UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Technical and statistical report

Unlocking Growth

Determinants of Supply Chain Finance in African Markets

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Abbreviations

AfCFTA	African Continental Free Trade Area
AIC	Akaike information criterion
ERP	enterprise resource planning
GDP	Gross domestic product
GVCs	Global value chains
IFC	International Finance Corporation
JSE	Johannesburg Stock Exchange
PSM	Propensity Score Matching
SCF	Supply chain finance
SMEs	Small and medium-sized enterprises
WBES	World Bank Enterprise Survey

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Executive Summary

Limited access to finance continues to hinder the growth and competitiveness of small and medium-sized enterprises (SMEs) across Africa. Supply Chain Finance (SCF)—encompassing both traditional trade credit and newer, technology-enabled financial products—offers a promising solution to ease liquidity constraints, improve working capital cycles, and strengthen regional trade integration. However, despite an estimated SCF market size exceeding $60 billion, only 7–25 per cent of demand is currently met, as most financial institutions prioritize global trade over intra-African supply chains.

This report delivers a comprehensive analysis of SCF patterns, drivers, and opportunities in African markets. We draw on recent World Bank enterprise survey data spanning 31 countries (2020–2024) and firm-level financials from South African listed companies. The analysis distinguishes between direct trade credit—the most common and measurable form of SCF—and intermediated SCF solutions such as factoring and payables finance.

Key findings include:

- Trade integration drives usage: Firms engaged in intra-African trade show significantly higher trade credit usage than those exporting beyond the continent, highlighting the critical role of regional proximity, trust, and network-based enforcement mechanisms.
- Firm characteristics shape SCF access: Female-owned firms, companies with experienced managers, and businesses that import goods or materials demonstrate a higher likelihood of accessing supplier credit. Notably, firm size and foreign ownership show no statistical significance once we control for other factors.
- SCF works alongside formal banking: Firms with bank credit access are 9.5 percentage points more likely to use trade credit, revealing complementary rather than substitutional relationships between these financing channels.
- Sector-specific patterns emerge: Construction, retail, pharmaceuticals, and manufacturing lead in trade credit reliance, particularly where extended working capital cycles or government contracts create specific financing needs.

The report examines Africa's evolving SCF landscape, including fintech platforms, blockchain applications, and digital payment systems like the Pan-African Payments and Settlement System (PAPSS). We identify industrial parks and special economic zones as prime opportunities for scaling SCF solutions through shared infrastructure and governance frameworks.

To unlock SCF's full potential in Africa, the report recommends:

Expanding digital SCF platforms for SMEs through strategic fintech partnerships.

Strengthening legal and regulatory frameworks to support receivables financing and enforce payment obligations.

Leveraging regional integration and infrastructure (e.g., AfCFTA, PAPSS) to facilitate cross-border SCF.

Promoting gender-inclusive SCF access and raising awareness among women-led enterprises.

Building capacity within banks and SMEs to understand and adopt SCF tools.

By addressing these gaps, SCF can become a critical enabler of inclusive growth, competitiveness, and regional trade resilience across African economies.

1

Introduction

Limited access to finance remains one of the greatest obstacles for small and medium-sized enterprises (SMEs) in Africa. Supply Chain Finance (SCF) — encompassing both traditional trade credit between firms and newer, technology-enabled instruments — has emerged globally as a practical solution to ease these working-capital constraints (UNCTAD, 2023).

Despite its widely acknowledged positive impact on firms' performance (e.g., Kopparthi and Kagabo, 2012; Auboin et al., 2016; UNCTAD, 2023), access to SCF in African markets remains limited. Although the SCF market is estimated at more than US$60 billion, financial institutions currently meet only 7–25 per cent of demand through SCF products. The outcome document of the Fourth International Conference on Financing for Development 2025 has also emphasized the need to enhance access to and expand supply chain finance to unlock the growth potential of SMEs and women- and youth-owned businesses.[1]

Africa's growing middle class is driving consumption and domestic trade upward, which further strengthens the growth potential of factoring for improving SMEs' access to finance. Additionally, implementing the African Continental Free Trade Area (AfCFTA) requires increased adoption of structured supply chain finance products to support the expected rise in inclusive trade within the continent (UNCTAD, 2021). According to Afreximbank (2025), currently only 18 per

> The Supply chain finance market is estimated at more than US$60 billion

[1] https://unctad.org/system/files/official-document/aconf227-2025-l1_en.pdf

cent of African banks' supply chain finance portfolios support intra-African trade.

To better target SCF products in light of increasing intra-African trade, we need a clearer understanding of the different forms and determinants of SCF. Against this background, this report examines the patterns and determinants of SCF in Africa and addresses the following research questions:

- Which firm characteristics drive the adoption of supply chain finance?
- Which sectors show the highest demand for supply chain finance products?
- Does the geographic orientation of a firm's trade partners (domestic, regional, or international) influence its likelihood of accessing supply chain finance?

Assessing the full spectrum of supply chain finance in Africa faces significant challenges due to limited firm-level data that distinguishes among various instruments. To address this gap, the paper distinguishes between intermediated SCF products and direct trade credit, which remains the default, traditional financing method in supply chains. The report also contributes importantly to understanding different forms of supply chain finance (Section 2). Most surveys and financial statements by listed companies simply record whether a firm bought goods or services on credit (trade payables) or extended credit to suppliers or customers (trade receivables), without specifying the underlying mechanism. Consequently, this paper focuses its empirical investigation on trade credit, arguably the most widespread and established form of supply chain finance, supporting roughly 90 per cent of global merchandise trade (Barrot, 2016). By examining trade credit determinants using World Bank Enterprise Survey (WBES) data and financial data for South African listed companies, the report draws important lessons applicable to new innovative SCF products.

The paper is organized as follows. Section 2 defines SCF forms and presents recent estimates of the potential SCF market. It also provides insights on SCF's importance using firm-level data. Section 3 offers a literature review of supply chain finance determinants, focusing on trade credit. Section 4 presents the empirical assessment of trade credit determinants and discusses regression results. Section 5 explores avenues and recommendations for future supply chain finance solutions.

2

Supply chain finance trends in Africa

Supply chain finance (SCF) has become a vital tool in modern business operations, particularly in developing economies where traditional financing remains scarce. SCF encompasses technology-driven business and financing processes that connect buyers, suppliers, and financial institutions to reduce financing costs and boost operational efficiency (Hofmann and Kotzab, 2010). The core principle behind SCF is simple: a firm's position within its supply chain acts as a credit proxy, allowing financial institutions to provide working capital to smaller or less creditworthy companies based on their established trade relationships. This section explores the theoretical frameworks that support SCF and examines relevant literature, with a focus on Africa that directly connects to the study's primary research questions.

2.1 Definition and forms of supply chain finance

Supply Chain Finance (SCF) includes various financial solutions and structures that help businesses optimize working capital, manage cash flow, and improve supply chain efficiency.

Trade credit represents the most traditional form of supply chain finance, where companies allow buyers to pay later (creating receivables) or receive credit from suppliers (creating payables). It remains the most widespread financing method through supply chains and typically occurs directly between suppliers and buyers without third-party involvement. Companies reflect this in their financial statements as Trade Accounts Receivables and Trade Accounts Payables. Even in developed economies like the United States, trade credit serves as the largest source of short-term business financing. In developing countries, where formal bank lending is often scarce, trade credit plays an even more crucial role in funding companies' working capital needs. A World Bank survey in Cameroon revealed that approximately 16 per cent of firms' operating capital came from supplier credit, compared to only 14 per cent from bank loans (Rene Guy, 2012).

Only around 40 per cent of Africa's trade flows receive bank financing support, compared to 80 per cent globally

This report presents recent evidence showing trade credit's importance for financing working capital across African countries. In Africa, most trade credit operates without financial intermediation. West African surveys confirm that relatively few trade transactions involve banks: only around 40 per cent of Africa's trade flows receive bank financing support, compared to 80 per cent globally (IFC and WTO, 2022).

The aim of all SCF products is to improve the overall financial performance of affiliated firms and mitigate the financial and operational risks of supply chain disruption. Supply-chain finance products are structured financial solutions that build on trade credit and overcome key limitations of traditional non-intermediated supply chain finance. They decouple payment timing from suppliers' cash flow needs while leveraging the buyer's stronger credit profile. Instead of waiting 30, 60, or even 90 days to receive payment, suppliers can unlock approved invoices on demand at financing rates tied to the buyer's credit rating. This reduces their cost of capital and eliminates the cash-flow squeeze caused by extended payment terms. In essence, traditional trade credit creates the receivables and payables, while SCF instruments provide financial techniques to unlock liquidity and manage risk from those positions. Ultimately, SCF externalizes and optimizes liquidity flows with greater transparency and often lower costs, whereas traditional trade credit embeds financing directly into the commercial terms between buyer and seller.[2]

The International Finance Corporation (IFC) identifies 8 different SCF products, divided into two main categories (see Table 1 for their definitions, benefits, challenges, and selected examples from Africa):

- Receivables Purchase-Based: Sellers obtain financing by selling receivables to a finance provider. These products include Receivable Discounting, Forfaiting, Factoring, and Payables Finance (Reverse Factoring).
- Loan-Based: Sellers and buyers receive loans and advances against underlying assets (receivables, inventory, etc.). These products include Loan against Receivables, Distributor Finance, Pre-Shipment Finance, and Loan/Advance against inventory.

SCF product usage varies significantly by region and country. For example, in Pakistan, roughly 60 per cent comes from reverse factoring.[3] In Nigeria and Kenya, however, receivables discounting (Table 1) is the most commonly offered SCF product. This preference exists because receivables discounting relies on relatively simple invoice-based collateral and doesn't require the buyer-led setups that reverse factoring demands. Unlike traditional loans, invoice discounting bases approval on the value of outstanding invoices rather than the business's creditworthiness, making it an attractive option for many companies.[4]

While we can only estimate the supply chain finance market through platform reports and structured finance data (Section 2.2), trade credit is more transparent. Whether it involves financial intermediaries or not, we can observe trade credit directly through company balance sheets, accounting records, and enterprise surveys (Sections 2.3 and 2.4).

[2] https://www.allianz-trade.com/en_US/insights/supply-chain-finance.html, https://www.tradefinanceglobal.com/posts/traditional-trade-vs-supply-chain-finance

[3] https://www.ifc.org/content/dam/ifc/doc/mgrt/scf-knowledge-guide-final.pdf

[4] https://www.fundthepeople.co.za/how-does-invoice-discounting-work-in-south-africa

Table 1
Supply chain finance products

SCF product	Definition	Benefits	Challenges	Selected examples
Receivable Discounting	Sellers of goods and services sell individual or multiple receivables (represented by outstanding invoices) to a finance provider at a discount.	- Immediate cash flow instead of waiting 30-90 + days (70–90 per cent advance - No need for collateral (invoice itself as security)	- Legal & regulatory complexity (including tax treatment) varies by country - Buyer disputes can block repayment	South Africa: Absa Receivables Finance programme; Standard Bank supply chain finance Nigeria: Stanbic Invoice Discounting Facility; FirstBank Invoice Discounting Facility Ghana: Access Bank Invoice Discounting Credit Program; Kenya: IMFact fintech backed by FSD Africa; Afreximbank receivables discounting program
Forfaiting	Exporters sell medium- to long-term receivables to a forfaiter on a non-recourse basis	- Liquidity on medium/long-term export receivables	- High minimums ($250,000+) - Complex documentation	- Afreximbank forfaiting facility for exporters
Factoring	A business sells invoices (accounts receivable) to a factor at a discount. It can be with or without recourse (risk stays with seller versus factor)	Rapid liquidity, typically 80–85 per cent advance on invoices. Supports offloading debtor risk (non-recourse). Option to outsource collections and credit management	Fees and interest can be high. Requires robust debtor verification and fraud controls. Legal enforcement varies by country	Kenya: IMFact fintech backed by FSD Africa; ZuriCap invoice financing for SMEs
Payables Finance (Reverse Factoring)	A buyer, usually a large anchor, works with a financial institution to pay suppliers earlier at a discount using the buyer's credit rating	Suppliers get better financing terms based on the buyer's strength. Buyers streamline payable management and strengthen supplier relationships.	Requires large, credit-worthy anchor buyers. Implementation costs and supplier onboarding effort.	Afreximbank partnered with Sterling Bank in Nigeria and Demica (a tech-based supply chain finance provider) to offer Payables Finance product
Loan/Advance Against Receivables	Rather than selling invoices, a business secures a loan using receivables as collateral.	Business maintains ownership/control of receivables. Flexible terms relative to factoring.	- Borrower retains risk - Often lower advance than factoring Requires good documentation	Nigeria: Fintech Lidya provides loans against receivables and pre-shipment financing to suppliers via einvoicing platforms
Distributor Finance	Manufacturers finance their distributors to ensure inventory movement until final sales by the distributor.	Expands sales reach into weaker cash markets Supports distributors with working capital	Embedded risk in tracking inventory and final sale outcomes. Requires strong supplier–distributor trust and control systems.	Ecobank Distributor (Dealer) Finance Solutions, Stanbic IBTC Bank Distribution Supply Chain Finance, SIMA Angaza Distributor Financing Fund
Pre-shipment Finance	Financing the procurement, production, or sourcing of goods before shipment or sale.	Critical for exporters to fulfill orders without tying up working capital	Higher risk due to pre-delivery funding exposure. Requires reliable tracking and collateral	Lidya (Nigeria) provides pre-shipment loans to SMEs
Loan/Advance Against Inventory	Businesses borrow using inventory as collateral, allowing access to liquidity while goods are held in stock.	Unlocks cash tied in stock Useful for seasonal businesses Can use warehouse receipts	Requires warehouse controls, auditing, and valuation systems	Lula (South Africa) Inventory Financing

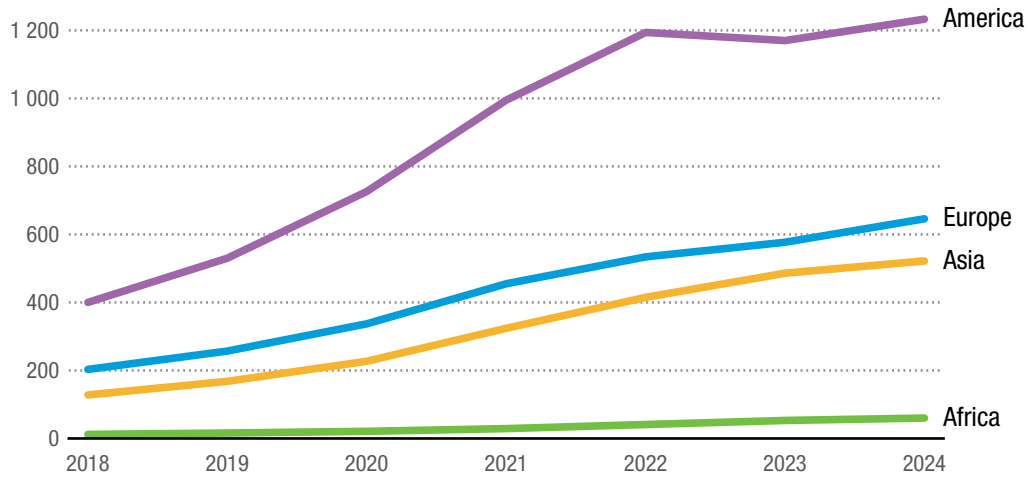
Source: UNCTAD.

2.2 Recent developments of the supply chain finance market in Africa

Global trends

According to BCR (2025), the global SCF market reached $2,462 billion in 2024, based on industry expert estimates for reverse factoring. Africa showed the strongest growth in supply chain finance, with rates of 14-15 per cent between 2023 and 2024. Despite this impressive growth, Africa represents only 2.4 per cent ($60 billion) of global volume, while America captures half of the worldwide reverse factoring market (Figure 1). Africa's modest share reflects its limited presence in global GDP (2.6 per cent in 2024) and world trade (2.5 per cent in 2024), according to UNCTAD statistics. South Africa leads the continent with the largest supply chain market, valued at $44.9 million in 2023 and projected to grow at 8.5 per cent annually through 2033 (BCR, 2025).

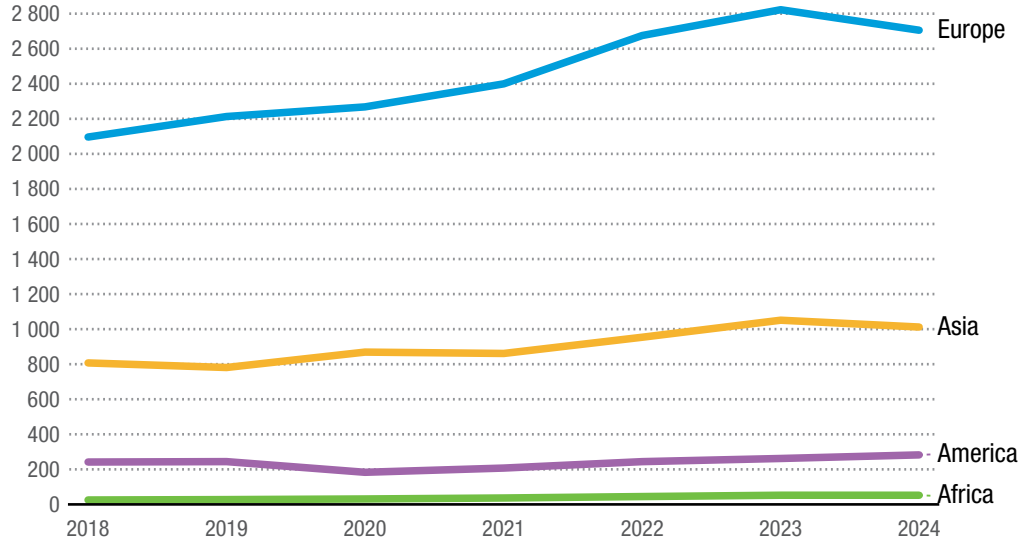
Figure 1
Estimates on reverse factoring, in billion $, 2018-2024, by region



Source: UNCTAD based on BCR (2025). WORLD SUPPLY CHAIN FINANCE REPORT.

While BCR focuses on reverse factoring estimates (buyer-led transactions), FCI data covers factoring and receivables finance (supplier-side). Global factoring volume reached an estimated $4 trillion in 2024. Europe dominates this market, accounting for 65-70 per cent of global factoring volumes, while North America leads in reverse factoring. This difference stems from North America's concentration of large, creditworthy corporations that establish supplier programs. In contrast, Europe's market includes more SMEs seeking supply chain finance from the supplier side. Africa's factoring market reached $52 billion, achieving over 100 per cent growth from 2018 to 2024—the highest growth rate of any continent.

Figure 2
Estimates on factoring, in billion $, 2018-2024, by region



Source: UNCTAD based on FCI (2025), https://fci.nl/en/international-factoring-statistics.

The strong growth in Africa stems largely from increased digitization and the rollout of modernized SCF programs (see Table 1). Legal requirements in various countries have driven e-invoicing expansion: Kenya mandates that deductible expenses must be backed by an e-invoice[5]; Uganda has introduced mandatory real-time e-invoicing and receipt reporting[6]; Egypt adopted new e-invoicing requirements[7]; and in Zambia, electronic billing became mandatory for all taxpayers in July 2024[8]. At the regional level, the PAPSS reduces frictions for local-currency supplier payouts, while mobile money and instant payments continue their rapid rise.

Several key initiatives will further accelerate Africa's recent growth. The collaboration between IFC and working capital platform C2FO launched Africa's first dedicated SCF platform for SMEs. This platform uses C2FO's dynamic discounting technology and will initially deploy in Nigeria, where it's estimated to unlock up to $25 billion in annual financing for small businesses (BCR, 2025). Meanwhile, the African Export-Import Bank (Afreximbank) partnered with Sterling Bank to introduce "Payables Finance," a financial product that facilitates early invoice payments and provides supplier liquidity. Afreximbank also disbursed $17.5 billion in 2024 and aims to double intra-African trade finance by 2026 (Afreximbank, 2025).

Country estimates

IFC recently conducted supply chain finance market assessments across Uganda, Kenya, Côte d'Ivoire, and Nigeria. IFC's market sizing methodology uses macro-economic data to assess potential market size for supplier finance, buyer finance and inventory finance.

Of the 4 countries, Kenya has by far the largest estimated market size for SCF ($24.8 billion, equivalent to 25 per cent of

[5] https://kpmg.com/ke/en/home/insights/2024/03/kra_launches_etims_lite_platform_for_non_vat_registered_taxpayers.html
[6] https://www.vatcalc.com/uganda/uganda-vat-e-invoicing-e-receipt-efris-jan-2021
[7] https://www.tmf-group.com/en/news-insights/articles/doing-business-in/new-e-invoicing-requirements-egypt/
[8] https://www.vatcalc.com/zimbabwe/zambia-e-invoicing-2024

Kenya's GDP), but existing SCF products currently meet only 7-11 per cent of that demand. Beyond manufacturing, the agriculture and construction sectors represent substantial markets for SCF (IFC, 2022a). Kenya faces an interesting dynamic with its public sector: government payment delays have created serious problems, particularly in construction and infrastructure projects. Large contractors report waiting months for government disbursements, which creates a cascade effect—leaving subcontractors and suppliers unpaid (IFC, 2022a). This situation has sparked discussions about implementing supply chain finance for public procurement, including factoring government receivables or early payment schemes for contractors—areas where policy intervention could drive meaningful change.

Nigeria's current SCF market is valued at $6.6 billion, with existing supply meeting approximately 24 per cent of potential demand (IFC, 2022b). Although most Nigerian banks offer SCF products, transaction volumes remain limited. Afreximbank has partnered with Sterling Bank to launch an innovative supply chain finance product called 'Payables Finance' in Nigeria. Branded as 'Afreximbank Tradelink,' this product operates under Afreximbank's Africa Trade Gateway digital platform. Through this arrangement, Afreximbank provides financing to corporates and banks in US Dollars and Euros, while Sterling Bank handles Naira-denominated financing. This structure allows suppliers of Nigerian corporates to access financing in both local and foreign currencies based on their specific needs.[9] Nigeria has also witnessed the emergence of supply chain startups like TradeDepot (which extends credit to retailers for fast-moving consumer goods) and specialized finance providers like Factoring Nigeria Ltd.

Côte d'Ivoire's market analysis reveals that despite significant potential, current SCF supply remains unmeasured (see Table 2). At the time of the 2022 study, no digital non-banking financial institution or Fintech offered SCF solutions in the country. This gap presents an opportunity: Fintechs operating in Côte d'Ivoire or those providing SCF solutions elsewhere in West or Southern Africa could capture a substantial portion of the digital SCF market by pioneering these services in Côte d'Ivoire (IFC, 2022c).

Uganda's 2022 SCF market assessment revealed a potential market worth around $2 billion, yet actual supply meets only 25 per cent of this demand (IFC, 2022d). Ugandan banks have just started exploring products like reverse factoring.

[9] https://www.afreximbank.com 978-92-1-154578-4/afreximbank-to-offer-supply-chain-finance-in-nigeria-in-partnership-with-sterling-bank/

Table 2
Selected country estimates of supply chain market and unmet demand, 2022

Country	Estimated market size for SCF	Current SCF supply (in per cent of estimated demand)	Main providers of SCF products
Uganda	$2.1 billion	15 per cent (total value of outstanding SCF products is only estimated at USD 238.2 million	Approximately 80 per cent of commercial banks and a handful of non-bank financial institutions offer SCF solutions.
Kenya	$24.8 billion Estimated market size for SCF is 2.8 trillion Kenyan shillings.	Current SCF supply only meets about 7-11 per cent of demand.	Commercial banks are the largest providers of SCF in Kenya, reaching an estimated $1.7-2.6 billion. Most banks offer several SCF products.
Côte d'Ivoire	$5 billion	Current SCF supply is not known.	
Nigeria	$6.6 billion	Current SCF supply meets about 24 per cent of the potential market.	Two-thirds of banks offer Receivables Discounting as the most offered SCF product.

Source: UNCTAD based on IFC (2022a,b,c,d).

Expanding supply chain finance offerings could significantly boost funding for SMEs. However, commercial banks face multiple hurdles in scaling up these solutions: low awareness of supply chain finance among target customers; limited in-house expertise to develop compliant, client-friendly products; inadequate digital infrastructure and integration; and weak legal enforcement of contracts, which undermines both timely payments within supply chains and loan repayment.

In South Africa, established banks and retailers have implemented dynamic discounting platforms, allowing suppliers to receive early payments in exchange for discounts. This approach effectively embeds SCF within enterprise resource planning (ERP) systems. Supply chain finance, particularly trade credit, plays a huge role in corporate financing in South Africa—even among listed firms on the Johannesburg Stock Exchange (JSE), who generally have good access to bank credit. A study by Kwenda and Holden (2014) found that accounts payable (trade credit) constituted 56 per cent of total debt and financed 32 per cent of total assets for JSE-listed companies on average. Section 2.3 will provide a recent case study of trade credit used and offered by listed South African companies.

2.3 Case study: Supply chain finance by listed firms in South Africa

Among JSE-listed firms, dedicated SCF programs remain relatively new but are gaining momentum as corporates and their banking partners recognize the dual benefits of optimizing working capital and reducing risks in supplier relationships. Major South African banks—many of which are JSE constituents themselves, such as Absa Group and Standard Bank Group—offer reverse-factoring "supplier finance" facilities. These allow suppliers to monetize approved invoices at the buyer's superior credit rating, while buyers preserve or even extend payment terms

In South Africa, extended trade credit within the supply chain increased from $10 million to around $22 million between 2005 and 2024

without straining cash resources.[10] Leading South African corporates across retail (e.g., Shoprite, Woolworths), chemicals (e.g., Sasol, Sappi) and industrials (e.g., Bidvest) are piloting or rolling out SCF solutions to stabilize their multi-tier supply chains, reduce the cost of capital for small and medium-sized suppliers, and strengthen overall resilience in environments marked by extended payables cycles and rising liquidity pressures.

Financial data for South African companies listed on the JSE came from Datastream. As of June 2025, 238 companies were listed, though time series data was available for only 215 companies.

Regarding the size of these 215 firms, employee information wasn't available for 51 per cent of companies. However, among those with available data in 2024, large companies (more than 100 employees) made up 90 per cent of listed firms, while medium-sized companies comprised 7.5 per cent and small companies represented just 2 per cent.

As discussed in Section 2 of this report, supply chain finance appears under "Trade Receivables" (Datastream code WC18297), which reflects the accounting results of offering trade credit – whether or not a financial intermediary is involved. This measures how much credit the company has extended to customers and is waiting to collect. In contrast, using trade credit appears under "Trade (Accounts) Payables" (Datastream code WC03040). This represents short-term liabilities owed to suppliers for goods and services received on credit.

Both forms of supply chain finance have grown substantially in absolute terms over time. Between 2005 and 2024, extended trade credit (trade receivables) within the supply chain increased from $10 million to around $22 million, while used trade credit (trade payables) grew from $11.5 to $24 million.

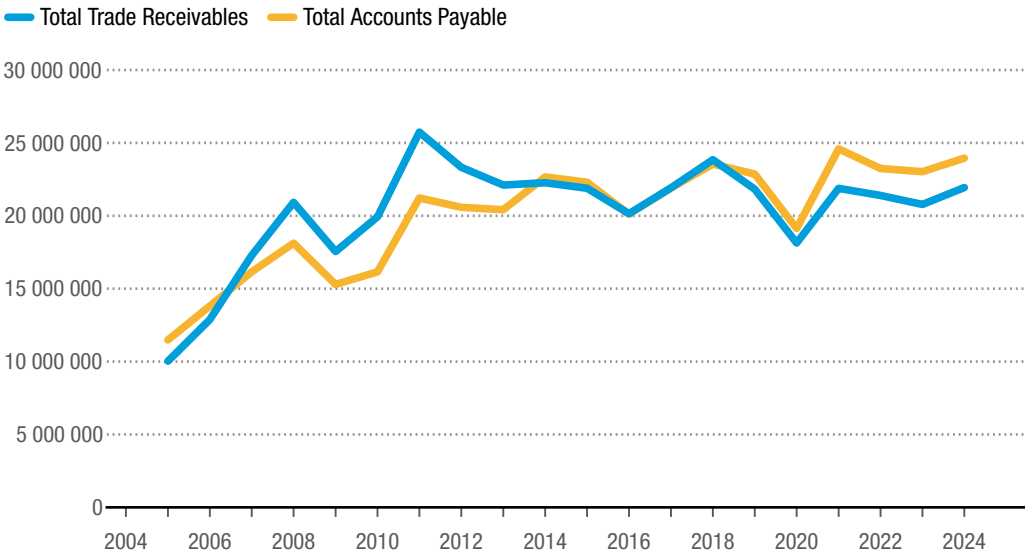
Notably, as Figure 3 shows, both extended and used trade credit have risen simultaneously over time. Based on company financial statements from 2005 to 2024 (displayed in Figure 3), Trade Payables and Trade Receivables show a strong correlation at the firm level (correlation of 0.82).

This high correlation stems from trade credit's structural role within operational financing cycles. As firms increase production or sales, both the procurement of inputs on credit (reflected in trade payables) and the extension of credit to customers (captured by trade receivables) tend to scale proportionally. This synchronicity is particularly pronounced in sectors with complex supply chains, such as manufacturing and wholesale trade, where business models rely heavily on reciprocal trade credit arrangements.

Additionally, firms often adopt working capital management strategies that balance the timing of incoming and outgoing payments, reinforcing the parallel movement of these accounts. The positive correlation doesn't necessarily imply a direct causal link but rather reflects the interdependent nature of credit-based transactions embedded within the operating cycle.

[10] https://cib.absa.africa/home/insights-and-events/unlocking-growth-through-dynamic-supply-chain-finance ; https://gfmag.com/award/award-winners/worlds-best-supply-chain-finance-providers-2025

Figure 3
Total amount of supply chain finance by South African listed firms, in $, 2005-2024



Source: UNCTAD based on Datastream LSEG.

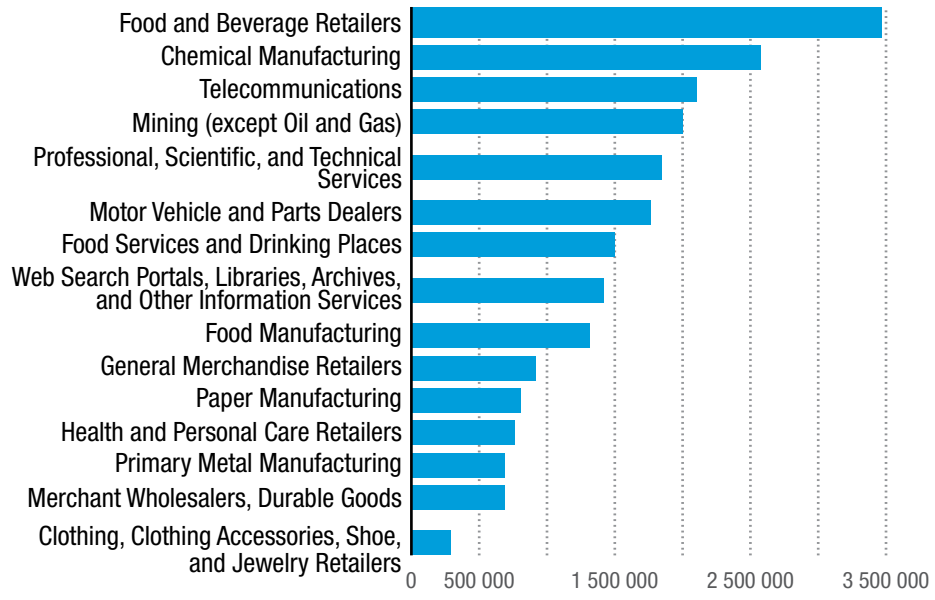
As shown in Figure 4, the highest total amount of payables (use of trade credit) by sector in 2024 appears in food and beverage retailers ($3.5 million), chemical industry ($2.6 million), telecommunications ($2.1 million), mining (except oil and gas) ($2 million), professional, scientific and technical services ($1.9 million), motor vehicle and parts dealers, food services and drinking places, web search portals and food manufacturing. Notably, the sectors with the highest total amount of trade receivables (extending trade credit) are also telecommunications, professional, scientific and technical services, and motor vehicles (Figure 5), highlighting the financial supply chain linkages discussed earlier.

The highest average amount of trade credit per firm occurs in web search portals and other online information services, followed by general merchandise retailers, food and beverages retailers, food services and drinking places, chemical manufacturing and paper manufacturing.

To assess trade credit's relevance for financing assets and enable comparison with Kwenda and Holden's (2014) study, we divide trade payables by total assets (Datastream code WC02999).

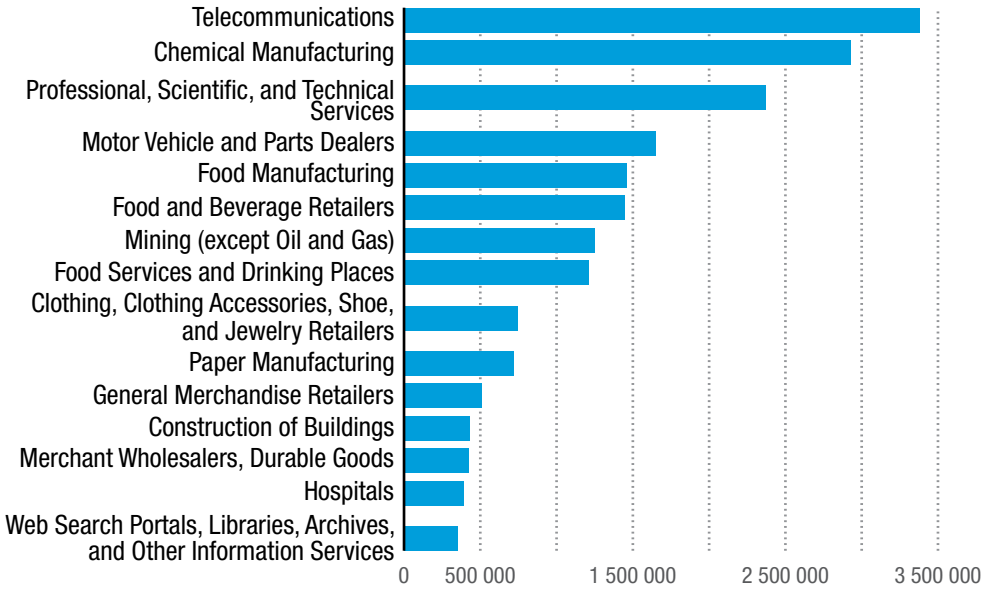
The average reliance on trade credit relative to total assets reaches 29 per cent, aligning with Kwenda and Holden's (2014) findings. This high share demonstrates that even large firms extensively use supplier credit as a financing source. Figure 6 shows the top 15 sectors by average reliance on trade credit to finance total assets. The health care sector shows the highest share, with an average of 36 per cent of total assets financed through trade credit, followed by Food and Beverage Retailers. Companies in the health sector require a steady flow of supplies from manufacturers and distributors, and these businesses can significantly benefit from supply chain financing advantages. Promoting SCF solutions in the health care sector could deliver substantial benefits for overall health outcomes and social development.

Figure 4
Total amount of trade payables (using trade credit) by sector, in $, 2024



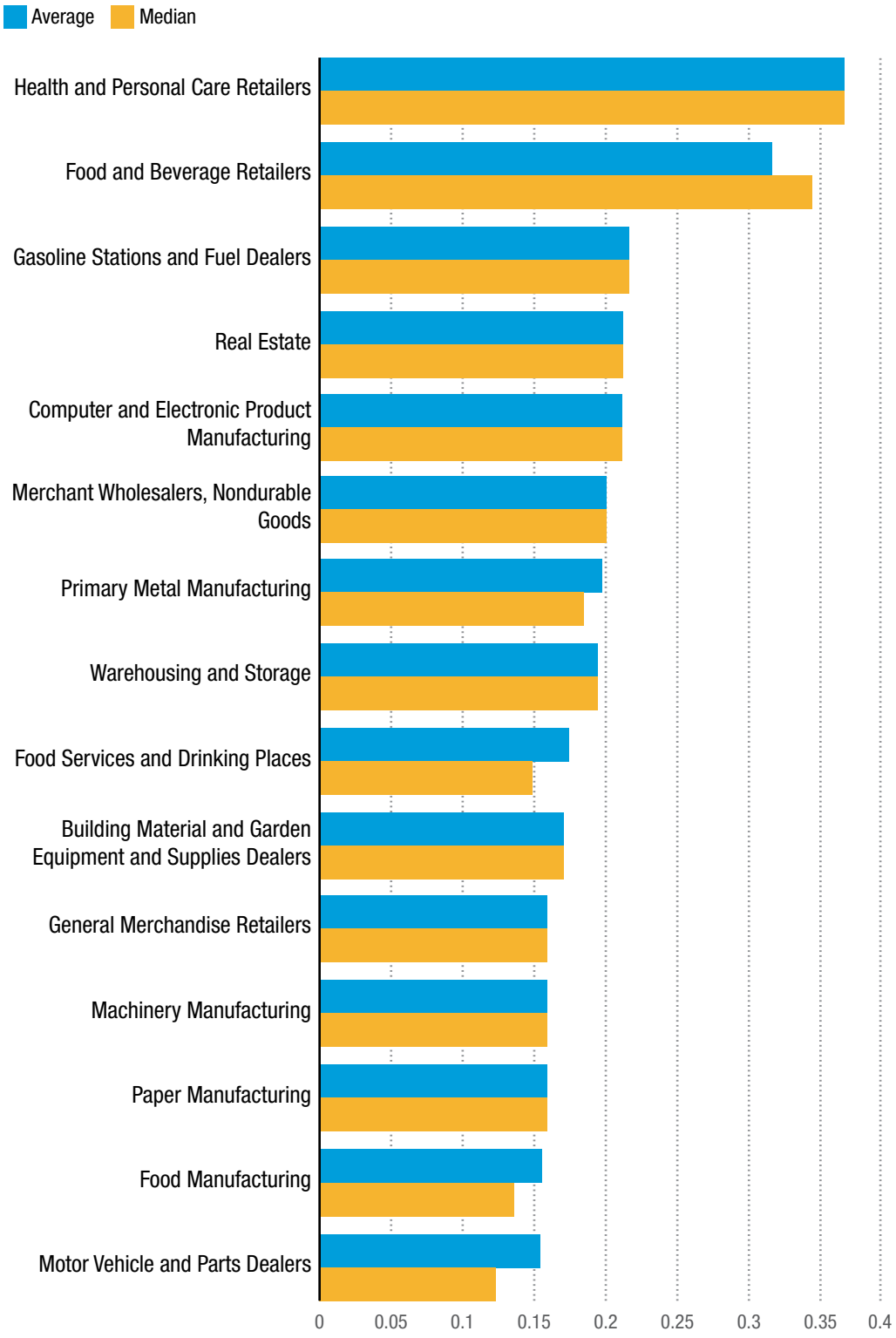
Source: UNCTAD based on Datastream.

Figure 5
Total amount of trade receivables (extending trade credit) by sector, in $, 2024



Source: UNCTAD based on Datastream.

Figure 6
Trade credit as a share of total assets of South African listed firms, 2024



Source: UNCTAD based on Datastream.

Banks like Nedbank and ABSA have recently launched initiatives to extend supply chain finance deeper into their client base – partnering with logistics firms or large corporates to offer SCF programs for those corporates' small suppliers. One notable example is the partnership between Nedbank and DP World (a global logistics company) announced in 2023. This partnership finances SMEs in export supply chains through a risk-sharing agreement[11], showing that banks recognize SCF as a tool for enterprise and export development.

Only 22 per cent of African firms report using trade credit from suppliers or customers to finance working capital

2.4 Insights on the use of trade credit from businesses surveys

While the firm-level analysis for South Africa relied on listed-company data, this source isn't systematically available across Africa. The next section uses the WBES to extend coverage and assess trade credit usage consistently across countries. It draws on the most recent (2020-2024) surveys for each African country.

Access to finance remained the biggest obstacle among surveyed African firms between 2020 and 2024. Over a quarter (26.5 per cent) report it as their biggest challenge, followed by electricity at 12 per cent. Most firms (58 per cent) rely completely on internal funds to finance working capital. Only 18 per cent borrowed from banks – and for those that did, banks financed around 34 per cent of their working capital. Meanwhile, 15 per cent accessed finance from money lenders, friends, or relatives. Notably, 22 per cent of African firms used advances from suppliers or customers to finance working capital, making it the most important external financing source.

A comparison of trade credit use for working capital financing (percentage of working capital purchased on credit/advances from suppliers/customers) across developing regions shows that Latin America leads with 50 per cent (Figure 7). Latin American firms demonstrate the highest adoption of trade credit as a financial tool, even when bank credit remains available or equally accessible. Fisman and Love (2003) find that in Latin America, supplier relationships frequently fill the gap where formal bank credit falls short. According to OECD (2024), Brazil's domestic firms maintain "deep supplier–buyer ties," enabling them to negotiate flexible terms like 60 to 90-day payment periods—particularly common in manufacturing and retail sectors. Suppliers assess credit risk informally through local knowledge and business reputation rather than relying on credit scores or legal contracts (OECD, 2024).

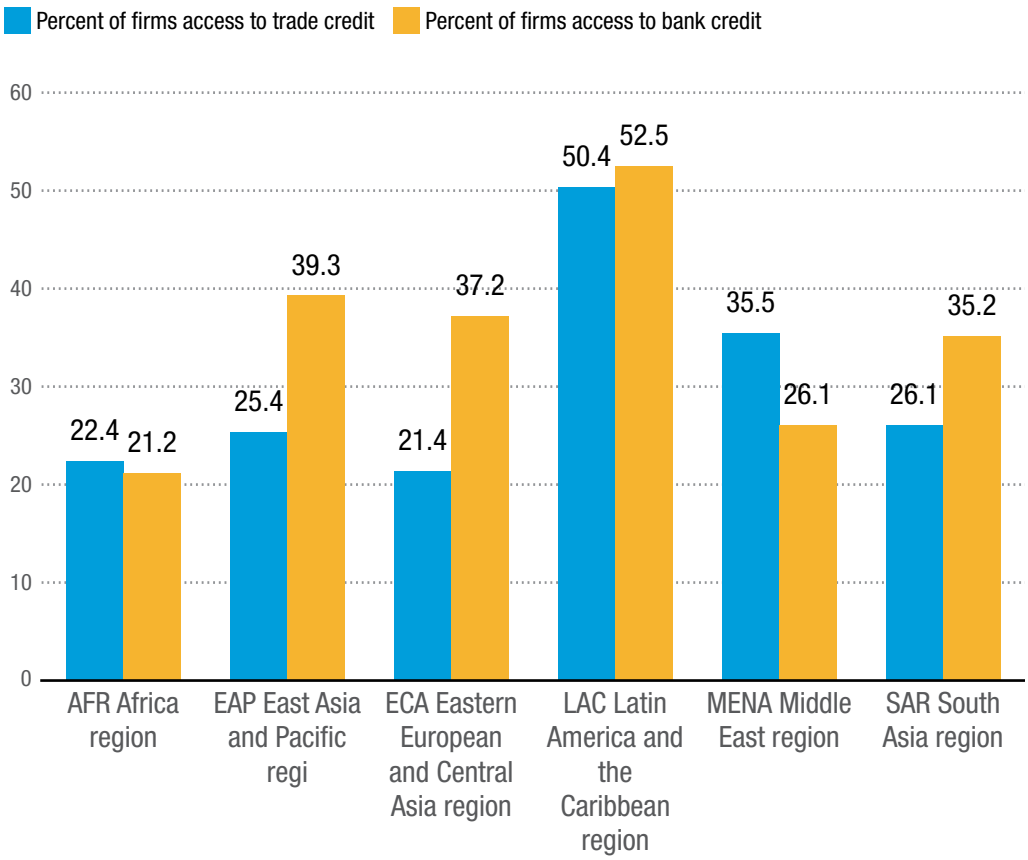
In contrast, only 22 per cent of African firms report using trade credit from suppliers or customers to finance working capital—the lowest share among developing regions. However, an even smaller percentage obtains bank credit, indicating that both external finance sources remain scarce while some firms still depend more heavily on supplier or customer credit than on banks. For African firms that access or use trade credit to finance working capital, an average of 30 per cent of working capital comes through trade credit, though the distribution ranges from 1 to 100 per cent.

Notable differences emerge between African countries (see Figure 8). While 60 per cent of firms in Benin (survey year: 2024) use trade credit for working capital finance, only 2 per cent of firms in Equatorial Guinea (2024) do so. Other countries with high shares of surveyed manufacturing and services firms include Eswatini (2024) at 46 per cent and Mauritius (2023) at 42 per cent.

Across all country surveys, trade credit use shows no significant change over time on average. However, individual country examples reveal improvements: In Benin, only 24 per cent of firms used trade credit in 2016. Similarly, Eswatini and Mauritius saw increases from one-third (2016) and 18 per cent (2009), respectively. Benin has experienced a significant increase in private sector credit in recent years, with a notable rise in 2023. This growth stems from various factors, including economic reforms, an improved business climate, and targeted private sector support initiatives.

[11] https://www.bloomberg.com/news/newsletters/2024-09-17/supply-chain-latest-boosting-trade-financing-in-africa

Figure 7
Use/access to trade credit to finance working capital, by region



Source: UNCTAD based on WBES.

Note: 87 652 observations. Most recent (2020-2024) and latest enterprise survey by country.

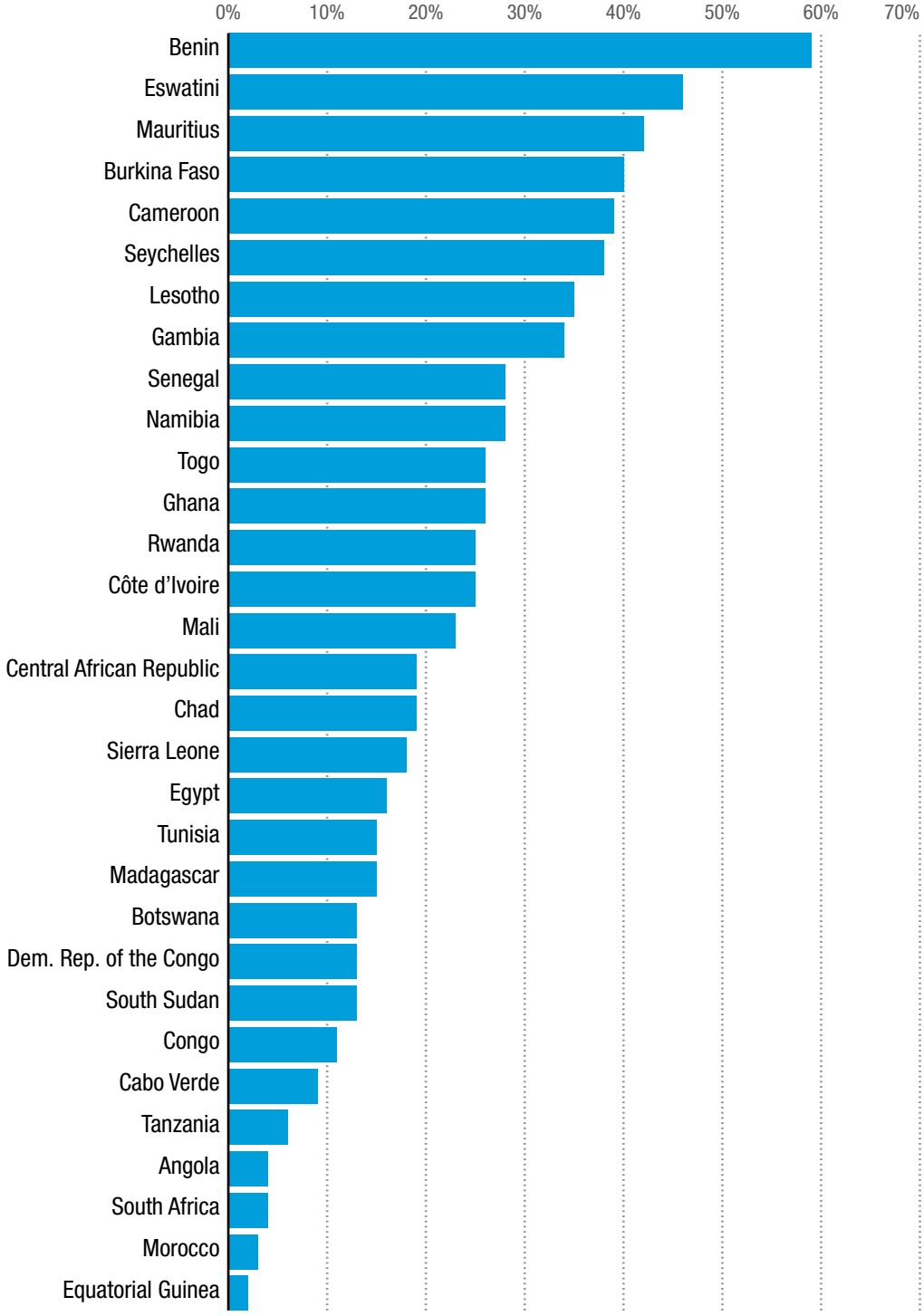
The low levels of trade credit use by South African firms are surprising given observations from South African listed firms (Section 2.3). However, the WBES was conducted in 2020 during the Covid-19 pandemic when trade dropped significantly, which could explain the relatively low use of trade credit to finance cash flow. These results should be interpreted with caution.

In the WBES, the share of firms using trade credit as a financing tool is identical for the broad sectors of Manufacturing and Services. However, at the detailed sector level, significant differences emerge. The construction sector and manufacturing of leather and related products have the highest share of firms using trade credit to finance working capital. Manufacturing of rubber and plastic products, textiles, pharmaceuticals, and wholesale and retail trade also show relatively higher shares of firms using trade credit (see Table A2 in the Appendix). Construction firms often work on long-term projects with delayed payments, particularly when the client is a government or public agency. To manage cash flow gaps while waiting for payment, construction firms depend on advances from customers for materials, equipment, and services. Additionally, sectors like construction, pharmaceuticals, and rubber/plastics manufacturing require substantial upfront purchases of raw materials or components. Construction and custom manufacturing (such as textiles and pharmaceuticals) operate on a project basis, with production beginning only after a confirmed order. This arrangement allows suppliers to offer credit more confidently, as demand is tied

The construction sector and manufacturing of leather and related products have the highest share of firms using trade credit to finance working capital

to a contract or tender, reducing perceived default risk. In these sectors, suppliers are often embedded within value chains (e.g., cement, steel, textile inputs, chemicals), and they extend credit to maintain customer loyalty and stimulate demand.

Figure 8
Use of trade credit to finance working capital, average over all companies



Source: UNCTAD based on WBES, only Africa countries, 2020-2024.
Note: Number of observations: 15 329.

Many firms in the leather, textile, and pharmaceutical industries operate in clusters, such as Ethiopia's leather industry hub. Industrial zones can make SCF more viable by concentrating businesses and resources (see Section 5). The Asian Development Bank's Trade & Supply Chain Finance Program demonstrates this approach by specifically targeting SMEs in industrial zones like Indonesia's Kota Jababeka, where it offers pre-shipment finance, payables solutions, and post-shipment guarantees[12] (see Section 5).

Global sectoral patterns show that industries with longer production cycles or extensive distribution networks rely more heavily on trade credit. Manufacturing stands out as a high-SCF sector because manufacturers must finance raw material purchases and maintain inventory while typically selling to wholesalers or retailers on credit terms. Retail and wholesale trade sectors similarly depend on supplier credit to stock their inventories. Service-oriented sectors, however, typically need less trade credit since they carry minimal physical inventory.

[12] https://www.adb.org/trade-supply-chain-finance-program/supply-chain-finance

3

Literature review on determinants of supply chain finance

Consistent payment behavior over time improves a firm's reputation, unlocking more generous trade credit terms from suppliers

Given the importance of trade credit as the traditional form of supply chain finance, a growing body of literature has examined who receives trade credit and why, particularly in African and other developing country contexts. The following literature review synthesizes the key determinants of trade credit received by firms, focusing on firm-specific factors such as firm characteristics, financial constraints, and trade integration. While country-specific factors like legal and institutional environment and macroeconomic conditions also influence firms' adoption of supply chain finance products, they are more difficult to assess empirically and will be discussed in greater detail in Section 5.

Firm Characteristics

Firm size is one of the most studied firm-level determinants of trade credit access. However, the relationship between size and trade credit is complex. On one hand, small and young firms – especially those that are informationally opaque – tend to rely more heavily on trade credit because they struggle to obtain formal bank financing (Kuntchev et al., 2012; Cull et al., 2023). Cross-country evidence shows that smaller firms use relatively more supplier credit as a financing source than larger firms, which typically have better access to bank loans (Cull et al., 2023).[13]

On the other hand, larger firms usually have greater bargaining power and credibility with suppliers, enabling them to

[13] Cull et al. (2023) summarizes extensive literature on the role of trade credit in developing countries.

negotiate longer payment delays and larger credit lines (Rene Guy and Marza, 2012). Empirical studies in Africa illustrate this contrast clearly. In a study of manufacturing firms in Cameroon, Rene Guy and Mazra (2012) found that large companies enjoy significantly longer payment periods from suppliers, while small businesses face shorter payment terms due to their weaker market position. Smaller enterprises often lack the influence to demand extended credit and may be perceived as riskier by suppliers, which limits the amount of trade credit they can secure.

The age of a firm and its reputation significantly influence trade credit availability. Older firms with established track records build stronger relationships with suppliers and develop reputations for reliability, making suppliers more willing to extend credit. In Vietnam's emerging market, suppliers grant more credit to buyers as their relationship history grows, using accumulated trust to compensate for weak legal enforcement mechanisms (Cull et al., 2023). Younger firms without proven records often must pay cash on delivery or accept shorter payment terms until they establish creditworthiness. Consistent payment behavior over time improves a firm's reputation, unlocking more generous trade credit terms from suppliers. Reputation can even substitute for size—smaller firms may receive substantial trade credit if they maintain strong reputations or personal trust with suppliers.

Ownership structure and managerial attributes also affect trade credit access. Managerial experience and competence signal reliability to suppliers. A study of African agro-food manufacturers using WBES data from eight countries in 2014 found that owner-managers' experience positively correlated with trade credit levels supplied (and likely influences credit received) (Dary and James Jr, 2018). While this study examined credit firms provide, it suggests seasoned managers excel at negotiating and managing credit relationships on both sides. Evidence from Kenyan firms demonstrates that companies belonging to well-connected business communities could access trade credit because suppliers gathered information through community networks (Biggs et al, 2002). Therefore, firm characteristics that signal credit quality—whether through documented financials and verifiable data or relationship-based signals—determine how much trade credit a company can secure.

Access to finance and digital technologies

A dominant theme in the trade credit literature is that firms turn to supplier financing when they face constraints in accessing formal finance. In developing economies, where banking systems are often underdeveloped or biased toward larger clients, many firms—especially SMEs—are credit rationed by banks. Trade credit then serves as an alternative financing channel, with suppliers essentially stepping in as informal financiers to fill the gap banks leave behind. Suppliers often have better real-time information about a buyer's business through continuous trade interactions and can monitor buyer behavior more closely than banks can (Rene Guy and Mazra, 2012). This informational advantage allows suppliers to lend when banks won't, though typically at higher implicit interest rates. Rene Guy and Mazra (2012) collected data on Cameroon firms' demand for trade credit through a 2006 questionnaire survey and tax statement statistics from the National Institute of Statistics. Their research empirically confirms that firms rationed by banks had significantly higher odds of using trade credit from suppliers.

Well-connected business communities and networks have higher access to trade credit

While trade credit often substitutes for bank credit among constrained borrowers, the relationship can be complementary in some cases. Suppliers might extend credit more readily to firms that also have some bank access, interpreting a bank loan as a positive signal of creditworthiness. However, in many African contexts, the lack of formal credit forces even relatively

Smaller firms join global value chains partly to access financing through trade credit

healthy firms to rely on suppliers. For instance, Rene Guy and Mazra (2012) found that even mid-sized firms that would elsewhere secure bank loans must rely on trade credit due to scarce banking services. Companies with borrowing capacity from banks or other sources utilize that capacity to purchase inputs on credit and may also extend credit to their own customers, passing liquidity down the supply chain.

Insufficient credit information leads to higher risk perception among financiers, reducing their willingness to extend SCF solutions (UNCTAD, 2023). Enhanced data sharing and credit reporting systems can lower these barriers and improve SCF access. Gelsomino et al. (2016) propose that SCF adoption is most prevalent among firms with stable buyer-supplier relationships, robust IT infrastructure, and favorable financing environments. In Ghana, empirical research shows that trade process digitization significantly impacts SCF adoption among SMEs (Nartey, 2023).

Trade integration

Insufficient credit information leads to higher risk perception among financiers, reducing their willingness to extend SCF solutions

Integration into regional or global value chains (GVCs) has become a key factor shaping firms' access to trade credit in developing countries. When firms join larger supply chains – whether supplying components to multinational manufacturers or exporting through global buyers – their trade credit relationships transform significantly. Thang and Ha (2022) find that GVC participation increases the likelihood that firms both receive and extend trade credit, with especially strong effects on supplier credit (accounts payable). Using WBES data from 55 developing and emerging countries (including 14 African nations) between 2009 and 2015, they define GVC firms as two-way traders with quality certification. Their research also reveals that firms holding internationally recognized quality certifications receive significantly more trade credit from input suppliers.

The evidence points to a clear motivation: smaller firms join GVCs partly to overcome liquidity shortages and access financing through trade credit that would otherwise be unavailable (Thang and Ha, 2022). This pattern appears across sectors like automotive components, electronics, and agribusiness, where lead firms routinely build financing into supply agreements.

Yet GVC reliance creates new vulnerabilities. When global buyers or suppliers withdraw credit support – perhaps due to demand shocks – local firms face serious exposure. The COVID-19 pandemic illustrated this risk clearly, as global buyers delayed payments and created cash flow crises for supplier firms across developing countries.

One crucial question remains underexplored: whether trade credit access depends on trading partners' characteristics, particularly along regional lines.

Research gap

The literature review reveals three key gaps that our empirical assessment in Section 4 addresses: First, while initiatives like the AfCFTA are expected to boost supply chain integration, empirical studies examining how regional trade affects trade credit flows and adoption patterns remain scarce. This paper aims to fill this research gap by exploring whether it matters who a firm trades with. Second, we still have limited understanding of how firm characteristics—such as women's ownership or foreign ownership—determine whether a firm can access trade credit. This question becomes particularly compelling since sectors with heavy supply chain finance involvement, like retail, are also dominated by women-owned businesses. Third, recent empirical work remains fragmented and doesn't extend across all African countries.

4

Empirical assessment of determinants

4.1 Methodology

The empirical assessment draws on World Bank Enterprise Surveys (WBES) of African countries conducted between 2020 and 2024. The methodology and survey questionnaire follow standardized protocols to ensure data and findings remain comparable across countries (World Bank, 2009). We include 31 African countries, with the number of surveyed enterprises varying by country (see Appendix, Table A1). The total sample comprises 15,329 observations.

To estimate how firm characteristics and regional value chain integration affect the probability of trade credit use, we employ a logit model.

The model takes the following form:

$$
\begin{aligned}
Trade\ credit_i = {} & \alpha \\
& + \beta_1 \text{ exporting status}_i + \beta_2\ importing\ status_i + \beta_3 \text{ export to Africa}_i \\
& + \beta_4 \text{ import from Africa}_i + \beta_5 \ln(firm\ size)_i + \beta_6 \ln(firm\ age)_i \\
& + \beta_7 \ln(manager\ experience)_i + \beta_8 \text{ women ownership}_i + \beta_9\ foreign\ ownership_i + \gamma\ X_i \\
& + \theta_c + \vartheta_k + \epsilon_i
\end{aligned}
$$

Where *Trade credit* represents a dummy variable equal to one if firm *i* uses trade credit to finance working capital, measured as "per cent of working capital purchased on credit/advances from suppliers/ customers". Our main variables of interest capture the firm's export and import status, along with the destination of exports and origin of imports. We set the export dummy to 1 when at least 10 per cent of products are exported directly or indirectly.[14] Similarly, we define the import dummy as 1 when the firm imports at least 10 per cent of material inputs and supplies. We also create an Export to Africa dummy that equals 1 when the destination country is another African nation. We construct the import from Africa dummy using the same logic.

[14] As a robustness check, the threshold of being an exporter is set to 1per cent of products exported directly or indirectly.

Our firm characteristics include firm size (natural logarithm of employees), firm age (ln), manager experience (ln), a dummy equal to one if women are among the firm's main owners, and a dummy equal to one if the firm has at least 10 per cent foreign ownership. Additional control variables include a dummy equal to one if the firm has access to bank loans (measured as "per cent of working capital financed by bank loan"), plus dummies for firms with internationally recognized quality certification and their own website. All regressions include country and industry-fixed effects to control for country-specific trade credit drivers and cross-industry differences. represents the standard error term. We provide complete variable definitions in Appendix Table A3.

The estimation procedure follows a stepwise inclusion of variables to help avoid overfitting by excluding irrelevant variables and to account for firm characteristics that may influence trade credit usage through different channels. We use Pseudo R^2 and Akaike information criterion (AIC) to assess model fit.

Although performance variables such as sales, productivity, or level of diversification proxy for firm strength and capacity, they also risk endogeneity because trade credit itself can improve firm performance. For instance, access to trade credit may enable higher sales by easing liquidity constraints (see UNCTAD 2023). Including a contemporaneous productivity variable could bias results, as using current sales or productivity as a regressor raises reverse causality concerns. Without appropriate estimation techniques such as Instrumental Variable Approach[15] or Propensity Score Matching (PSM)[16], these biases could distort our findings. Since performance indicators are not the main focus of our study, we use standard estimation techniques—Logit and Probit—in line with the literature.

Nevertheless, the paper provides robustness checks by including performance variables and carefully interpreting changes in the estimation results. We also conduct a robustness check using PSM (see Section 4.4).

Due to limited time-series data, our empirical assessment focuses on cross-country, cross-firm analysis. We proxy country-specific factors that affect all firms within a country through country-fixed effects. These country-specific effects include different regulatory constraints on trade credit access and macroeconomic stability.

4.2 Descriptive analysis

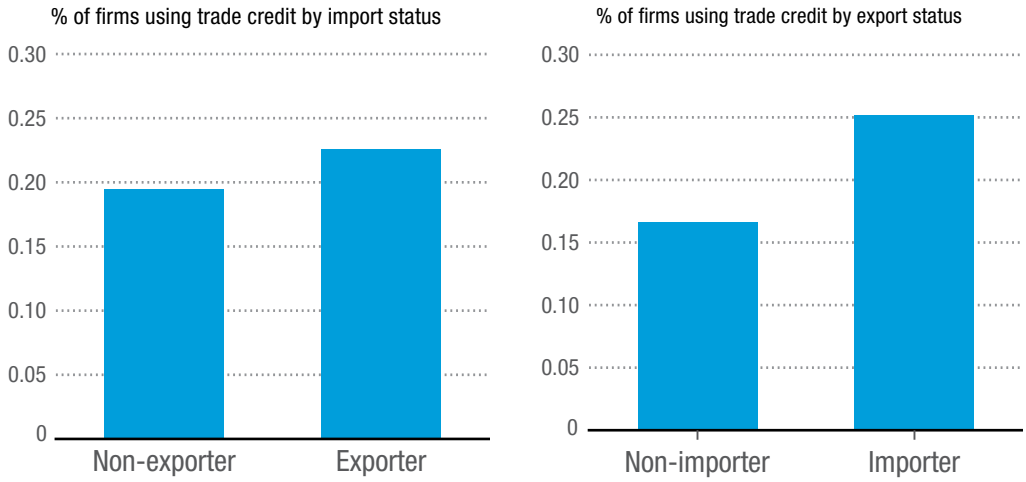
This section provides descriptive analysis on trade credit access by key firm characteristics and trade status. As stated in Section 2, around 22 per cent of surveyed firms in both manufacturing and services sectors report using trade credit to finance working capital, with an average of 30 per cent of working capital financed through trade credit.

First, regarding trade status, we find some interesting differences. Of the 14,856 enterprises with information on where they send their output, only 1,878 were direct or indirect exporters. On average, exporters use trade credit more often (22.5 per cent versus 19.5 per cent for non-exporters) (see Figure 9). The difference between firms that use trade credit and those that don't becomes more pronounced when we look at their import status. Of the 5,670 firms (38 per cent of sample firms) that source more than 10 per cent of their materials or supplies from foreign origins, 25 per cent also have access to trade credit (versus 16 per cent of non-importers).

[15] Finding a valid instrument that affects trade credit access, but not directly firm performance is a challenge, and in case of an invalid instrument, the estimation bias could even be bigger compared to logit or probit regression.

[16] The PSM estimation method was used by the GVC paper for the sample of manufacturing firms in 55 developing countries.

Figure 9
Firms using trade by trade status



Source: UNCTAD based on WBES.

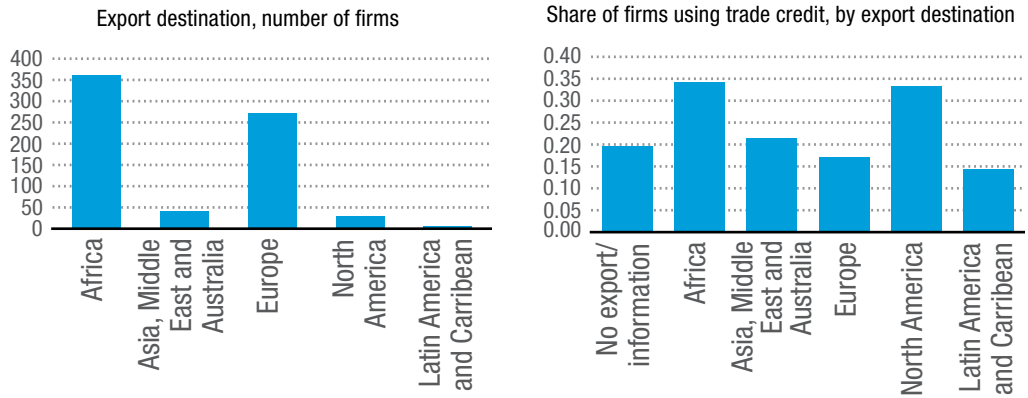
Only recent enterprise surveys provide information on export destinations and import origins. The survey contains substantial missing information—only 782 of the 1,353 direct exporters also report their main export destination, and only 2,321 of the 5,670 importers provide the country of origin. Interestingly, Africa serves as the main destination for products from formal firms surveyed in the manufacturing and services sectors, followed by Europe and Asia (see Figure 10). The majority of firms exporting to Africa operate in the manufacturing sector. This contrasts with officially recorded trade data and could indicate the prevalence of unrecorded trade flows within Africa, even among formal enterprises. Despite the limited number of firms that both export and report their export destinations, it's worth noting that the African countries with high numbers (both absolute and relative) of firms exporting to Africa include Côte d'Ivoire (87.7 per cent of firms with export destination information export to Africa), Togo (94.4 per cent), Tanzania (66.7 per cent), Cameroon (79.5 per cent), and Ghana (56.8 per cent). Of the 361 firms exporting to Africa, 34 per cent also used advances from suppliers or customers—more than any other group. In comparison, firms exporting to Europe appear less likely to use trade credit on average (Figure 10).

Regarding the origin of imports, Africa accounts for only 30 per cent of import sources (Figure 11). Asian countries represent the primary origin, followed by European countries. Figure 11 demonstrates that while importing inputs generally correlates with a higher likelihood of obtaining trade credit, the origin appears irrelevant.

Regarding firm characteristics, Figure 12 reveals several interesting differences.

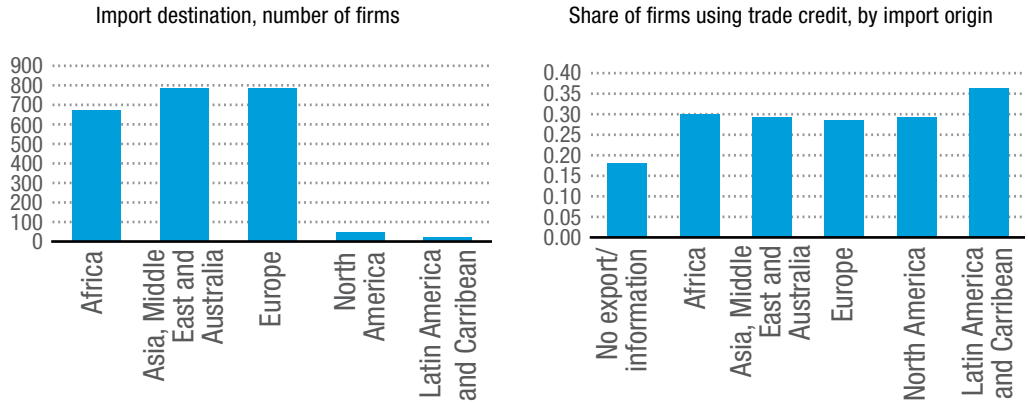
First, among the 15,329 firms in the sample, 11.8 per cent have at least 10 per cent foreign ownership. Of these foreign-owned firms, 23 per cent use trade credit. Second, concerning female ownership, descriptive statistics show that 26 per cent of female-owned firms use trade credit, compared to 18 per cent of firms without at least one woman among the owners. Women-led businesses may rely more heavily on trade credit as an alternative financing source due to greater difficulties accessing formal bank credit. However, this reliance can also create supplier dependency and potentially impact cash flow if not managed carefully. Simultaneously, firms with bank credit access obtain, on average, more trade credit (Figure 12). This reveals a complementary relationship between trade credit and bank credit (Reddy and Gopalan, 2023), highlighting the importance of facilitating supply chain finance solutions intermediated by financial institutions.

Figure 10
Destination of exports and share of firms using trade credit, by export destination



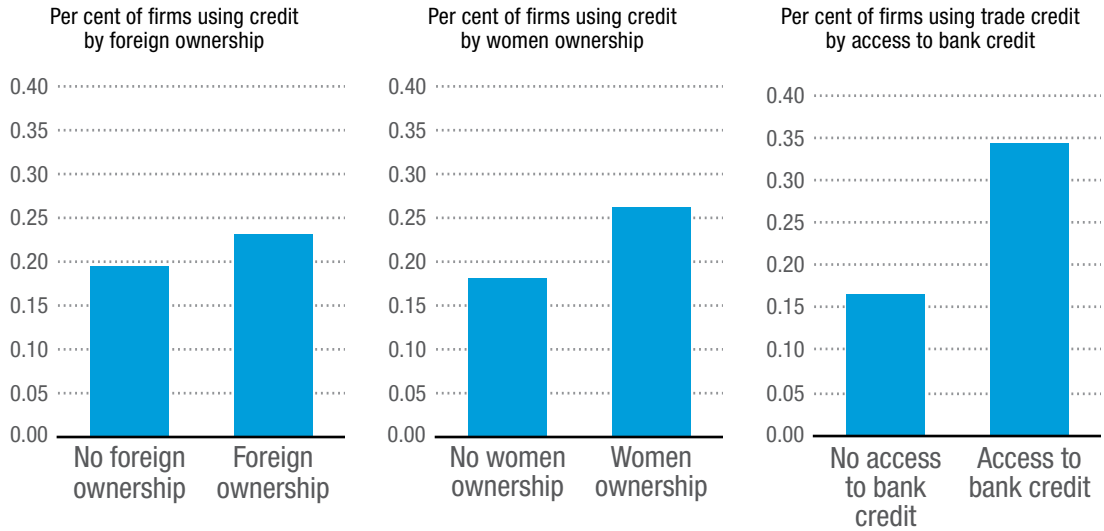
Source: UNCTAD based on WBES.

Figure 11
Origin of imports and share of firms using trade credit, by import origin



Source: UNCTAD based on WBES.

Figure 12
Access to trade credit by firm ownership and access to bank credit



Source: UNCTAD based on WBES.

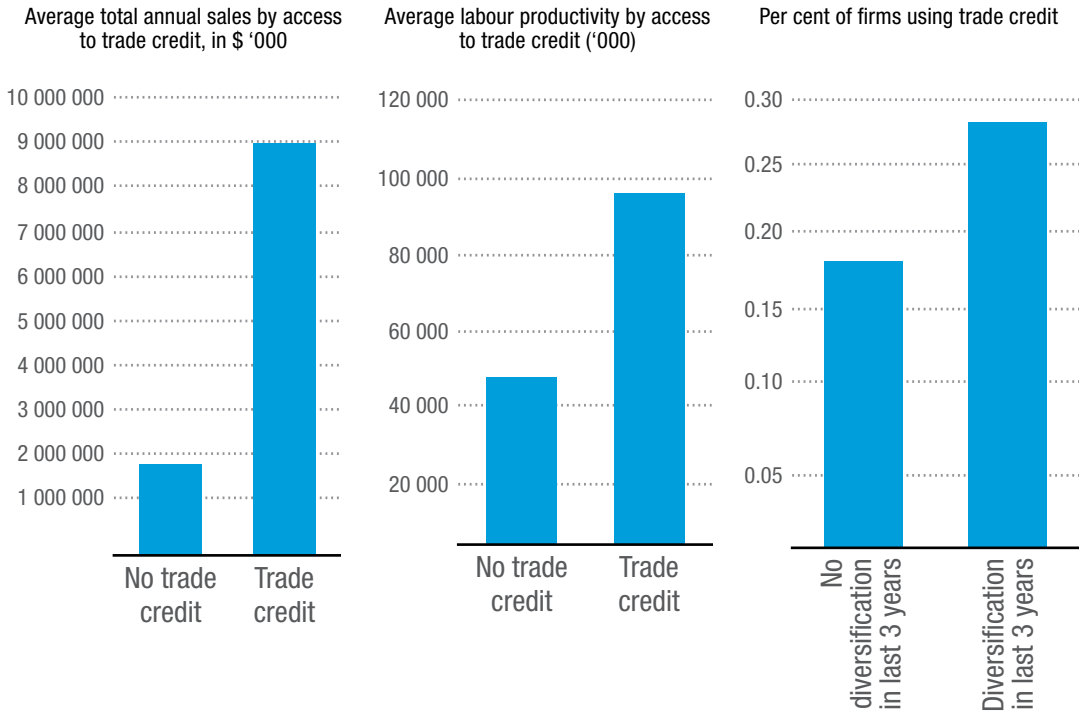
Regarding other firm characteristics and control variables, differences in obtaining trade credit are less pronounced. For instance, while 19.2 per cent of small firms (fewer than 20 employees) use trade credit, 20.6 per cent of large enterprises do so — making the difference negligible.

Additionally, although internationally-recognized quality certification appears important for exporters—38 per cent of firms exporting to Europe and 34 per cent of firms exporting to Africa have such certification, compared to an overall average of only 11.4 per cent—there is no significant difference in trade credit access.

What's particularly interesting to note—though not central to our empirical assessment due to reverse causality concerns—is that firms with higher total annual sales, greater labor productivity, and recent product diversification appear more likely to obtain trade credit on average (Figure 13).

This descriptive analysis relies on averages without significance testing. The regression results in the next section will reveal which determinants matter most in explaining why trade credit usage varies across firms.

Figure 13
Access to trade credit, by performance indicators



Source: UNCTAD based on WBES.

4.3 Regression results

This section examines what drives trade credit usage among firms using a logit model. The dependent variable equals 1 when a firm uses trade credit to finance working capital. Table 3 presents the logit regression results, with columns (1) through (4) showing results from stepwise regressor inclusion. The final specifications include performance indicators like recent diversification and total sales as robustness checks. Table 3 reports only the main specification results—additional stepwise and robustness results are available upon request.

Across all model specifications, the model achieves high statistical significance overall (Wald chi^2, p = 0.000 in all models), confirming that the included variables explain meaningful variations in trade credit usage. The pseudo-R^2 rises from 0.11 to 0.13[17], while the AIC decreases steadily across models, indicating improved model fit as we add more controls.

Several variables consistently and significantly predict the likelihood of using trade credit. Managerial experience shows a strong positive association, meaning firms with more experienced managers are more likely to access trade credit. Conversely, firm age has a negative and highly significant effect, suggesting older firms may rely more heavily on internal finance or have different financial preferences. Interestingly, once we control for a firm's trade status, firm size loses its significance while remaining positive.

Being a female-owned firm increases the likelihood of using trade credit by 4.0 percentage points

Confirming our descriptive analysis findings, firms with female ownership are significantly more likely to use trade credit—a surprising result. Importing firms show higher trade credit usage, while exporting status alone proves insignificant. However, firms that export to other African countries demonstrate a positive and statistically significant relationship with trade credit use, suggesting regional trade integration may facilitate credit-based transactions. The dummy variable for imports from Africa remains positive but insignificant.

Access to bank credit emerges as one of the strongest predictors of trade credit use, highlighting complementarities between formal finance and inter-firm credit. Website ownership doesn't significantly impact trade credit access. A basic informational website likely signals little about a firm's internal processes, data flows, or customer-facing transactions. Studies finding finance gains from "digitalization" typically use richer measures—e-commerce platforms, online payment integration, ERP systems, or data analytics usage.

Recent product diversification positively associates with trade credit use. While we include performance indicators primarily as a robustness check to ensure other coefficient estimates remain stable, this result could suggest that more diversified firms enjoy better access to trade credit channels.

Interpretation of Marginal Effects

Marginal effects provide clearer insight into how these variables impact the predicted probability of trade credit usage. Managerial experience increases the likelihood of using trade credit by approximately 2.5 percentage points for each 1 per cent increase in experience, while a 1 per cent increase in firm age reduces the probability by about 2 percentage points.

Being a female-owned firm increases the likelihood of using trade credit by 4.0 percentage points, even after controlling for other factors. Firms that import are 3.4 percentage points more likely to access trade credit, while those that export to African markets show a 3.8 percentage point increase, underscoring how regional trading relationships facilitate credit access.

The largest effect comes from firms with bank financing access, which are 9.5 percentage points more likely to use trade credit. This suggests that supplier credit and bank credit complement rather than substitute for each other. Product diversification also boosts the likelihood by 5 percentage points.

Interestingly, firm size, total sales, and foreign ownership show no statistically significant effects on trade credit access once we account for other factors, indicating these characteristics play a limited role in determining credit availability.

[17] The R^2 of around 0.11 to 0.13 aligns with similar studies (e.g. Brancati et al., 2024). McFadden (1974) discusses that while a pseudo-R^2 of 0.2-0.4 indicates an excellent fit for logit regression models, lower values of around 0.1 are routing in cross-sectional applications.

Table 3
Logit regression results

	(1)	(2)	(3)	(4)
Dependent variable: Access to trade credit (0/1)				
ln (size)	0.0410**	0.0221	0.00871	0.00582
	(0.0205)	(0.0216)	(0.0235)	(0.0237)
ln firm age)	-0.113***	-0.116***	-0.130***	-0.139***
	(0.0325)	(0.0327)	(0.0341)	(0.0338)
ln (experience manager)	0.184***	0.177***	0.171***	0.179***
	(0.0399)	(0.0399)	(0.0411)	(0.0412)
Foreign ownership (0/1)	0.0334	-0.0381	-0.0437	-0.0453
	(0.0724)	(0.0743)	(0.0779)	(0.0780)
Female ownership (0/1)	0.326***	0.321***	0.289***	0.284***
	(0.0544)	(0.0546)	(0.0559)	(0.0561)
Exporting status (0/1)		-0.0520	-0.0796	-0.0833
		(0.0783)	(0.0812)	(0.0811)
Importing status (0/1)		0.296***	0.294***	0.280***
		(0.0524)	(0.0539)	(0.0540)
Export to Africa (0/1)		0.282**	0.286**	0.284**
		(0.138)	(0.143)	(0.143)
Import from Africa (0/1)		0.0868	0.0654	0.0471
		(0.106)	(0.110)	(0.111)
Own website (0/1)			-0.105**	-0.126**
			(0.0523)	(0.0527)
Quality certificate (0/1)			-0.0439	-0.0483
			(0.0829)	(0.0831)
Bank credit (0/1)			0.724***	0.718***
			(0.0575)	(0.0576)
Recent diversification (0/1)				0.362***
				(0.0621)
Constant	-3.617***	-3.540***	-3.448***	-3.548***
	(0.277)	(0.277)	(0.280)	(0.279)
Prob (Wald Chi²)	0.000	0.000	0.000	0.000
Pseudo-R²	0.1129	0.116	0.1287	0.1311
AIC	13 066.03	13 029.84	12 573.5	12 526.12
Observations	14 588	14 588	14 310	14 285

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

4.4 Robustness checks

As a first robustness check, we estimated a probit model using the same regressors. Table 4 reports the main results. The signs, magnitudes, and statistical significance of key coefficients remain consistent with the logit model findings. Specifically, managerial experience, firm age, female ownership, importing status, exporting to Africa, website ownership, bank financing, and product diversification all maintain their statistical significance and directional effects. For instance, firms with more experienced managers and those engaged in importing or product diversification show significantly higher likelihood of using trade credit, while female-owned and older firms demonstrate lower likelihood. This stability across alternative functional forms strengthens confidence in our empirical findings.

Exporting to Africa increases the average probability of using trade credit by 38.8 percentage points

We also re-ran estimations separately for manufacturing and services sectors. Exporting to Africa remains significant among manufacturing firms but loses significance in the services sector. However, female ownership, import status, and bank credit access maintain statistical significance at the 1 per cent level across both sectors. Remarkably, even when we narrow the sample to only wholesale and retail trade firms (ISIC codes 46 and 47), coefficient estimates remain largely consistent with results in Tables 3 and 4.[18]

Our propensity-score matching analysis reveals that exporting to Africa increases the average probability of using trade credit by 38.8 percentage points (standard error = 7.7 percentage points, p-value < 0.001). This effect proves robust across different matching specifications, suggesting that African market engagement substantially increases firms' reliance on supplier finance.

[18] Additional results are available upon request.

Table 4
Probit regression results

	(1)	(2)	(3)	(4)
Dependent variable: Access to trade credit (0/1)				
ln (size)	0.0239**	0.0119	0.00451	0.00301
	(0.0116)	(0.0122)	(0.0132)	(0.0133)
ln firm age)	-0.0660***	-0.0672***	-0.0734***	-0.0788***
	(0.0184)	(0.0185)	(0.0192)	(0.0191)
ln (experience manager)	0.104***	0.0991***	0.0949***	0.0989***
	(0.0220)	(0.0221)	(0.0227)	(0.0228)
Foreign ownership (0/1)	0.0242	-0.0192	-0.0240	-0.0261
	(0.0415)	(0.0425)	(0.0442)	(0.0443)
Female ownership (0/1)	0.192***	0.190***	0.172***	0.167***
	(0.0312)	(0.0313)	(0.0319)	(0.0320)
Exporting status (0/1)		-0.0202	-0.0360	-0.0397
		(0.0441)	(0.0457)	(0.0456)
Importing status (0/1)		0.177***	0.173***	0.164***
		(0.0296)	(0.0304)	(0.0304)
Export to Africa (0/1)		0.161**	0.164*	0.163*
		(0.0811)	(0.0837)	(0.0837)
Import from Africa (0/1)		0.0486	0.0359	0.0256
		(0.0621)	(0.0641)	(0.0645)
Own website (0/1)			-0.0618**	-0.0733**
			(0.0297)	(0.0299)
Quality certificate (0/1)			-0.0230	-0.0262
			(0.0466)	(0.0466)
Bank credit (0/1)			0.429***	0.425***
			(0.0333)	(0.0333)
Recent diversification (0/1)				0.218***
				(0.0355)
Constant	-2.013***	-1.967***	-1.913***	-1.981***
	(0.135)	(0.135)	(0.137)	(0.137)
Prob (Wald Chi²)	0.000	0.000	0.000	0.000
Pseudo R²	0.1133	0.1165	0.1297	0.1324
AIC	13 061.44	13 021.69	12 558.59	12 507.62
Observations	14 588	14 588	14 310	14 285

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1.

5

Discussion and policy recommendations

This section discusses policy implications suggested by the results and, where warranted by context and data limitations, goes beyond the findings from the regression results.

Regional integration and cross-border networks are associated with greater access to trade credit

Both the descriptive analysis and regression results show that intra-African trade plays a crucial role in obtaining trade credit. The finding that exporting to Africa significantly and positively relates to trade credit use aligns with research from Africa showing that social and network factors (such as owner ethnicity, trust, relationship length and depth, and network size) affect trade credit availability (McMillan and Woodruff, 1999; Fafchamps, 1997; Fafchamps, 2004; Rene Guy and Mazra, 2012).

When buyers and sellers operate in different regions, they often lack the legal and informational proximity that domestic or regional partners enjoy. In the African context, unreliable formal credit information makes trust and word-of-mouth information even more important. Firms typically prefer transacting with known partners, creating an insular network effect. While this builds trust, it may exclude capable outsider firms from accessing credit.

Within regional networks, trade credit's self-enforcing feature becomes especially relevant where the rule of law and formal legal systems are weak (Cull et al., 2023). For example, suppliers can threaten to stop future deliveries if a buyer defaults—a powerful deterrent when firms depend on specific inputs (Rene Guy and Mazra, 2012). Suppliers may also

retain ownership of goods until payment through consignment arrangements or reclaim unsold merchandise, reducing their losses from non-payment.

A key policy implication is that as credit information systems and contract enforcement improve, trade credit could flow more freely to unknown partners, breaking the closed-network pattern and enhancing access to supply chain finance across borders.

Despite widespread adoption of trade credit by firms trading with other African companies, only 18 per cent of current supply chain finance products target intra-African trade (Afreximbank, 2025), revealing a significant gap between the need for and availability of innovative SCF products.

One promising policy option to expand SCF product coverage for African trade involves leveraging clusters and industrial parks. These zones typically house clusters of manufacturers and logistics facilities, creating an ecosystem where SCF programs can tap into centralized infrastructure, streamlined governance, and enhanced data visibility to close financing gaps for businesses.

Recent continental developments reveal a clear pathway toward zone-embedded SCF. In June 2025, the Suez Canal Economic Zone (SCZONE) launched its in-house Beltone Leasing and Factoring branch, designed to facilitate financing solutions for established companies.[19] Three months earlier, Afreximbank signed a $450 million global credit facility with ARISE IIP, a leading African industrial park operator. This financing provides essential trade finance support to businesses across ARISE's operating parks, including GDIZ-Benin, PIA-Togo, LAHAM TCHAD-Chad, PEIA-Cote d'Ivoire, and BSEZ-Rwanda. During the Covid-19 pandemic, FSD, a development finance investor, created a liquidity facility for garment factories in Ethiopia's Hawassa Industrial Park to help cover operating costs, including workers' wages.[20]

African countries can draw valuable lessons from successful SCF implementations in industrial zones and special economic zones elsewhere. Within China's Shanghai Pilot Free-Trade Zone (FTZ), China CITIC Bank launched a dedicated "Free Trade Zone Financing" platform in 2014-2015 for zone-based enterprises. This platform bundled trade-finance and structured-finance products—including receivables financing, order financing, and inventory pledge—specifically for upstream and downstream firms in key industrial chains. By leveraging on-chain data from orders, logistics, and warehousing alongside differentiated credit management, the platform reduced financing costs and accelerated approval times.[21]

Intra-African trade plays a crucial role in obtaining trade credit, but only 18 per cent of current supply chain finance products target intra-African trade

Similarly, China's Tianjin Economic-Technological Development Area (TEDA), a major industrial zone, pioneered commercial factoring in China. Over approximately eight years, TEDA cultivated a thriving SCF service provider ecosystem.[22] By 2021, the zone hosted around 100 factoring firms. This concentration of SCF intermediaries made invoice financing and reverse factoring readily accessible to local manufacturing SMEs, significantly alleviating their liquidity constraints.

Industrial zones can make SCF more viable by concentrating businesses and resources

The examples demonstrate how a zone's governance can deliberately foster an SCF-friendly environment by attracting financial intermediaries and connecting them with manufacturers to bridge SME financing gaps. This creates a self-reinforcing cluster where easy access to receivables finance

[19] https://sczone.eg/sczone-inaugurated-beltone-leasing-and-factoring-branch-at-sokhna-headquarters/
[20] https://www.fsdafrica.org/wp-content/uploads/2020/04/FSD-Africa-Covid-19-Programme-Response-1.pdf
[21] https://www.citic.com/ar2021/pdf/4E-business_review.pdf
[22] https://invest.teda.gov.cn/contents/1417/62008.html

and inventory loans drives industrial output, while thriving industries generate more business for SCF providers.

Cross-border SCF mechanisms in emerging markets—particularly in Latin America, Africa, and Asia—are advancing through multilateral support, regional development banks, fintech innovation, and blockchain-based tools.

Global institutions like the IFC lead programs that reduce trade finance risk and improve liquidity. The IFC–HSBC Trade Growth Facility, for example, allocates $1 billion to support trade across over 20 emerging markets, helping banks extend credit to importers and exporters more effectively.[23] Similarly, the British International Investment (BII) and the Trade and Development Bank (TDB) signed a $100 million deal to finance African cross-border imports of fertilizers and machinery, easing supply bottlenecks.[24]

Afreximbank facilitates African cross-border SCF through pre- and post-shipment finance and receivables-backed lending, while also supporting PAPSS, a pan-African settlement system that processes payments in local currencies.[25] Regional partnerships are expanding these efforts further. Coris Bank International's collaboration with IFC in Benin and Togo, along with Banque El Amana's partnership with IFC in Mauritania to expand supply chain finance, are both expected to drive economic growth and job creation.[26]

The PAPSS can catalyze SCF growth through confidence and reduced foreign-exchange volatility

However, regulatory bottlenecks and limited financial infrastructure have constrained growth, though new platforms like the Pan African Payments and Settlements System (PAPSS) under the African Continental Free Trade Area (AfCFTA) are driving meaningful change. While PAPSS isn't directly tied to supply chain finance, it plays a crucial role in facilitating trade using local currencies. Africa's commercial banks typically depend on overseas counterparts through correspondent banking relationships to process international payments. This includes payments between African neighbors, which can ultimately hinder the development of supply chain finance products designed for intra-African trade.

Transactions through PAPSS must go through participating banks or payment service providers. As of June 2025, PAPSS operates in 15 countries with 150 commercial banks in its network.[27] The system can catalyze SCF growth in several ways: reduced foreign-exchange volatility builds confidence that financed receivables will settle on time at predictable values; the PAPSS bank network can support SCF marketplace integration; and real-time payment flows can enhance credit-risk models.

Regulatory differences across African countries also limit supply chain finance expansion to trade partners. West Africa made notable progress in 2021 when the Central Bank of West Africa (BCEAO) adopted uniform factoring laws based on the Afreximbank factoring model for eight countries (Ivory Coast, Benin, Senegal, Niger, Togo, Burkina Faso, Mali and Guinea Bissau).[28]

[23] https://www.reuters.com/business/finance/hsbc-world-banks-ifc-launch-1-bln-trade-finance-programme-emerging-market-2024-12-12

[24] https://www.tdbgroup.org/british-international-investment-extends-100-million-finance-facility-to-the-eastern-and-southern-african-trade-and-development-bank-to-support-trade-and-food-security-in-africa/

[25] https://www.afreximbank.com/products-services/our-key-services/trade-project-financing/trade-finance-programs/receivables-purchase-discounting-program/ ; https://www.afreximbank.com/afreximbank-and-afcfta-announce-the-operational-roll-out-of-the-pan-african-payment-and-settlement-system-papss;

[26] https://www.ifc.org/en/pressroom/2025/ifc-boosts-trade-finance-in-west-africa-with-new-bank-partnerships

[27] https://www.reuters.com/world/africa/under-shadow-trump-warning-africa-pioneers-non-dollar-payments-systems-2025-06-20

[28] https://www.afreximbank.com/bceao-cofeb-afreximbank-and-fci-promote-factoring-and-financing-of-receivables/

Unclear or cumbersome regulations create additional barriers to SCF adoption. In Uganda, for example, factoring isn't classified as a secured transaction and carries an 18 per cent value-added tax (VAT), driving up costs for this supply chain finance product.[29] Tanzania and Namibia impose similar VAT requirements on factoring services.[30] Egypt takes a different approach—financial services (including factoring) supervised by the Financial Regulatory Authority are VAT-exempt. Since 2025, Rwanda has also exempted financial and insurance services from VAT (KPMG, 2025). The unclear prudential requirements for different SCF products increase operational risks for providers (IFC, 2022d).

In Nigeria, Afreximbank is working with the Nigerian Factoring Working Group and FCI to influence the creation of a factoring law. This legislation has already passed through the House of Representatives and now sits with the Senate. Afreximbank has also partnered with the Nigerian Export-Import Bank (NEXIM) to push for allowing factors to operate as foreign exchange dealers—a move that would expand import payment options to include open accounts.

Trade credit is vital for women-owned businesses - aim more SCF where it counts

The empirical results reveal that women-owned firms rely more heavily on trade credit to finance working capital than their male-owned counterparts. Since informal trade typically doesn't require formal collateral or strict Know-Your-Customer regulations, it becomes the go-to short-term financing source. However, structured SCF solutions tied to invoices can help women-owned businesses access more reliable financing. It's also worth noting that women-owned firms concentrate in service-oriented sectors like retail, healthcare, and professional services, where trade credit naturally fits into the operating cycle (see Section 2).

By raising awareness of structured SCF solutions—through education, digital onboarding, and policy incentives—women entrepreneurs can access more stable, lower-cost working capital. This helps them grow, hire, and compete on equal footing. Policy incentives might include partial guarantees, tax advantages for banks or financial institutions that extend SCF to women-owned SMEs, reduced risk-weights under Basel III/IV regulations for women-owned businesses, gender-lens procurement quotas supported through SCF, and fund accelerator programs partnered with chambers of commerce or women's business associations.

In fact, both SMEs and many large corporates across Africa often lack awareness of SCF products. Supply chain finance remains a relatively new concept in many markets – relationship managers at banks typically default to offering overdrafts or term loans rather than actively promoting SCF solutions. Similarly, SMEs frequently accept long payment terms as an unavoidable cost of doing business, unaware they could leverage those receivables for financing. The IFC's market assessments in countries like Nigeria and Kenya explicitly highlight the urgent need for capacity-building and awareness campaigns. Trust issues and misunderstandings also create barriers – a small supplier might suspect that a buyer's invitation to join a reverse factoring program is actually a ploy to extend payment terms, or they may not understand that financing costs (often absorbed through discounts) are offset by improved cash flow. Building trust and ensuring clear communication becomes essential.

By raising awareness of structured SCF solutions, women entrepreneurs can access more stable, lower-cost working capital

[29] If SCF products are structured as a loan (granting credit), instead of a sale of receivables to the funder, they fall under financial services exempted from value-added tax.

[30] https://www.tra.go.tz/images/uploads/acts/The_Value_Added_Tax_Act.pdf ; https://namiblii.org/akn/na/act/2000/10/engper cent402023-01-01/source.pdf

From Websites to Workflows: The digitalization that SCF needs

The regression results connect "having a website" to reduced trade credit, but a website serves as only a weak indicator of the digitalization that truly enables SCF. Digitalization through blockchain technology can significantly boost supply chain finance solutions by improving efficiencies, connections, and communication across the entire supply chain (Patel et al. 2023; Lei et al., 2020). Unfortunately, the WBES lacks sufficient data on other digitalization indicators. This limitation undermines our empirical findings regarding digitalization's role in promoting SCF solutions. Using a targeted survey on information and communication technology (ICT) access and usage, Mazwane et al. (2024) developed a digitalization index covering computer ownership, mobile and internet access, plus mobile money, social media, and information literacy. Their research reveals a positive correlation between digitalization and SCF. The following section offers examples and policy recommendations for how digitalization can expand access to and development of SCF products.

Several Latin American countries built electronic invoice registries that sparked a factoring boom for SMEs – African regulators now explore similar approaches. In 2017, Nigeria passed the Secured Transactions and Movable Assets Act and began developing an electronic collateral registry that includes receivables, making it easier for banks and factors to lend against these assets.

In India, for instance, the Trade Receivables Discounting System (TReDS) platform has transformed invoice financing by connecting MSMEs with financiers through a centralized exchange (World Bank, 2021). Similarly, Latin American countries like Mexico and Chile have implemented electronic invoicing systems that support SCF adoption and reduce invoice fraud risk. Companies that deploy enterprise resource planning (ERP) systems, electronic invoicing, and integrated data platforms are better positioned to benefit from supply chain finance thanks to enhanced information sharing, transparency, and process efficiency.

Supply chain finance platforms leverage technology to assess credit risk using supply chain data and match funding sources to needs in real time.

The fintech company C2FO operates a dynamic discounting platform that allows suppliers to request early payment on approved invoices, with institutional investors providing liquidity. In 2024, IFC partnered with C2FO to launch Africa's first dedicated SCF platform for SMEs.[31] The platform uses C2FO's dynamic discounting technology and will initially deploy in Nigeria, where it's estimated to unlock up to US$25 billion in annual financing for small businesses. OmniRetail, a Nigerian B2B e-commerce marketplace, provides another compelling example of how technology is reshaping Africa's SCF landscape by digitizing supply chains for fast-moving consumer goods. Its platform hosts over 200 manufacturers and 5,000 distributors, serving more than 140,000 retailers across the country. By extending credit to retailers who lack conventional creditworthiness, OmniRetail has filled a significant gap in the SCF market, ensuring efficient resource optimization and distribution even in remote areas. African banks are also developing in-house digital SCF portals – South Africa's Absa and Standard Bank now offer their corporate clients online platforms to onboard suppliers and manage invoice finance programs (Absa 2021). These digital solutions automate previously manual processes, making it cost-effective to include smaller suppliers who would have been too expensive to serve in the past.

[31] https://www.gtrventures.co/post/ifc-and-c2fo-collaborate-to-launch-supply-chain-finance-platform-for-african-small-businesses#:~:text=IFCper cent20andper cent20C2FOper cent20Collaborateper cent20to,platformper cent20dedicatedper cent20toper cent20smallper cent20businesses

In 2021, Dubai-based logistics firm DP World launched its Cargoes Finance platform, a fintech solution that covers trade, logistics, and inventory finance.[32] The platform partners with financial companies like Drip Capital, which provides collateral-free financing for SMEs in cross-border trade (The Economic Times, 2022). In Africa, DP World's Cargoes partnered with Nedbank in 2024, integrating its supply chain finance program into the bank's portfolio. This allows suppliers to receive early payments on approved receivables, improving cash flow and reducing working capital pressures.[33]

Meanwhile, startup platforms across Africa are targeting merchant credit and distributor finance. Companies like *Wasoko* (formerly Sokowatch in East Africa), *OmniBiz*, and *TradeDepot* (in West Africa) have created e-commerce marketplaces for informal shops that often include buy-now-pay-later options.[34] These startups analyze data from ordering patterns, sales volumes, and mobile airtime purchases to create credit scores for shopkeepers.[35] By linking credit directly to goods flow—delivering inventory on credit and collecting payment later—they ensure productive loan use while maintaining strong repayment incentives.[36]

Several blockchain pilots for trade finance have launched across Africa, including MineHub platforms for mineral supply chains. These create secure, unchangeable records of trade transactions that lenders can trust, reducing the extensive paperwork traditionally required (bills of lading, letters of credit). Though still emerging, blockchain technology could eventually help African SMEs access international supply chain finance more easily by providing transparent transaction histories to global financiers. Governments and development institutions are also investing in digital infrastructure like electronic collateral registries and credit bureaus that incorporate supplier payment data to support SCF growth. The African Development Bank and AfreximBank actively promote factoring and forfaiting through workshops and a Model Law on Factoring, while training local financial institutions on digital invoice finance tools.[37]

Blockchain technology could help African SMEs access international supply chain finance more easily

[32] https://www.gtreview.com/news/digital-trade/dp-world-targets-smes-with-launch-of-trade-finance-platform/

[33] https://cib.nedbank.co.za/insights/articles/trade-finance-solutions-for-sub-saharan-africa.html

[34] https://techcrunch.com/2021/12/06/tradedepot-raises-110m-from-ifc-novastar-to-extend-bnpl-service-to-merchants-across-africa ; https://unreasonablegroup.com/ventures/wasoko

[35] https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/programme/mobile-money/airtime-based-credit-scoring-can-it-drive-innovative-loan-products-for-mobile-money

[36] https://agfundernews.com/qa-ignatius-akpabio-on-tradedepots-110m-raise-and-africas-e-commerce-surge

[37] https://www.afreximbank.com/empowering-african-smes-afreximbank-hosts-factoring-workshop-in-namibia/

6

Conclusions

This report has explored the determinants of SCF in African markets with particular emphasis on trade credit, the most prevalent and measurable form of SCF. Despite growing interest in SCF as a tool to close Africa's persistent SME financing gap, access remains limited and uneven across countries and sectors. Empirical analysis using firm-level data reveals that managerial experience, female ownership, importing status, and access to bank credit consistently associate with a greater likelihood of accessing trade credit. Notably, exporting to other African countries – rather than to global markets – emerges as a strong and positive determinant, highlighting the importance of regional trade ties and networks in facilitating supplier finance.

The findings highlight how regional integration, particularly the AfCFTA, can unlock significant SCF opportunities – but only when paired with strong legal frameworks, robust digital infrastructure, and tailored financial products. While digitalization and fintech innovation are already transforming how SCF reaches businesses, regulatory gaps, limited awareness, and weak enforcement continue to hold back adoption, especially among women-owned enterprises and smaller companies. Industrial clusters and economic zones present valuable opportunities to scale SCF solutions by tapping into shared infrastructure and concentrated supplier networks.

Closing Africa's estimated $100 billion SCF gap requires coordinated action from policymakers and financial institutions across several key areas: expanding digital invoice financing platforms, encouraging fintech market entry, enabling cross-border SCF programs, and integrating SCF into public procurement and industrial development strategies.
By building more inclusive and accessible SCF ecosystems, Africa can boost the liquidity, competitiveness, and resilience of its businesses, especially as they connect more deeply with regional and global value chains.

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Appendix

Table A1
World Bank Enterprise Survey coverage and percentage of firms obtaining trade credit

Economy	Year of survey	Total number of surveyed enterprises	Percentage of firms with working capital financed by trade credit (>0)	Per centage of missing information
Benin	2024	364	59 %	0%
Eswatini	2024	156	46 %	0%
Mauritius	2023	353	42 %	2%
Burkina Faso	2024	380	40 %	0%
Cameroon	2024	615	39%	0%
Seychelles	2023	103	38%	1%
Lesotho	2023	150	35%	1%
Gambia	2023	162	34%	0%
Senegal	2024	603	28%	1%
Namibia	2024	307	28%	8%
Togo	2023	148	26%	2%
Ghana	2023	713	26%	2%
Rwanda	2023	358	25%	0%
Côte d'Ivoire	2023	649	25%	4%
Mali	2024	392	23%	0%
Central African Republic	2023	151	19%	29%
Chad	2023	164	19%	0%
Sierra Leone	2023	209	18%	1%
Egypt	2020	3 075	16%	2%
Tunisia	2024	645	15%	1%
Madagascar	2022	402	15%	9%
Botswana	2023	622	13%	1%
DRC	2024	1 025	13%	0%
South Sudan	2024	157	13%	0%
Congo	2024	365	11%	2%
Cabo Verde	2024	163	9%	0%
Tanzania	2023	600	6%	5%
Angola	2024	430	4%	2%
South Africa	2020	1 097	4%	3%
Morocco	2023	598	3%	26%
Equatorial Guinea	2024	173	2%	0%

Table A2
Use of trade credit by sector

ISIC (Rev. 4.0) code	ISIC name	Total observations	Per centage of sector in sample	Per centage of firms use trade credit
41	Construction of buildings	354	2%	32%
43	Specialized construction activities	233	2%	30%
15	Manufacture of leather and related products	165	1%	27%
73	Advertising and market research	27	0%	26%
22	Manufacture of rubber and plastics products	306	2%	25%
18	Printing and reproduction of recorded media	208	1%	25%
13	Manufacture of textiles	251	2%	24%
21	Manufacture of pharmaceuticals, medicinal chemical and botanical products	51	0%	24%
61	Telecommunications	51	0%	24%
46	Wholesale trade, except of motor vehicles	1 277	9%	23%
33	Repair and installation of machinery and equipment	52	0%	23%
47	Retail trade, except of motor vehicles	2 737	18%	23%
12	Manufacture of tobacco products	9	0%	22%
32	Other manufacturing	114	1%	21%
25	Manufacture of fabricated metal products	429	3%	21%
24	Manufacture of basic metals	169	1%	21%
11	Manufacture of beverages	171	1%	20%
31	Manufacture of furniture	354	2%	20%
75	Veterinary activities	5	0%	20%
17	Manufacture of paper and paper products	96	1%	20%
16	Manufacture of wood and of products of wood	301	2%	20%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	675	5%	19%
42	Civil engineering	442	3%	19%
23	Manufacture of other non-metallic mineral products	373	3%	19%
20	Manufacture of chemicals and chemical products	317	2%	19%
14	Manufacture of wearing apparel	603	4%	19%
10	Manufacture of food products	1458	10%	18%
71	Architectural and engineering activities; technical testing and analysis	67	0%	18%
28	Manufacture of machinery and equipment n.e.c	135	1%	18%
56	Food and beverage service activities	750	5%	17%
58	Publishing activities	36	0%	17%
95	Repair of computers and personal and household goods	109	1%	17%
50	Water transport	91	1%	16%
79	Travel agency	184	1%	16%
29	Manufacture of motor vehicles, trailers and semi-trailers	80	1%	16%
74	Other professional, scientific and technical activities	46	0%	15%
62	Computer programming	134	1%	15%
27	Manufacture of electrical equipment	115	1%	15%
19	Manufacture of coke and refined petroleum products	14	0%	14%
53	Postal and courier activities	7	0%	14%

ISIC (Rev. 4.0) code	ISIC name	Total observations	Per centage of sector in sample	Per centage of firms use trade credit
52	Warehousing and support activities for transportation	143	1%	13%
55	Accommodation	1 101	7%	12%
49	Land transport	365	2%	12%
70	Activities of head offices; management consultancy activities	48	0%	10%
69	Legal and accounting activities	79	1%	10%
30	Manufacture of other transport equipment	21	0%	10%
26	Manufacture of computer, electronic and optical products	67	0%	9%
51	Air transport	27	0%	7%
38	Waste collection, treatment and disposal activities	2	0%	0%
72	Scientific research and development	7	0%	0%

Table A3
Variable description and transformation

Variable	Definition (in WBES)	Description	Transformation
Dependent Variable: Trade credit	k3f	per cent of working capital financed by purchases on credit from suppliers and advances from customer	Dummy variable equals 1 if k3f larger than 0
Firm size	size_num	Number of full-time employees	ln(size_num)
Firm Age	firm_age	Calculated: a15y - b5 (year of survey – year of operation start)	ln(firmage)
Manager years experience	b7	Years of experience of the establishment's top manager working in the firm's sector	ln(b7)
Foreign Ownership	b2b	per cent of firm owned by foreign individuals/entities	Dummy variable equals 1 if b2b>10
Women ownership	b4	Amonst owner of the firm, any women?	Dummy variable equals 1 if b4=Yes
Access to Finance	k3bc	per cent of working capital financed by commercial banks	Dummy variable equals 1 if k3bc larger than 0
Export Orientation	d3b and d3c	per cent of sales that are direct/indirect exports	Dummy variable equals 1 if at least 10 per cent indirect or direct exports
Import Orientation	d12b	per cent of material inputs and supplies of foreign origin	Dummy variable equals 1 if at least 10 per cent of materials imported
Digital Readiness/ technological advancement	c22b	Has a website (Yes/No)	Dummy variable equals 1 if c22b=Yes
Quality certification	b8	Does establishment have internationally-recognized quality certification?	Dummy variable equals 1 if b8=Yes
Product diversification	h1	Introduced new products over last 3 years	Dummy variable equals 1 if h1=Yes
Note: ln refers to the natural logarithm			

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