues	% of Variance	accumulated
Cost recognition	0.827	2.191	12.891	48.905
Access	0.767			
Marketing knowledge	0.725			
Level of knowledge	0.641			

The results of Table 4 clearly specified that cost recognition is number one priority followed by marketing knowledge, access and level of knowledge.

3.3. The third factor: Quality management

The third factor is associated with quality management, which includes four variables including responsiveness, reliability, quality of services and customer recognition and the results of factor analysis are summarized in Table 5.

Table 5

The summary of factors associated with quality management

Variable	Factor weight	Eigenvalues	% of Variance	accumulated
Responsiveness	0.363	1.136	6.684	55.589
Reliability	0.827			
Quality of services	0.785			
Customer recognition	0.348			

The results of Table 5 show that quality of services is number one priority followed by quality of services, responsiveness and customer recognition.

3.4. The fourth factor: Trade management

The fourth factor is associated with trade management, which includes three variables including trade risk, insurance premium and currency and the results of factor analysis are summarized in Table 6.

Table 6
The summary of factors associated with trade management

Variable	Factor weight	Eigenvalues	% of Variance	accumulated
Trade risk	0.664	1.029	6.054	68.039
Insurance premium	0.662			
Currency	0.612			

The results of Table 6 demonstrate that trade risk is number one priority followed by insurance premium and currency changes.

4. Conclusion

In this paper, we have presented an empirical investigation to detect important factors influencing export insurance. The study has implemented factor analysis and detected four factors in this study. In terms of risk management, reliability has been considered as the most important factor followed by service quality, being responsiveness and customer detection. In terms of customer orientation, cost recognition was number one priority followed by marketing knowledge, access and level of knowledge. In terms of quality management, quality of services is number one priority followed by quality of services, responsiveness and customer recognition. Finally, in terms of trade management, trade risk has been number one priority followed by insurance premium and currency changes.

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