

An Empirical Study To Investigate Choice Of Payment Term In Foreign Trade Transactions And Its Causes With Respect To The Location Of Trade

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Extensive Summary

The concept of payment constitutes the most significant issue essential to the progress of foreign trade. The reasons why particular payment terms are preferred and used with respect to the countries, regions or continents involved differ due to differences in such dynamics as relevant laws and regulations, procedures, economic and political conditions of the location of trade, and so on. In this paper, both firms' choice on payment term to use in foreign trade and the causes shaping this choice have been investigated through a questionnaire study.

This study was performed in Bursa which was the second district in Turkey as to export performance in 2014 and 2015. The data were collected via face-to-face interviews with the authorized persons of 42 companies selected from among 492 companies with a title of limited company or over which are engaged in foreign trade and located in Bursa's big industrial regions.

The main purpose of this empirical study is to investigate the choice of payment method and the causes underlying this choice according to geographical location and sector type through applying a questionnaire which includes some closed-end questions. First of all, frequency tables were created from the data set obtained to generate functional comments. To test the hypotheses, the Chi-square connection test and correlation test were applied. Besides, symmetrical measurement tests were used to identify any existing relations between choice of payment method and location or type of sector. Within this context, 6 hypotheses were tested to detect any associations among payment method choice in import and export transactions, trade location and

field of activity. Since the data were coded using nominal scales, Pearson Chi-square test, Likelihood ratio and Linear-by-linear association test statistics were selected to use in investigating any significant relations. On the other hand, for the comparison of nominal variables, Phi, Cramer's V and Contingency coefficient statistics were used to reveal the strength of relations. The empirical findings of the study show that there is significant association between the choice of payment method and the field of activity with respect to continent, region and country.