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Perception of Financial and Payment Terms Risks: The Analysis of Aegean Exporters

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Abstract

In recent years, the volume of international trade has increased enormously due to the effects of globalization and liberalization of trade. However, political and economic changes, changes in consumer demand, market structures, product and market life cycles, domestic and foreign competition and the degree of effects caused by these changes became more and more significant. Such changes force the firms making or intending to make business globally to implement dynamic strategies and action plans. Considering above mentioned points, this study aims to explore the risks perceived by the exporting firms about financial risk and payment terms within the context of international trade. The firms are analyzed depending on various criteria (i.e. export intensity, firm size, sectors, geographical locations, export activity, age of the firms, export experience). The results of the study indicates that risk perceptions of exporter firms operating in the Aegean Region of Turkey vary by operating in various sectors, sizes, geographical location, types of export activity, age. On the other hand export intensity and experience of exporters do not affect the risk perceptions of exporter firms significantly.

Keywords: *Risk perception, international trade, payment terms, financial risk, exporting firms.*

JEL Codes: *G32, P45, F14, F31*

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1. Introduction

Choosing an appropriate mode of entry into international markets is a critical decision–making process because of its consequences. There are several modes to enter foreign markets such as exports, licenses, joint ventures, non-exclusive-non-restrictive contracts and etc. (Forlani et al.2008).

Exporting is the simplest way and particularly important in the world exchange system to enter foreign market. It is largely used in the entry into foreign markets of manufactured goods firms, especially those in the earlier stages of internationalization as a cost effective way (Khemakhem, 2008; Vyas and Souchon, 2003). The company may passively export its surpluses from time to time or it may make an active commitment to expand exports to a particular market. In either case, the company produces all its goods in its home country. It may or may not modify them for the export market. In general, the expansion of a nation's exports has positive effects on the growth of the economy as a whole as well as on individual firms (Cavusgil and Nevin, 1981). Exporting is of vital economic importance to trading nations and their firms. Exports boost profitability, improve capacity utilization, provide employment, and improve trade balances (Barker and Kaynak, 1992).

McKee and Varadarajan (1995) argue that competitive advantage is the cornerstone of strategy, and enacted knowledge is the essence of competitive advantage. Information is an one of the critical point in marketing decisions. Proper collection and use of information reduces the uncertainties in the company's decision-process regarding the overseas markets, improving the company's ability to cope with opportunities and threats on the export market, and, subsequently, the company's competitiveness (Köksal, 2008; Czinkota, 2000). It helps managers in activities such as researching foreign markets, adapting products, finding and contacting buyers, developing foreign channels, moving goods across great distances, and ensuring that products are managed properly on their way to end users, pose considerable challenges to resource-constrained, internationalising SMEs (Knight and Liesch, 2002). Export information will significantly reduce the perceived barrier and complexity of international activities and help to implement proactive international marketing strategies (Vyas and Souchon, 2003; Shamsuddoha, 2009).

2. Risks In Internalization Process

The usage of a method in a foreign trade transaction depends upon the duration of relationship and trust between the buyer and seller. To succeed in

today's global marketplace and win sales against international trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer). For exporters, any sale is a gift until payment is received. Therefore, exporters want to receive payment as soon as possible, preferably as soon as an order is placed or before the goods are sent to the importer. For importers, any payment is a donation until the goods are received. Therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferably until after the goods are resold to generate enough income to pay the exporter.

The international business/strategic management literature lacks a generally accepted definition of international risk (Miller, 1992). Risk usually refers to unanticipated or negative variation in revenue, cost, profit, or market share international risk generally could be defined as the dangers firms faced in terms of limitations, restrictions, or even losses when engaging in international business (Zafar et al. 2002). Risk is also defined as (1) the uncertainty associated with exposure to a loss caused by some unpredictable events and (2) variability in the possible outcomes of an event based on chance. The degree of risk depends on how accurately the results of a change event could be predicted; the more accurate the prediction, the lower the degree of risk (Jackson and Musselman, 1987). Risk perception is the perceived degree of risk inherent in a certain situation. Risk taking is defined as one of the three dimensions of entrepreneurial orientation of a company and refers to the willingness of the management to commit significant resources to opportunities that might be uncertain. Risk taking depends on risk propensity and risk perception. The higher the risk propensity and the lower the risk perception, the more likely it is that risky decisions will be made (Leko-Šimi´c and Horvat 1999). Being generally fully and clearly unknown or projected, variability by time, being manageable, having negative effect on outcomes of the operations are the main features of risk are (Fıkırkoca, 2003)

Risk management is described as the performance of activities designed to minimize the negative impact (cost) of risk regarding possible losses (Schmit and Roth, 1990). Redja (1998) also defines risk management as a systematic process for the identification and evaluation of pure loss exposure faced by an organization or an individual, and for the selection and implementation of the most appropriate techniques for treating such exposure. The process involves: identification, measurement, and management of the risk. The objectives of risk

management include: to minimize foreign exchange losses, to reduce the volatility of cash flows, to protect earnings fluctuations, to increase profitability and to ensure survival of the firm (Abor, 2005).

3. Perception of Financial and Payment Terms Risks

Trade is a two sided transaction that might be performed by seller and buyer. The seller's obligation is to deliver the goods at given amount, at specified quality and in a informed period of time according to sales contract. The buyer's obligation is to pay value of the goods. Therefore, exporters want to receive payment as soon as possible, preferably as soon as an order is placed or before the goods are sent to the importer. For importers, any payment is a donation until the goods are received. Therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferably until after the goods are resold to generate enough income to pay the exporter.

The importer or exporter should review several issues such as the reliability, credibility of the trade partner, credit and payment terms, delivery terms, political and economic conditions within the importer's and exporter's countries, value of the goods etc. before selecting the most appropriate method of payment (Onkvisit and Shaw, 2004).

3.1. Payment Terms Risks In Trade

Gatti (1997) discusses various techniques that importers and exporters can use to reduce the costs they incur in international trade transactions. Chatterjee (2001) describes the role and caveats to be followed in the usage of L/C payments. Collins (2002) mentions various methods of collecting money by an exporter from a foreign buyer, and how some methods work better for the exporter and others benefit the buyer. He describes that next to advance payment, a L/C is likely the safest option.

Although payment terms except for Letter of Credit are not exactly arranged by ICC (International Chamber of Commerce) or by any other agreements, most common types used in international trade are Cash-in-advance Payment (Cash Payment), Cash against Goods, Cash against Documents, Letter of Credit and Credit Acceptance Payments.

3.1.1. Cash-in-advance Payment (Cash Payment)

Payment by cash in advance requires that the buyer pay the seller prior to shipment of the goods ordered (Hinkelman, 2008). With the cash-in-advance payment method, the exporter can avoid credit risk or the risk of nonpayment,

since payment is received prior to the transfer of owner¬ship of the goods. Payment before shipment eliminates risk of non-payment. However the exporter may lose customers to competitors over payment terms (ICC, 2006). Although cash payment may seem as having minimum level of risk or no risk for the exporter the date of the payment may create risk. The buyer has a power to cancel the contract until the date of payment. Until the date of payment, if the seller already ordered the raw materials and any other inputs for production or already started to produce the goods, all the spending until payment date the seller will face to lose the value of the goods until this time.

3.1.2. Documentary collection (D/C) (Cash Against Documents (CAD))

Documentary collection (D/C) or with other name Cash against documents is a transaction whereby the exporter entrusts the collection of a payment to the remitting bank (exporter's bank), which sends documents to a collecting bank (importer's bank), along with instructions for payment (ICC, 1995). Funds are received from the importer and remitted to the exporter through the banks in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment [D/P] or cash against documents) or on a specified date (document against acceptance [D/A] or cash against acceptance) (ICC, 2006).

The exporter retains the title to the goods until the importer either pays the face amount at sight. When the documents arrives the collecting bank, collecting bank (the consignee) invites buyer to receive endorsed (ownership transferred to buyer) documents. The buyer has to pay total value of the goods before receiving the documents. If the buyer does not want to pay the value of the goods or don't have a good financial position to pay the value of the goods, there is not any authority to pressure or to put under obligation to pay the value of the goods.

Cash against documents is recommended for use in established trade relationships and in stable export markets. This payment is riskier for the exporter, though D/C terms are more convenient and cheaper than an L/C to the importer. Bank assistance is needed in obtaining the payment. The process is simple, fast, and less costly than L/Cs. Banks' role is limited. Although the banks control the flow of documents, they neither verify the documents nor take any risk. They can, however, influence the mutually satisfactory settlement of a D/C transaction. Although the title to the goods can be controlled under ocean

shipments, it cannot be controlled under air and overland shipments, which allow the foreign buyer to receive the goods with or without payment.

3.1.3. Cash Against Goods (CAG)

Cash Against Goods also named as open account transaction is a sale where the goods are shipped and delivered before payment is due, which is usually in 30 to 90 days. Obviously, this option is the most advantageous to the importer in terms of cash flow and cost, but it is consequently the highest-risk option for an exporter. Because of intense competition in export markets, foreign buyers often press exporters for open account terms. In addition, the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may lose a sale to their competitors. However, though open account terms will definitely enhance export competitiveness, exporters should thoroughly examine the political, economic, and commercial risk as well as cultural influences to ensure that payment will be received in full and on time. Exporters may also seek export working capital financing to ensure that they have access to financing for production and for credit while waiting for payment.

Cash Againts Goods includes maximum risk when compared with other payment terms. The exporter must consider this risk level before accepting this payment term. Total value of the goods is under the risk. Additional finance techniques and tools can be applied for risk minimization.

3.1.4. Letter of Credit (L/C)

The letter of credit (by which the necessary trustworthiness of the importer buyer is guaranteed by his bank) is the most widely used method as a form of payment in export activities (Katsioloudes, Hadjidakis, 2007). A L/C is a commitment by a bank on behalf of the buyer that payment will be made to the beneficiary (exporter) provided that the terms and conditions stated in the L/C have been met, consisting of the presentation of specified documents. The buyer pays his bank to render this service. An L/C is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. This method also protects the buyer since the documents required to trigger payment provide evidence that the goods have been shipped or delivered as promised (ICC, 2006). If the exporter fulfils all the conditions of the L/C - the bank will pay, regardless of the situation of the buyer. If the seller did not comply with the conditions in the L/C, the bank will pay only if buyer expressly agrees to it.

3.1.5. Credit Acceptance Payment

Credit acceptance payment is usually used in the documentary collection (D/C) type of payment term and is a transaction whereby the exporter entrusts the collection of a payment to the remitting bank (exporter's bank), which sends documents to a collecting bank (importer's bank), along with instructions for payment. Funds are received from the importer and remitted to the exporter through the banks in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment [D/P] or cash against documents) or on a specified date (document against acceptance [D/A] or cash against acceptance). The draft gives instructions that specify the documents required for the transfer of title to the goods. Although banks do act as facilitators for their clients under collections, D/Cs offers no verification process and limited recourse in the event of non-payment. Drafts are generally less expensive than letters of credit (L/Cs). (ICC, 2006).

For risk analysis avalization is key determinant for payment obligation. There are two cases for avalization. The case where only the buyer signs the draft named as buyer avalised credit acceptance. Only buyer is under obligation of payment at due date. Exporter has no control of goods and may not get paid at due date. In the second case the buyer and collecting bank (importer's bank) sign the draft named as buyer and collecting bank avalized credit acceptance. Additionally collecting bank is under obligation to pay at due date.

3.2. Financial Risks In Trade

In recent years, risk management has received increasing attention in both corporate practice and literature. This is particularly true for the management of financial risks, i.e. the management of foreign exchange risk, interest rate risk and other financial market risks (Abor, 2005:306). Finance is one of determinants were identified which satisfied the definition "tangible export performance determinants" (Valos ve Baker, 1996) and lack of export finance to hinder export success (Bilkey, 1978).

3.2.1. Foreign Exchange Risk

Foreign exchange risk is the exposure of an institution to the potential impact of movements in foreign exchange rates (Bank of Jamaica, 1996). Foreign exchange risk management has become increasingly important since

the abolishment of the fixed exchange rate system of Bretton Woods in 1971. This system was replaced by a floating rates system in which the price of currencies is determined by supply and demand of money. Given the frequent changes of supply and demand influenced by numerous external factors, this new system is responsible for currency fluctuations (Abor, 2005).

The adverse movement in the exchange rate can unfavorably affect a party in the transaction that is involved in either payment or receipt of foreign currency at the later date, but over a short time horizon (Sirpal, 2009). Foreign exchange risk arises from two factors: currency mismatches in an institution's assets and liabilities (both on- and off-balance sheet) that are not subject to a fixed exchange rate and currency cash flow mismatches. Such risk continues until the foreign exchange position is covered (Bank of Jamaica, 1996). This risk may arise because of trade contracts, which are denominated in terms of either the exporter's or the importer's currency, will only deliver the goods at a future date. Since movements in exchange rates are unpredictable, this can create uncertainty about future profits from export trade. As a result of risk aversion and future profit uncertainty, exporting firms that are exposed to exchange rate movements would be forced to shift away from risky markets. Hence, this would result in a lower volume of foreign trade (Wong and Tang, 2008)

Foreign exchange risk appears in emerging markets' portfolio investments because of potential of high returns. Altough its risks, it can be managed in various ways such as futures, swaps and options contracts, payments netting, prepayment, leading and lagging and hedging with derivatives (Al Janabi, 2006; Abor, 2005; Wong and Tang, 2008; Sirpal, 2009).

3.2.2. Interest Rate Risks

An interesting issue appeared in the financial asset pricing literature is the impact of interest rate risk and pricing in the stock markets for financial institutions. Definition of interest rate risk has several approaches for different categories such as accounting, banking or insurance and etc. Most commonly interest rate is the possibility that the value of an asset will change adversely as interest rates change.

According to financial theory changes in interest rates should affect the value of the firm. Hence there has been much interest in evaluating the level of exchange rate exposure or interest rate exposure a firm or industry faces. The issue of exposure to interest rate risk is of importance to individual investors

and firms. For example, changes in interest rates can affect an investor holding a portfolio consisting of securities from different countries. Changes in interest rates will alter the firms' financing costs, affecting the amount of loan interest and principal payments and impacting cash flows of the firm (Hyde, 2007).

Ameer (2009) stated in his research that the banks used options, futures, swaps, forwards, and other synthetic derivatives to hedge their foreign-currency and interest-rate exposures. This is important to point out that all the sample firms except banks disclosed that trading in derivatives is not allowed under their financial risk management policy. Therefore, the notional amount of derivatives for banks is the sum of the notional amount of hedging and trading (non-hedging) derivatives.

Kolb (1983), advises the managers to consider the maturity of the hedged and hedging instrument, the coupon structure of the hedged and hedging instrument, the length of the time the hedge will be in effect, the risk structure of interest rates (yield differences between instruments due solely to default risk) and the term structure of interest rates (the shape of the yield curve) as key factors to be considered.

3.2.3. Liquidity Risk

Liquidity refers to the level of cash and near-cash assets held, as well as cash inflows and outflows of these assets. McMahon and Stanger (1995) emphasize the importance of liquidity in a small firm as being "a matter of life or death for the small business" since a small business can "survive for a long time without a profit, but fails the day it can't meet a critical payment"(Ekanem, 2010). The concept of liquidity can be summarized as the ability for traders to execute large trades rapidly at a price close to current market price. The liquidity risk refers to the loss stemming from costs of liquidating a position. To manage the liquidity risk a good risk measure is needed to account for the impact of the liquidity shock on tradable securities and portfolios (Zheng and Yukun, 2008). Liquidity management takes the form of cash management and credit management. Whilst the most important aspect of cash flow management is avoiding extended cash shortages, credit management involves not only the giving and receiving of credit to customers and suppliers, but also involves the assessment of individual customers, the credit periods allowed and the steps taken to ensure that payments are made in time (Poutziouris et al., 1999; Ekanem,2010).

4. Methodology and Findings

The main objective of this study is to analyze the risk perception of exporter firms in the Aegean Region in Turkey when operating in international market including payment and financial terms. Thereby, perception level of risk which can be categorized as financial and payment terms risk by exporter firms in the Aegean Region. Also we research, what kind of methods are used to minimize and eliminate perceived risk from financial and payment terms risk and what are the usage density level of these methods. In this study, the factors such as sector, size, foundation year, export experience, export intensity etc. are analyzed to see whether there is any effect on risk perception or not.

In this study, exporters located in the Aegean Region of Turkey are analyzed. An e-mail survey was conducted used to generate data in order to test the hypotheses. With its organized industrial zones and free zones, Aegean Region is one of the important centers for manufacturing and trade of the Turkish economy. In Aegean Region, the total number of exporters is 3775, but only 2889 firms registered their e-mail addresses as contact information was selected from the Aegean Exporter's Union and other governmental institutions database system. The sample included businesses from a wide range of industrial sectors. A web based questionnaire were prepared also e-mailed as attached document to the firms and expected to be answered by the top managers, export managers and export specialists. Two weeks after sending the e-mails, a follow-up e-mail was sent for non-responses. In total, out of 224 firms 19 were deemed ineligible (e.g. not properly filled) and 205 firms were taken for analysis. Limitations of the study were stems from the company policies restricting information flow to third parties.

In this study, NUTS classification which was created by the European Office for Statistics (Eurostat) as a single hierarchical classification of spatial units used for statistical production across the European Union is used to determine for compare perceived risks of each terms between sub regions.

Sub sectors consist the exporters were gathered into three main sectors i.e. agriculture, industry and mining in accordance with the classification of Under secretariat of Foreign Trade of The Republic of Turkey.

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Table 1: Frequency Table I

	Valid Frequency	Valid Percent (%)		Valid Frequency	Valid Percent (%)
Sector			***Size of the Firm (classification according to number of employees)***		
Agriculture	64	31,2	Small (1-49)	73	36
Industry	113	55,1	Medium (50-249)	87	42,8
Mining	28	13,7	Big (250 and over)	43	21,2
Total	*205*	*100*	*Total*	*203*	*100*
Type of Activity			***Export Experience***		
Producer and Exporter	166	81	Export Experience Between 1-9 Years	63	30,7
Only Exporter (No production)	39	19	Export Experience Between 10-19 Years	51	24,9
Total	*205*	*100*	Export Experience Between 20-29 Years	45	22
Year of Establishment			Export Experience 30 Years and More	46	22,4
1985 and before	65	31,7	*Total*	*205*	*100*
1986 – 1993	35	17,1	***Capital Structure***		
1994 – 2001	53	25,9	%100 Turkish	175	85,4
2002 and later	52	25,4	Foreign invested company (%1-%100)	30	14,6
Total	*205*	*100*	*Total*	*205*	*100*
Market orientation (Foundation of the Firm)			***Location for NUTS***		
Founded primarily for domestic market	90	43,9	TR31 Izmir and sub	149	72,7
Founded primarily for export markets	63	30,7	TR32 Aydin and subregion	29	14,1
Founded both for domestic and foreign markets	52	25,4	TR33 Manisa and subregion	27	13,2
Total	*205*	*100*	*Total*	*205*	*100*

No. of Employed in Export Department			***Export Intensity***		
1	32	15,6	%0-%25	56	27,3
2	62	30,2	%26-%50	41	20
3	34	16,6	%51-%75	23	11,2
4 and over	61	29,8	%76-%100	85	41,5
Nobody work about export	16	7,8	*Total*	*205*	*100*
Total	*205*	*100*			

From the frequency tables (see table 1 and 2) it can be seen that majority of the firms are dealing with industrial production and also majority of firms are both producer and exporter. The foundation dates of the firms are classified according to turning points in Turkish Economy. 1987 is the year when Turkey applied for the full membership to the European Union, 1994 and 2001 are the years when Turkey passed through economic crisis. 1995 is the year when the Customs Union with the EU came into force. Also from the table it can be seen that majority of the firms are 100% Turkish.

According to the new Small and Medium Sized Enterprises definition by the Turkish Law in accordance with the EU, majority of the firms are medium sized (42,8%) and majority of the firms (43,9%) are founded before 1987. Export performance has been traditionally measured by a single variable, namely export sales as a percent of total corporate sales, called export intensity (Cooper and Kleinschmidt, 1985). Although most of the firms have less than four employees in export department (71,2%), half of the firms (52,7%) have high export rates (51%-100%), this may show the export effectiveness of the firms.

The questionnaire consisted questions to find out the characteristics of the exporters and likert scale of 5 items (1= not important at all… 5= very important) were developed to determine the uncertainty perceptions of the firms. Then the 5 item likert scale was transformed into 3 item scale for payment term questions (not important to important) in order to more meaningful results and better interpretation. Following this transformation, analyses were made.

According to Table 2, total risk score was calculated from all given points. But to get more accurate solution the average risk point is calculated to compare the perceived risk of financial terms. “Foreign exchange rate” and also “cash against goods” terms are found out to be the most risky options perceived by the exporters in Aegean Region.

Table 2. Perceived Risk Point of Financial Terms

	N	Mean	Total Risk score
Foreign Exchange Risks	192	4,34	834
Liquidity Risk	184	4,23	779
Interest Rate Risk	186	3,86	718

As it seen in Table 3, risk point is between 1-3 (least risky-most risky). Given points were added and divided to total answer to find the average risk point of each payment term. As it pointed before, paying cash is the least risky implication in trade. As a result, exporters firstly prefer to get their payment in cash and followed by "letter of credit" as the second best choice in payment. Moreover, decision of the payment term is highly determined by together (59,1%) including as buyer and seller.

Table 3. Perceived Risk Point of Payment Terms

	N	Total Point	Mean
Cash against goods	165	447	2,70
Cash against document	159	333	2,09
Credit Acceptance Payment (Buyer avalised credit acceptance)	111	228	2,05
Credit Acceptance Payment (Buyer and collecting bank avalised credit acceptance)	121	196	1,61
Letter of credit	163	231	1,41
Cash in advance	186	203	1,09

As an interesting result, although exporters try to handle payment and financial term's risks, most of the exporters do not use any instruments to manage their risks (Table 4).

Table 4. Most Used Payment Terms

	Frequency
Cash in advance	150
Letter of credit	118
Cash against document	118
Cash against goods	113
Credit Acceptance Payment (buyer and collecting bank avalised credit acceptance)	48
Credit Acceptance Payment (buyer avalised credit acceptance)	10

As seen from table that the most preferable tools for the exporters are letter of guarantee and Eximbank insurance to manage their risks. Nearly half of the exporters only use this managing tool continuously (Table 5).

Table 5: Risk Minimization Methods of Payments Terms

	N	Total point	Mean
Letter of guarantee	139	249	1,79
Eximbank insurance	131	224	1,70
Factoring	126	193	1,53
Leasing	115	160	1,39
Forward	110	149	1,35
Futures	100	113	1,13
Derivatives exchange	94	106	1,12
Forfaiting	99	111	1,12

Independent t-test and one-way ANOVA test was applied to test the differences between descriptive variables which is stated in Table 1 for perceived risks of exporters to the payment and financial terms. Null Hypothesis was:

Ho= There is no difference between firms in different sectors for perceived risks related to the financial risks and payment terms.

Bilkey (1978) emphasized that the perceived obstacles to export vary by industry and by firms' export stages. To support this, there is no perceived risks difference between different sector groups but there are some differences within the groups. Considering the exchange rate risks, the mean for agriculture sector was 4,48 and for the mining sector the mean was 4,07 which means the exporters of agricultural products tend to give higher importance. This is why mining sector is based on natural resources and prices of natural resources determine mostly by taking into account exchange rate. Also there are risk perception difference on cash in advance and letter of credit between exporters of agricultural and industry products. Perception of cash in advance and letter of credit are less risky by exporters of agricultural products than exporters of industry product.

Ho= There is no difference between firms in different sizes for perceived risks related to the financial risks and payment terms.

Many studies have attempted to link the size of the firm with various export aspects and little consistency in study results has been found. Smaller firms may be more risk averse due to a lack of information, and, the relatively greater impact of an international mistake versus what it would be for larger firms. Decision makers in small firms perceive higher risk in international activities (Calof, 1994; Bonaccorsi, 1992; Morgan, 1997)

There is a difference in liquidity risk between small firms and big firms (over 250). For the big firm (3,94) it is easier to obtain financial resources (i.e. credit) than small firms (4,38) due to their ability to payback the borrowed

amount. Another point is that, although "cash against goods" is perceived as the most risky payment term for most of the exporters, however big firms (2,53) perceive "cash against goods" less risky than small (2,76) and medium firms (2,75).

Ho= There is no difference between firms in different sectors related to the risks in exchange rate.

Economies are getting more and more open with international trading constantly increasing and as a result companies become more exposed to foreign exchange rate fluctuations. Firms involved in international trade are subject to transaction risk arising from payables and receivables in foreign currencies (Abor, 2005). The mean of perceived exchange rate risks for agriculture sector was 4,48 and for the mining sector the mean was 4,07 which means that the exporters of agricultural products tend to give higher importance exchange rates.

Ho=There is no difference between firms classified with NUTS classification for perceived risks of exporters related to the risks in exchange rate.

Within 95% confidence interval, one way ANOVA test was applied to the groups for the values F=7,292, df=2 ve p=0,001. For the foreign exchange risks, the differences between the groups were found for risks of NUTS regions. Thus null hypothesis was rejected. For the Manisa subregion, foreign exchange risk is perceived as less risky than the others.

Ho= There is no difference between types of export activity for perceived risks related to the payment terms.

According to independent sample t-test, differences were found in perception of cash against goods risk between the producer and exporters firms and only exporter firms (t=-2,560, df=157, sig=0,011). From the analysis, it can be seen that the perception for this payment term of only exporter firms (2,31) is more risky than the producer and exporters firms (2,03). This is because the only exporters are firstly buying goods and then delivering them so they are taking all risks and if any problem occurs after delivering they have to solve by themselves.

Analyses were conducted via considering risk minimizing tools through the descriptive variables which is stated in Table 5.

Ho= There is no difference between firm size and risk minimizing tools.

Although there are not many studies directly searching the relation between the firm size and risk perception of exporters from the financial risks and payment terms point of view, several studies notices contradictory results obtained from the analyses of relationship between firm size and the attitude towards export activities (Moen, 2000; Cooper and Kleinschmidt 1985). Some studies suggested that company size does not affect export activities (Czinkota and Johnston, 1983,Hirsch,1970), while the others emphasize the effects of the company size on export activities (Reid, 1983; Gripsrud, 1990. Piercy,1998).

In this study, no difference between groups are found, however there some differences within the groups are found. Considering the letter of guarantee and, the mean of big firms was 1,54, small firms (1,88) and medium firms are (1,93). As it shown in means small and medium firms are using letter of guarantee more than big firms. Nevertheless big firms (1,65) are using "forward contracts" more than small firms (1,22) because of special rules of usage "forward contracts". Besides "forward" and "letter of credit", there is a difference between big firms and small firms in usage frequency of Eximbank credit. Bigger firms (1,96) use Eximbank credits more than small firms (1,52).

Ho= There is no difference between year of establishment considering the risk minimizing tools.

Within 95% confidence interval, one way ANOVA test was applied to the groups for the values F=4,417, df=3 ve p=0,05. For the year of establishment the differences between the groups were found for risk for letter of guarantee from the descriptive. Thus null hypothesis was rejected. Considering the letter of guarantee, the mean for firms over thirty years of activity was 2,05. This value is greater than the firms operating less than 30 years. This interesting result shows that the younger firms are using the risk minimizing tools less than the older ones.

Ho= There is no relation between export intensity of a firm and perceived risks of exporters related to payment /financial terms.

The analysis shows that there is no statistical relationship between export intensity and perceived risks of exporters to the payment /financial terms.

Ho= There is no relation between export experience and perceived risks of exporters to the financial risks and payment terms.

Studies noticing the relation between export experience and export performance as well as uncertainty/risk perception of exporters reveal that experienced exporters perceive less uncertainty/risk in their exporting activities compared with those firms characterized by relatively low levels of export market experience (Katsikeas and Morgan, 1994)

On the contrary to the studies, no statistical relationship between export experience and perceived risks of exporters to the payment /financial terms found after analysis of the study.

5. Conclusion

Several factors affect the foreign trade activities of firms, and their perception and behavior patterns. These may be the country and the sector to which the exporting firm belongs, the characteristics of the firm, its export level, size, organizational structure, human resources, international experience, export intensity and nature of the products to be traded. Some factors such may be considered more important than commonly known factors such as export experience, age of the firms.

This study examines perception of exporter's payment and financial risks and how to manage these risks in international trade among various firms in Aegean Region. The survey results indicate the risk perceptions towards the methods of payment as well as financial risks. When risk perceptions of the firms dealing with international trade are regarded it can be said that the firms are aware of the risks they may face but they behave fatalist when dealing with risks since they do not use risk minimizing tools.

Firms should more intensively manage their export activities, compared to their domestic channels, for improving performance. And thus the managers of exporting firms should be educated and trained to anticipate the dynamics of the payment and financial terms in which they will be operating before being faced with decisions to be affected by risks.

Aegean Region has an important power in Turkey international trade. However, this study presents us the measures such as hedging techniques and usage of risk minimizing tools should be further promoted. Moreover, the knowledge, awareness, and availability of the risk minimizing tools should also be enhanced. Further studies may be including other dimensions of risk in trade and how to manage them.

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