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Effectiveness of Government Trade Finance Initiatives in Nigeria

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Abstract:

This study assesses how effective the Nigeria's government trade finance programmes are, noting both significant achievements and ongoing challenges. Initiatives like the Nigerian Export-Import Bank (NEXIM) and the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) have advanced trade and supportin the areas of agriculture and manufacturing, making contribution to the diversification of the economy from oil dependence. However, challenges such as insufficient funding, bureaucratic inadequacies, inconsistent policies, poor infrastructure, and limited awareness among SMEs and small-scale farmers hinder these programmes' effectiveness. To improve impact, the study recommends enhancing communication strategies, streamlining application processes, increasing funding, and fostering greater private sector involvement. Implementing robust monitoring and appraisal frameworks is also critical. Addressing these issues will boost the programmes' effectiveness, better support SMEs and small-scale farmers, and promote greater economic growth and trade competitiveness.

Keywords:

Trade finance, Government, Nigeria, Finance initiatives, Nigerian Export-Import Bank, International trade.

1.0 Introduction

Trade finance is an importantfactor of the economic framework, particularly for developing economies like Nigeria. For instance, the agricultural sector of the nation is categorized by low productivity because of poor access to credit facilities, this is the foremost obstacle for this sector to adopt modern agriculture technology (Balana & Oyeyemi, 2022). The implementation of modern agriculture technology is a bridge to high productivity that will increase trading volumes in the international market for agricultural products after satisfying local consumption of the same. Because of poor access of would-be exporter to financing their economic activities, it is imperative to examine the success of government trade finance programmes in Nigeria.

Trade finance involves different financial products and services that facilitate international trade by mitigating risks and facilitating the necessary capital for transactions. Therefore, in Nigeria, this encompasses various instruments, that include butnot limited to letters of credit, trade credit insurance, commercial invoices, bills of lading, certificates of origin, proforma invoices, import/export licence, insurance certificate, financing for export and import activities and many more.Most importantly, the trade finance environment in Nigeria has changed significantly in relation to economic conditions both at the local and global levels. Historically, Nigerian businesses have experienced limited availability of credit, high interest rates, underdeveloped financial infrastructure, corruption, and a lack of infrastructure. In efforts aimed at alleviating these challenges, the government of Nigeria has issued and implemented several trade finance measures targeted at assisting local businesses, in particular SMEs, in enhancing trade efficiency.

Significantly included among the key government initiatives is the Nigerian Export-Import Bank, generally known as NEXIM, which was created in a bid to facilitate export credit, promote non-oil exports, and offer varied financial products to hedge against risks and finance trade transactions. The Central Bank of Nigeria Trade Facilitation Schemes; a programme put in place with the aim of encouraging both import and export activities including subsidized rates of interest and special credit facilities. The Nigerian Incentive-Based Risk Sharing System for Agricultural Lending, commonly referred to as NIRSAL, was basically for agriculture but supports trade finance through risk guarantees and facilitates credit access.All of these are part of the broader initiative of the government to diversify Nigeria's overdependence on oil and gas. The purpose is to stir growth along with improving the general business climate in non-oil sectors of the country.

1.1 Stylized Facts

There is, however, an informal huge intra-regional trade in the sub-region of ECOWAS estimated at approximately $12bn annually (Nexim Bank1, 2024). This led to the establishment of the ECOWAS Trade Support Facility-ETSF-to ensure that the trade level within the region, which was below 8.5 percent as of 2010, would improve (Nexim Bank2, 2024). This initiative focuses on increasing the volume of recorded and formal trade in the ECOWAS Sub-region and encourages the use of government trade policies, as well as regional integration programmes such as the ECOWAS Trade Liberalization Scheme. NEXIM has continued to play its required role in enhancing Nigerian exports and contributing to the implementation and governance of the ECOWAS Trade Support Facility (Nexim Bank1, 2024). It is worth noting that the NEXIM Bank also provides business advisory services, short-term assurances for loans provided by Nigerian Banks to exporters, and credit insurance against political and commercial risks when foreign buyers failed to pay as obligated

(Nexim Bank, 2024). Similarly, the Nigerian Export-Import Bank, also known as NEXIM, focuses on non-oil and gas related commodities to ramp up Nigeria's exportation in these sectors. This addresses mainly the needs in key areas such as agriculture, manufacturing, and service in the form of short and medium-term loans to exporters. Despite the big roles being played by NEXIM Bank, there are several challenges that the bank is facing. These include inadequate or limited funding, inefficiencies as a result of bureaucracy and poor infrastructure. The impact of these issues on the overall effectiveness of NEXIM initiatives in expanding international trade in the country cannot be ignored or underestimated.

The NEXIM Export Credit Guarantee Scheme (ECGS) has been so structured as to protect banks in Nigeria against the risk of non-payment of loans and or advances granted to exporters for meeting short-term export finance obligations (Nexim Bank3, 2024). This came about because most of the commercial banks are always reluctant and, in some cases, are not willing to provide finance for export transactions especially at the pre-shipment stage as a result of the high risk of default at that particular stage. This initiative, coupled with the policy on trade and exchange, serves as an incentive to boost the confidence of the banks lending and the exporters. This is because low financial backing, and more transactional risks could be the factors that may reduce the success of all other policies. These schemes, therefore, aim at giving market access to Nigerian firms that are involved in international trade, and also at enhancing the trade infrastructure through the provision of short-term financing with cooperation from different stakeholders in trade transactions. While these schemes have considerably improved the effectiveness of trade finances, these programmes are not entirely free of blemishes either. Inconsistent policies, slow disbursement processes, and a greater requirement for private sector involvement are amongst the key shortcomings that remain major hurdles.

The Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) is a non-bank financial institution wholly owned by the Central Bank of Nigeria. To be established for the redefinition, measurement, re-pricing, and subsequently sharing of credit risks related to agribusiness in Nigeria (NIRSAL, 2024). This organization focuses on the risk management relating to agriculture, facilitation of finance, and development of projects concerning agribusiness, and to date, the organization has facilitated more than ₦219,592,603,303.52 worth of Agriculture and Agribusiness (NIRSAL, 2024). Basically, the main purpose of NIRSAL is to raise agricultural production and thus guarantee food security. Insurance products targeted at taming the financial risks attached to agricultural investments are the body's guarantees, hence motivating enough for owners of such investments to upscale the private sector participation in agriculture. So far, NIRSAL has been successful in enhancing agricultural financing and propping up smallholder farmers. Despite the above, it still has its own limitations which are not limited to the fact that small-scale farmers have inadequate access to these services and implementation of risk-sharing procedures needs review to benefit all the stakeholders.

These stylized fact serves to establish that many facets of government trade finance effectiveness in Nigeria and also its challenges. However, despite these governments' efforts in trying to contribute to trade and investment in the country, there are still areas that need improvement. This is especially in terms of communication. The majority of Nigerians in the SME sector both in urban and rural areas, and the small-scale farmers in the rural area, do not have good information about these initiatives and what they stand for. This limits the number of would-be beneficiaries that would have benefited from the initiatives and may likely trigger the economic growth of the country through their contribution in international trading.

1.2 ProblemStatement

Despite the Nigerian government launching many trade financing initiatives, there remains the necessity for rigorous appraisal of their performance effectiveness. Trades in the country still find it hard to access trade financing. Unfortunately, the country lacks the principle of effectively monitoring the impact evaluations of policies. Coupled with a few pragmatic studies on the success of these government programmes which point to the necessity of a thorough assessment of how efficient the government trade finance initiatives in Nigeria are. Directly assessing these initiatives is imperative tounderstanding the part they are playing in the entire trade sector and consequently the growth of the Nigerian economy.

Among the particular tacks of the review of the success of governmental measures, a quite vicious case denies that. The issues arethe adequacy of the financial products supplied, the proximity and availability of such products to the specific beneficiaries, and their general influence on trade and economic growth. A very strong empirical study is essential to check if the available trade finance products suit the requirements of businesses and help trade activities as much as possible in the country.While existing research on this issue is limited, preliminary observations and low volumes of international trade (Ngwu & Ojah, 2024) suggest that the strength of these initiatives may be inadequate. This points to the fact that the programmes may not be effectively reaching their target beneficiaries, particularly those in the SME's and emerging businesses.

When the above is considered, it is obvious that an extensive evaluation of these initiatives is required. It is such an assessment that would ensure that the strengths and weaknesses of the programmes are known and consequently provide insightful ways these can be improved for the enhancement of effective trade and economic development.Therefore, this paper intended tofurther the discourse on how effective the government trade finance initiatives in Nigeria are. It seeks to further research on the subject, with the hope of formulating sound policies, which in turn should boost the efficiency of the programmes in place, thus enabling the country to reap the maximum benefits. Moreover, the emphasis is on strengthening the aid for participants in international trade, especially small and medium-sized enterprises (SMEs) and in developing economies.

2.0 Literature Review

The literature review will critically discuss a variety of scholarly works in relation to the topic and try to find varied views from different researchers. This analysis is compartmentalized under four different headings. The first one, Global Perspective, will consider trade finance initiatives executed in different countries in order to present a contextual background. The second category is the Theoretical Framework, which comprises relevant theories and models that are related to trade finance and governmental interventions, such as financial intermediation theory and models of trade liberalization. The third category summarizes prior research that has assessed the effectiveness of trade finance initiatives in Nigeria and similar environments. Finally, the review outlines the Gaps in Literature, indicating those areas that were not taken into consideration during previous studies and proposing several directions in which future research may take place in order to fill such gaps.

2.1 Global Perspective

Similar to those in Nigeria, many of the African countries have a number of trade finance initiatives. Of the numerous initiatives in this regard, some are regional and some are for the entire continent or for some selected countries. Examples include African Trade Insurance Agency, ATI, which covers countries including Benin, Burundi, Côte d'Ivoire, Democratic Republic of Congo, Ethiopia, Kenya, Madagascar, Malawi, Rwanda, South Sudan, Tanzania, Uganda, Zambia, and Zimbabwe (as shown in Figure 1). This organization, in the year 2000, commissioned a study that was funded by the World Bank into why the region was unable to attract an adequate level of FDI. It emerged that political risks were one of the deterring factors against investments within the region (ATIDI, 2024).

In response to the findings of the study, the African Trade Insurance Agency (now known as African Trade & Investment Development Insurance, or ATIDI) was established as a multilateral organization and was recognized by the United Nations (UN). Its primary objective is to make available various insurance products and guarantees that are formulated to boost trade and investment in Africa (ATIDI, 2024). ATIDI offers a range of solutions that include insurance against failure to honor sovereign or sub-sovereign obligations, political risk investment insurance, credit risk insurance, surety bonds, and energy solutions, such as the Regional Liquidity Support Facility and the African Energy Guarantee Facility (ATIDI, 2024). These products aim to safeguard trade and commercial activities in African continent.

The coverage of ATIDI's insurance extends to medium- and long-term infrastructure loans, protection against financial losses that is incurred from politically motivated violence, terrorism, and sabotage (IISD, 2020). The main goal of these policies is to improve access to financing for African businesses and at the same time mitigate against the risks that are associated with trade and investment, thereby boosting confidence among investors and lenders in the continent. Knowing fully well that a substantial portion of Africa's trade is deep-rooted in agriculture, the sector often faces some obstacles as a result of limited investment, worsened by the need for consumption-smoothing assets. This situation is particularly relevant for agricultural products, which suffer from lack or scarce insurance facilities and a pressing need for intertemporal consumption preferences (Ngwu&Ojah, 2024).

Aside from Nigeria, there are some other national initiatives among which is Kenya Trade Network Agency (Kentrade). This agency facilitates trade by providing a one-stop platform for trade and services information, with the sole aim of streamlining the processes of trade, reducing costs, and improving efficiency in trade logistics and documentation in the country. The services of this agency are mainly grouped into Single Window Services, InfoTrade Portal, HS codes, MSW Portal, and Business Intelligence (BI) Data for MPCNCC (KenTrade, 2024).

The single Window Services provide such services as simplifying trade processes for Kenya's competitiveness (Kenya TradeNet, 2023), Trader Portal, which provide directorate for different products and organizations in the country; these include coffee, fibre crops, food crops, industrial crops, nuts & oil crops, communication authorities, energy regulatory commission, anti counterfeit authority etc. Aside from these, they have other services such as providing portal for PGA, e-learning training for citizens and User Registration.InfoTrade Portal on the other hand provides info on the logistic hub in the region, a step-by-step guide on foreign trade procedure, information on the products that are to be exported from the country, trade databases, resources required to aid trade and trade facilitation repository (Kenya Trade Information Portal, n.d.). Another function of the body is to provide newly created codes for goods to be exported, update the descriptions of these codes, and share information on retired HS codes (KenTrade, 2024). MSW Portal provides notifications and latest information on trading activities and on the arrival schedule of vessels that bring goods to the country (Kenya TradeNet, 2023). And finally, the agency provides Business Intelligence data for the Multi-Agency Customs and Trade Coordination Committee (MPCNCC) which is a committee that is part of the trade facilitation framework in Kenya, intended to improve and streamline customs and trade processes (KenTrade, 2024).

The Regional Trade and Development Bank is an investment-grade African development financial institution with a total asset base of about USD 10 billion (Trade and Development Bank, 2024). It exclusively serves East and Southern Africa. The mandate of the bank touches on different trade finance services, including import and export activities, structured commodities, pre- and post-shipment, and issuing letters of credit, guarantees, and bonds (Trade and Development Bank, 2024). It also provides working capital solutions that are supplier-focused and involve receivables purchase finance and invoice discounting. The TDB trade finance operation focuses on key activities to support economic growth for its member states. These include the sourcing of strategic commodities, enhancement of high-value exports and diversification of exports, promotion of industrialization, facilitation of technology transfer and increment of productivity through the importation of equipment, strengthening of regional and national financial institutions, and advancing intra- and inter-African trade and regional integration (Trade and Development Bank, 2024).

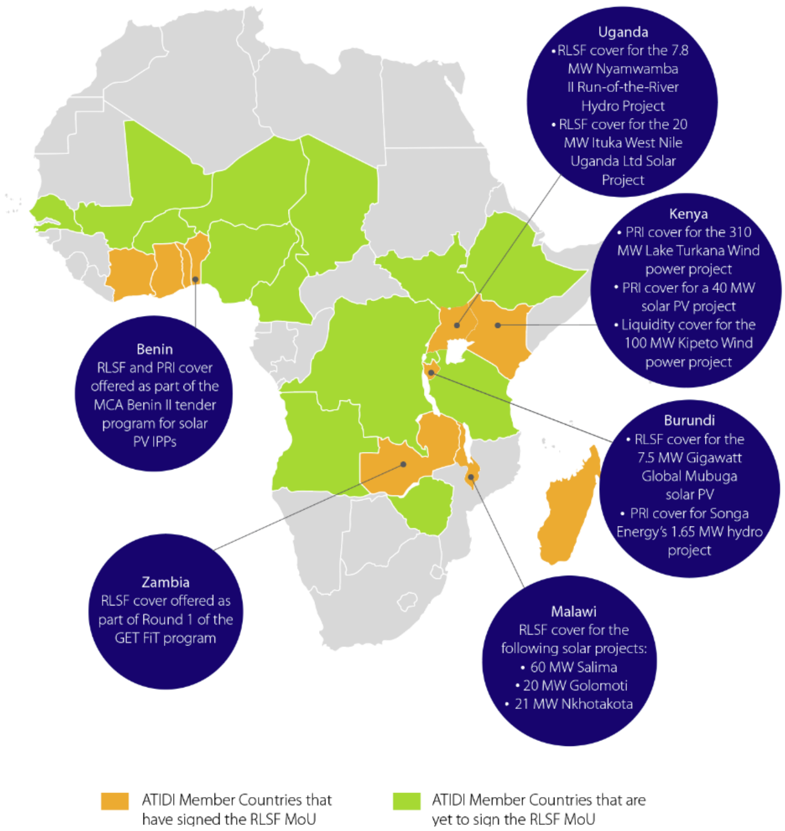

Figure 1: ATIDI Member Countries
Source: ATIDI Website (www.atidi.africa/our-solutions/energy-solutions/projects-and-initiatives-supported/)

The South African Reserve Bank (SARB) supports trade finance in various ways, through a number of programmes and initiatives aimed at improving the availability and affordability of trade finance for South African businesses. The bank through its financial surveillance is accountable for the regulation of international transactions to avert the abuse of the nation's financial system and also make provision to support the regulation of financial institutions in the country (South Africa Reserve Bank, 2020). There is also the Zambia National Commercial Bank (ZANACO) Trade Finance, this is a private sector entity that aspires to be Zambia's premier, preferred, and innovative financial products provider (Green Climate Fund, 2024). This bank offers trade finance products such as letters of credit, supply chain finance, bank guarantees, and documentary collections, all in a bid to support Zambian exporters and importers in managing their trade transactions (Zanaco, n.d.). The initiative will also try to focus only on issues that relate to problems of access to trade finance instruments by citizens, reduction of risks, and building greater business capacities in international trade.

3.0 Theoretical Framework

There are various theories that relate to international trade. Some of such theories include but are not limited to Absolute advantage, comparative advantage, Heckscher-Ohlin, Product Life Cycle, New Trade, Porter's Diamond, and Gravity Model of Trade Theory.

However, the Absolute Advantage theory was first proposed by Adam Smith. In this theory, it is claimed that a country should specialize and focus on producing a good if it can produce it more efficiently than another country. Then it should trade with other countries which are less efficient in the same commodity's production (Smith, 2003). The Comparative Advantage Theory on the other hand postulates that a country does not have any absolute advantage does not mean that it cannot benefit from trade by specializing in producing goods where it has a comparative advantage (Ricardo, 2004). This implies that such a country can produce goods for which it has the lowest opportunity cost compared to other goods where its opportunity cost is higher. If these goods are produced and traded in other countries where the country has a comparative advantage, then each country can benefit from the higher overall efficiency and increased consumption.

Moreover, the Heckscher-Ohlin on its own suggests that countries should produce and export goods that could be produced with their surplus and inexpensive factor of production and import goods that could not be produced with their cheap factor of production (Heckscher & Ohlin, 1991). The advantages of applying this theory to an international trading strategy of a country are immense: efficient utilisation of abundant resources of a country, increased economic welfare by promoting trade based on factor endowments that allow the country to export the goods that she could cheaply produce and import those goods that were expensive for her to produce. The greater this is, the better allocation of world resources and addition to sum economic welfare. More so, there will be diversification of production and consumption, enhancement of comparative advantage, reduction in trade barriers, and economic growth and development of the nation. Product Life Cycle Theory on the other hand suggests that products go through a life cycle that includes its introduction, growth, maturity, and decline (Vernon, 1966). This cycle affects international trade models between developed countries and developing countries at different stages of the cycle. New Trade Theory developed by Paul Krugman highlights the importance of economies of scale and network effect on international trade implying that despite the similarity in endowments, trade can still occur between these countries (Krugman, 1980). This is because firms in these countries can achieve economies of scale and differentiation within a framework of monopolistic competition. Hence, the produced goods are similar but not identical and allow each firm to differentiate its products and establish a position in the market.

Lastly, this section briefly looks into Porter's Diamond Theory and Gravity Model of Trade. The Porter's Diamond Model theorizes that the competitive advantage of countries is shaped by four interrelated factors, which are factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry (Porter, 1990). On the other hand, the Gravity Model of Trade borrows the analogy from gravity to explain that trading nations depend on economic size and distance. Anderson and Wincoop (2003) illustrate that large economies and closer distances usually result in high trade volumes while smaller economies that are farther away from each other will result in a low trade volume.

3.1 Previous Research

Different studies are carried out with regards to international trade and intra-regional trade among different blocs concerning their impacts on economic growth across different contexts and countries. Lai, Wang, and Xu (2021) under the study named Capital Controls and International Trade: An Industry Financial Vulnerability Perspective, researched the influence of capital control policies on economic growth and international trade. In fact, their results provide strong evidence that industries that are highly dependent on external financing are more severely hit by the imposition of capital inflow controls in exporting countries. Another related work is by Park (1991), who analyzed implications of not allowing individuals to hold foreign assets and allowing firms to trade foreign assets only to the extent necessary to finance exportation and importation activities. The result shows that even though the firms can undertake arbitrage between domestic and foreign financial markets, this does not dampen the changes in the asset markets but instead passes them on to the domestic goods markets. However, effects of capital controls strongly affect the dynamic forces and equilibrium responses to different types of shocks. And under controls on capital, the domestic interest rates can also stay very volatile (Park, 1991). This means that companies can exploit the price wedge between domestic and international financial markets through arbitrage-they can borrow at lower interest rates domestically and invest in higher-return markets abroad. This process also helps eliminate some of the inefficiencies in financial markets. Not all distortions in asset markets are, however, completely eliminated by arbitrage. Remaining imbalances include discrepancy in prices of capital assets and interest rates are then usually shifted to the other areas of the economy, including domestic goods market.

Capital controls, which are regulatory measures imposed to manage capital flows, can influence the allocation of capital and the functioning of financial markets. These controls significantly affect how an economy responds to economic shocks and can alter its long-term equilibrium. Despite the implementation of capital controls, domestic interest rates may still experience substantial volatility due to ongoing economic uncertainties and market fluctuations. Thus, while arbitrage can mitigate some distortions, the effects of capital controls can still lead to significant instability in domestic interest rates. However, the effect of capital control guidelines on trade affects a firm’s direct access to foreign capital and has significant impactson domestic credit availability especially through their impact on commercial banks’ access to international markets (Lai, Wang & Xu, 2021). And they affirm that there is confirmation that an exporting economy’s capital control regulation has a changing effect depending onthe ability of the industry to access funding and provision of assurance to investors, proxy-measured by asset tangibility (Lai, Wang, & Xu,2021). This implies that the impact of capital controls on an exporting economy's industries can differ based on how tangible their assets are. Industries with more tangible assets are generally better at securing funding and reassuring investors, which can influence how significantly they are affected by capital controls. Hence, a capital control policy in an exporting economy varies, depending on how easily industries within that economy can access funding and gain investor confidence. This ability is often measured using asset tangibility, which refers to the proportion of an industry's assets that are physical or tangible such as machinery or real estate rather than intangible like intellectual property or brand value.

Many factors have influence on international trade, and research by Kumar, et al., (2023) confirmed the strong effect of currency exchange rate volatility on international trade has a. Their study reveals a complex and unstable relationship between the impacts of exchange rate volatility on different exporters, sectors, and regions. Therefore, to endure in the international trading market, an organization's focus should be on how to handle and adapt to the volatility of the exchange rates especially in developing countries where there is a high volatility of the exchange rate. There are many other studies on the effects of exchange rates on international trade and their findings are mostly a complicated relationship. For instance, McKenzie, (1999) using a critical analysis method to analyze the impact of exchange rate volatility and international trade flow shows an ongoing complexity in the relationship between these variables and a lack of conclusivepragmatic evidence for theoretical models, which suggests both favorable and unfavorable effects. Bahmani-Oskooee and Hegerty (2007) in their research article on Exchange rate volatility and trade flows revealed contradictory effects of exchange rate volatility on international trade flows. Thishighlights the dual possibilities of uncertainty of this effect inreducing trade or possibly stimulating it, as international traders might increase the volume of their trade to make room for a balance for any potential loss due to the exchange rate volatility (Bahmani-Oskooee and Hegerty, 2007). In a literature review carried out by Auboin and Ruta (2013) which critically analyzed the relationship between the exchange rates and international trade, she found that on average, volatility has a somewhat unfavorableeffect on trade. Their reviews also reveal that the effects of currency misalignments are expected to fade as time passes on, as long as there are no other disruptions.

Financing the security of international trade is another study from the surveyed literature. A research article by Dulbecco and Cerdi (2005) identified the modalities of financing international trade security,particularly in developing countries. It is believed that the level of international trade in developing countries is not at par with other regional blocs and it remains dismal (Ngwu&Ojah, 2024). Hence, urgent steps need to be taken to at least make it considerably at an acceptable competitive level among the global regional blocs. Security in the context of this research is about the assurance of the protection of international trade logistics such as international transport systems that enhance the capacity to serve international trade (Dulbecco &Cerdi, 2005). In their research, Ngwu and Ojah (2024) postulated that there is still low intra-African trade despite the presence of various Regional Economic Communities (RECs) which have yielded just marginal benefits. The reasonsprovided by the researchers are weak linkages between institutions, high informality, and low social capital. However, reforms on the ground especially the formation of the African Continental Free Trade Area (AfCFTA) have not yielded themuch expected high intra-Africa trade. One of the unsaid causes of this is the lack of a strong and effective modality for financing international trade security among the member countries of AfCFTA.

Researchers are interested in understanding how markets can support the growth of countries in addition to simply expanding overseas. An interesting example is provided by the analysis of Srdelić and Dávila-Fernández (2024) who state that the growth of all sectors of the Croatian economy for about two decades has been influenced paradigmatically by changes in world economic order and that the rate of economic development of the country is within the balance – of – payments framework. This implies that the dynamic Harrod trade multiplier is a good indicator of the long-run growth rate of any given country (Srdelić&Dávila-Fernández, 2024). Assessing the synergy between trade and finances in the U.K. and the U.S.A., it is likely that the authors will address a number of dimensions. In their paper, they primarily focused on the period before WWI (1870-1913) for the United Kingdom and the period between the World Wars, i.e. 1920-1930. These countries were selected for investigation as big capital under their influence was extended to the regions outside their geographical borders. The case studies have illustrated the link between trade and finance within two countries. Despite the return on investment, significant earnings from bonded investments in the U.K. were realized which were made possible by increased trade flows. Like the previous phase, the interwar period saw an increased U.S. investment which in turn led to enhanced trade performance with its trading partners.

3.2 Gaps in the Literature

The literaturereview shows some gaps in the existing research about trade finance and what it means. One big gap is that we don't have many thorough studies comparing different regional trade finance models. We have a lot of info on trade finance projects in specific countries or areas, such as the African Trade & Investment Development Insurance (ATIDI) and Kenya Trade Network Agency (Kentrade). However, we don't have much research that looks at how these regional approaches stack up against others in different parts of Africa or around the world. If we had more of these comparison studies, we could learn a lot about what works best and where we can make trade finance strategies better.

Another area requiring further study is how well trade finance programmes work in developing nations such as Nigeria. While broad research on trade finance exists, we lack in-depth reviews of how specific programmes affect local economies, industries, and businesses. More targeted research could look into these programmes' direct impact on small and medium-sized enterprises (SMEs) and how they help sustainable economic growth in developing areas. Theoretical frameworks like Heckscher-Ohlin Theory and New Trade Theory give useful views on trade patterns, but we still need to link these ideas with real-world trade finance models and policies. Future studies could examine how well these theories match up with actual trade finance practices and spot any differences between theoretical predictions and actual outcomes.Also, while studies on capital controls and their effects on international trade exist, there's not much research on how these controls affect trade finance mechanisms. Researchers have looked into the broader impacts of capital controls, but we need more studies to understand how they influence the availability, costs, and effectiveness of trade finance in both exporting and importing countries.

The reviewed literature on the relationship between exchange rate vulnerability and foreign trade paints a complicated and sometimes conflicting picture of reality. One of the areas that need attention for further research is the impact of exchange rate fluctuations on trade finance. This includes the usual foreign exchange risk management and the stability of trade finance systems. There is also a research gap in the area of security and risk management for trade finance. In trade finance, security is seen as an integral part, nevertheless, the effectiveness of different risk management techniques and security measures is poorly comprehended. Further studies could analyze the effect of various security frameworks on trade finance efficiency and the confidence of investors.

In conclusion, while great attention is being paid to the connection between international trade and economic growth, the exact way trade finance contributes to this relationship is still relatively underexplored. While the available studies give useful insights into the subject, more research is needed in which the direct relationship between trade finance and economic growth rates and development trajectories is examined, particularly in emerging and developing economies. Solving these issues could be of great importance for improving and applying the policies and practices related to trade finance.

4.0 Methodology

This paper, therefore, uses available literature to conduct a thematic analysis of existing literature to identify predominant themes, patterns, and trends in the field. This approach to the literature review allows for an analytical development of the central concepts and perceptions of the subject matter under review. This will be a comparative study of the results of different studies and theoretical approaches; therefore, it will also represent convergences and divergences of the reviewed literature. This approach will enable nuanced and detailed conclusions to be drawn.Also, the paper critically appraised the materials reviewed, taking into consideration the methodological strength, validity, and scientific contribution of each source. In fact, such a review entails a systematic analysis of strengths and weaknesses of literature under review in relation to strengths of research designs and robustness of the findings. This is an informative balancing review and, as such, succeeded in providing the needed information as to the status of current research, its effectiveness, and gaps in the existing body of knowledge that are worth further research.

4.1 Findings and Discussions

Successes and continuing challenges have indeed characterized the history of government trade finance programmes in Nigeria. Indeed, some of the most notable examples of such programmes include the NEXIM and the CBN's NIRSAL, which have greatly contributed to the development and diversification and expansion of sectors such as agriculture and manufacturing. This has contributed to the diversification and broadening of the Nigerian economy away from oil and has encouraged non-oil exports.Alongside such developments, however, a host of intractable problems is seen to undermine the effectiveness of such programmes or policies: inadequate funding, bureaucratic inefficiency, and uncoordinated policies delay their implementation or delivery on time in a proper manner. Likewise, poor infrastructure and corruption contribute further to frustrating their success. Also significant is the limited reach and awareness of these programmes among SMEs and small-scale farmers. This would bar many potential beneficiaries from using the available support simply because they do not know about the policies.

5.0 Conclusion and Recommendations

Main things that would reinforce the impacts of such initiatives by Nigeria in trade finance are improvements in the communication strategies that increase awareness and hence increase the uptake of such programmes. Secondly, simplifying the procedures accessing applications and speeding up procedures will reduce delays and enhance provision of business finance assistance. Further funding is also required to fill the existing gaps in the current provisions so that the services offered are rendered more relevant, especially to intended beneficiaries such as the SMEs and smallholder farmers.

Equally important will be encouraging increased involvement of the private sector to overcome the various limitations at present and introduce innovative solutions. Well-thought-out monitoring and evaluation frameworks will, in turn, provide valuable insight into programme effectiveness and support evidence-based improvements.In a nutshell, although the trade finance initiatives of Nigeria have indeed posted remarkable achievements in the areas of promoting trade and diversification of the economy, some constraints that are preventing full realization of their potentials are underfunding, bureaucratic inefficiency, policy inconsistency, and insufficient outreach. The measures recommended will ensure, therefore, that the initiatives are strengthened further in facilitating access by SMEs and small-scale farmers to higher support for stronger economic growth and international competitiveness of the country.

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