The Impact of Government-Guaranteed Export on Working Capital Loan Programs in Kingdom Saudi Arabia (KSA):

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Abstract

This paper studies the impact of government guaranteed export on (WCLPCs) working capital loan programs in Kingdom Saudi Arabia (KSA). These guarantees automatically granted to exporters firms if needed to supports them to covers their costs to prepare goods or services to importers before receive the transfer of contracting, except following method of payments in foreign trade open account or letter of credit situations. In addition, guarantee programs is not only increasing the availability of loans to small and medium enterprises (SMEs) of exporters in (KSA), but in also improving the ex-post performance of borrowing exporters firms. The government agency in charge of implementing this policy. Using propensity score matching and difference-in-differences, we found that exporters firms that funds access to credit backed by the KSA Government Funds (GFs) are able to grow in terms of both output and employment. However, we did find impact on Working Capital Loan Programs in countries from government guaranteed export. In wages, investment, inventories, assets, others need expenses of exporters firms. These results suggest that exporters firms use the new funds as working capital loan programs from government to grow their businesses before receivable the transfer from importers outside of their country rather than for investment in new durable goods that increase their capital stock.

Keywords: government guaranteed export, working capital loan programs, exporters firms, contracting, and method of payment, KSA, and importers.

JEL Classification: C12, G32, M41

Introduction:

The Government guaranteed export have existed for a very long time, with the new and oldest exporters firms dating back to the nineteenth century. However, it was not until the 1990s that these instruments gained notoriety and expanded worldwide. Since then, brand new schemes have appeared in many countries and existing schemes have reformed, expanding their scale and outreach.

The Kingdom Saudi Arabia government guaranteed export supports working capital in exporters firms first and second to all firms activities, and this is a very important component of corporate finance, because it directly affects the liquidity to prepare the goods, services to importer and profitability of the companies. It deals with current assets and current liabilities helping exporters firms. However, it is important due to many reasons. Firstly, the current assets of typical contracting firms' accounts for over half of its total assets. For a distribution companies, which inter to foreign trade to exporters. The main objective of working capital is to maintain an optimal balance between each of the working capital components. Business success heavily depends on the financial executives' ability effectively manage receivables, inventory, and payables inside firms.

The government-guaranteed export financing offered by commercial lenders on export inventory and foreign accounts receivables is not always sufficient to meet the needs of country exporters firms. Early-stage small and medium-sized exporters are usually not eligible for commercial financing without a government guarantee. In addition, commercial lenders are generally reluctant to extend credit due to the repayment risk associated with export sales. In such cases, government-guaranteed export working capital (EWC) loans can provide the exporters firms, with the liquidity to accept new business, can help grow export sales, and can let country firms compete more effectively in the global marketplace. Two the government agencies Small Business Administration (SBA) and the Export–Import Bank of the country (Ex–Im Bank) offer loan guarantees to participating lenders for making
export loans to their businesses. Both agencies focus on export trade financing, with (SBA) typically handling facilities up to $few million and Ex–Im Bank processing facilities of all sizes. Through government-guaranteed (EWC) Export on Working Capital loans, KSA. Exporters can obtain financing from participating lenders when commercial financing is otherwise not available or when their borrowing needs are greater than the lenders’ credit standards would allow.

Literature review:

According to research by (UESUGI Iichiro and SAKAI Koji) the Effectiveness of Public Credit Guarantees in the Japanese Loan Market - The Research Institute of Economy, Trade and Industry (RIETI Discussion Paper Series 06-E-004) (February 2006). The effectiveness of public credit guarantee programs is not only increasing the availability of loans to small and medium enterprises (SMEs). Using a unique panel data set, we identify the effects of a massive credit guarantee program implemented by the Japanese government from 1998 to 2001. While we do find that, the availability of loans increased for program participants, when loans provided by undercapitalized banks the increased liquidity persisted for only a few years.

In order to examine the research by Levitsky (1997) credit guarantee scheme began appearing in the Philippines as far back as 1952, then appeared in Indonesia, Malaysia, Pakistan, Korea, etc in the 1970’s; and Chile, Columbia, India and Thailand in the 1980’s.

In addition, this studies can be examine the first credit guarantee schemes were established in Europe in the 1840s (Deelen – Molenaar 2004). Until 2003, there were 2250 credit guarantee schemes existing and operated in 100 countries in the world (Green 2003). In particular, many countries chose the credit guarantee as a financial instrument to deal with the financial crisis in 2008. Countries used credit guarantee schemes as a support for SMEs to easily access finance and overcome financial crisis (Uesugi et al. 2010). Thus, it can said that credit guarantee scheme has become a trend and it applied in most of the countries around the world. So what is the reason for the rise of credit guarantee schemes in the world?

The research from the World Bank Malaysia Hub (No. 11, Nov 2017) - Facundo Abraham and Sergio L. Schmukler. Are Public Credit Guarantees Worth the Hype? Credit guarantee schemes have existed for a very long time, with the oldest schemes dating back to the nineteenth century. However, it was not until the 1990s that these instruments gained notoriety and expanded worldwide. Since then, brand new schemes have appeared in many countries and existing schemes have reformed, expanding their scale and outreach. By 2015, they were present in virtually every country in the world (Pombo, Molina, and Ramírez Sobrino 2015).

According to research of evidence on economic additionally, also mixed. Guaranteed loans have found to increase employment in the United States (Craig, Jackson, and Thompson 2008) and Central and Eastern Europe (Asdrubali and Signore 2015).

In the Republic of Korea, firms participating in public credit guarantee schemes increased their sales and survival rates (Oh et al. 2009).

Similarly, the French loan guarantee program led to higher growth of participating firms relative to nonparticipating ones (Lelarge, Sraer, and Thesmar 2010). In contrast, credit guarantees do not seem to have increased the performance of firms in Italy (D’Ignazio and Menon 2013). Furthermore, there is evidence that in Japan the performance of firms that received guaranteed loans not only did not increase but also even deteriorated.

The research by Stiglitz and Weiss (1981) pointed out that in order to protect them and to avoid adverse selection banks often raise the cost of bank debt or limit credit for SMEs when SMEs are not ready to get funds at higher price. In particular, for the SMEs with weak operations, increasing interest rate makes it difficult for them in accessing finance and they are not willing to pay higher interest rate. On the other hand, most of banks choose higher interest rates to avoid the risk of loans or rejecting loan demand of SMEs. Because of the relative weakness of SMEs compared with larger enterprises, banks often choose and prefer 146 Thai Binh Dang to lend to larger enterprises. It is understandable
that SMEs become the main targets to which “credit rationing” administered. Many SMEs have eliminated from market because of lack of access to loans. Thus, asymmetric information leads to adverse selection, which makes it difficult for SMEs to access finance.

The various studies have analyzed the relationship between working capital management (WCM) and firm profitability in various markets. The results are quite mixed, but a majority of studies concludes a negative relationship between (WCM) and firm profitability. The studies reviewed have used various variables to analyze the relationship, with different methodology such as linear regression and panel data regression. This section presents the chronology of major studies related to this study in order to assess and identify the research gap.

According to this research Falope and Ajilore (2009) examined the effects of working capital management on the profitability, used a sample of 50 Nigerian quoted non-financial firms for the period 1996 -2005. Their study utilized panel data econometrics in a pooled regression, where time-series and cross-sectional observations were combined and estimated. They found a significant negative relationship between net operating profitability and the average collection period, inventory turnover in days, average payment period and cash conversion cycle for a sample of fifty Nigerian firms listed on the Nigerian Stock Exchange. Furthermore, they found no significant variations in the effects of working capital management between large and small firms.

This research Chatterjee (2010) studied the relationship between working capital management practices and the profitability of listed firms on the London Stock Exchange. Using a sample of 30 UK firms and employing, the Pearson of data analysis technique, the study confirms a significantly negative association between profitability and working capital management variables. Specifically, the study observes a significantly negative relationship between profitability and liquidity, and significantly negative relationship between total debt and profitability. The study further finds a significantly positive association between profitability and firm size. The implication is that, profitability of firms increase when they improve upon their working capital management. Particularly, holding more liquid assets is important as it significantly enhances firms’ profitability. This is because assets can easily became sold off and the revenue re-invested in other relatively higher short-term assets and coupled with the fact that it also prevents court actions and its associated cost emanating from the firm’s inability to pay its short-term creditors. The findings further imply that a high level of debt use is unhealthy for the financial success of the firm whereas increases in sales encourage firm profitability.

The study of Konak and Güner (2016) researched the relationship between working capital management and firm performance of twenty-nine of thirty-three companies listed on the BIST SME Industrial Index from 2011 to 2014. To achieve this purpose, pooled OLS test and cross sectional time series. Analysis technique. Found statistically significant negative relationship between Net Margin and, Short Term Debt Turnover and Cash Conversion Cycle. It noted that although positive relationships exist for ROE, they were not significant at any levels. The analysis of relationships by using cross sectional time series demonstrates negative relationship between Net Margin and, Short Term Debt Turnover Days and Cash Conversion Cycle at 5% and 1% significance level respectively by selecting random effects. That means there is a relationship between working capital and firm performance.

All the above studies provide a solid base and give us idea regarding working capital loan programs, and working capital management in exporters firms or other companies. They also give us the results and conclusions of those researches already conducted on the different export and investment sectors and environments from different aspects. On basis of these researches done in different countries.

Methodology:

The purpose of this research is to contribute towards a very important aspect of financing to exporters firms from government-guaranteed export, and their impact on working capital loan programs in KSA, to support them in international trade. Here we will see the relationship between
impacts of government guaranteed export on working capital loan programs in KSA, on the foreign operations -contracting of exports sector. This section of the study discusses the impact data.

**Data Set:**

The data used in this study acquired from many export firms in KSA, construct in international trade sector, internet, central bank report (All financing Statement published – foreign trade sector (exports)) and websites of different firms. Data of firms listed for the most recent formed the basis of the calculations.

**Methods of Payment in International Trade:**

To succeed in today’s international trade (global marketplace) and win sales against foreign competitors, exporters must offer their customers attractive sales terms supported by appropriate payment methods. Because getting to paid in full and on time is the ultimate objectives for each export sale, an appropriate payment method must be chose carefully to maximize the insurance to receive payments from importers, and minimize the payment risk while also accommodating the needs of the exporters (buyer). There are four primary methods of payment for international transactions trade. During or before contract negotiations, you should consider which method in the figure is mutually desirable for both you and your customer.

1- **Cash-in-Advance (CD):**

The cash-in-advance payment terms, led the exporters can avoid credit risk because payment received before the ownership of the goods transferred. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters firms. However, requiring payment in advance is the least attractive option for the buyers, because it creates cash-flow problems. Foreign buyers are also concerned that the goods may not sent if payment made in advance. Thus, exporters who insist on this payment method as their sole manner of doing business may lose to competitors who offer more attractive payment terms.

2- **Letters of Credit (LC):**

The Letters of credit (LCs) are one of the most secure instruments available to foreign or international traders. An LCs are a commitment by a bank on behalf of the importer (buyer) that payments will made to the exporter, provided the terms and conditions stated in the LC have been met, as verified through the presentation of all required documents come from importers. The importers (buyers) pays his or her bank to render these services. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer’s foreign bank. An LC also protects the buyer because no payment obligation arises until the goods have shipped or delivered as promised. The illustrative Letter of Credit Transaction, the importer arranges for the issuing bank to open an LC in favor of the exporter. Issuing bank transmits the LC to the nominated bank, which forwards it to the exporter. Exporter forwards the goods and documents to a freight forwarder. The freight forwarder dispatches the goods and submits documents to the nominated bank. Nominated bank checks documents for compliance with the LC and collects payment from the issuing bank for the exporter. Importer’s account at the issuing bank debited. The issuing bank releases documents to the importer to claim the goods from the carrier and to clear them at customs.

3- **Documentary Collections (DC) or (document against payment) (DAP):**

The documentary collections (D/Cs) are a transactions whereby the exporters firms entrusts the collection of a payment to the remitting bank (exporter’s bank), which sends documents to a collecting bank (importer’s bank), along with instructions for payment. Funds or payment received from the importers and remitted to the exporter through their banks involved in the collection in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment) or on a specified date (document against acceptance). The draft gives instructions that specify the documents required for the transfer of title to the goods. Although
banks do act as facilitators for their clients, D/Cs offer no verification process and limited recourse in the event of non-payment. Drafts are generally less expensive than LCs.

4- Open Account (OA):
An open account operations are a sale where the goods shipped and delivered before payment is due, which is usually in 30 to 90 days or extensions to 180 days. Obviously, this option is the most advantageous option to the importer in terms of cash flow and cost, but it is consequently the highest risk or disadvantageous option for an exporters firms. Because of intense competition in export markets, foreign (importers) buyers often press exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may lose a sale to their competitors. However, the exporter can offer competitive open account terms while substantially mitigating the risk of non-payment by using of one or more of the appropriate trade finance techniques, such as export credit insurance. To succeed in today’s (International trade) global marketplace and win sales against International trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer). In additional, exporters, any sale is a gift until payment received, therefore, exporters want to receive payment as soon as possible, preferably as soon as an order placed or before the goods sent to the importer. For importers, any payment is a donation until the goods received, therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferably until after the goods resold to generate enough income to pay the exporter.

Comparison: Commercial Facility versus Government-Guaranteed Facility in Kingdom of Saudi Arabia:
Table 1.1 is an example of how a government-guaranteed export loan from a lender participating with Small Business Administration (SBA) or Export and import Bank (Ex–Im Bank) can increase your borrowing base against your total collateral value. Advance rates may vary depending on the quality of the collateral offered.

<table>
<thead>
<tr>
<th>Borrow up to SR 2.55 million against your collateral value of SR 3 million</th>
<th>Commercial Facility Without a Government Guarantee</th>
<th>Commercial Facility With a Government Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>COLLATERAL</td>
<td>VALUE</td>
<td>Advance</td>
</tr>
<tr>
<td>Export inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>300,000</td>
<td>20%</td>
</tr>
<tr>
<td>Work-in-process</td>
<td>200,000</td>
<td>0%</td>
</tr>
<tr>
<td>Finished goods</td>
<td>500,000</td>
<td>50%</td>
</tr>
<tr>
<td>Export accounts receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On open account</td>
<td>400,000</td>
<td>0%</td>
</tr>
<tr>
<td>By letter of credit</td>
<td>1,600,000</td>
<td>70%</td>
</tr>
<tr>
<td>Total collateral</td>
<td>SR3,000,000</td>
<td></td>
</tr>
<tr>
<td>Total borrowing base</td>
<td>SR1,430,000</td>
<td>SR2,550,000</td>
</tr>
</tbody>
</table>

Explanation of the SBA’s Export Working Capital Program in in Kingdom Saudi Arabia (KSA):
1) Exporters must meet (SBA) Small Business Administration eligibility and size standards.
2) There is no application fee and no restrictions regarding foreign content or military sales. (1)
3) A 0.25 percent upfront facility fee based on the guaranteed portion of a loan of 12 months or fewer.
4) Fees and interest rates charged by the commercial lender are negotiable.
5) The “Export Express” pilot program can provide exporters and lenders a streamlined method to obtain (SBA) Small Business Administration -backed financing for (EWC) Export on Working Capital loans of up to SR 250,000. With an expedited eligibility review, a response may be obtain in fewer than 24 hours. For more information, visit the (SBA), Web site at www.sba.gov and click on the dropdown menu for “International Trade”.

(1) ((SBA) Small Business Administration encourages the use of KSA-made products, if feasible. Borrowers must comply with all export control requirements)

Export and import Bank (Ex–Im Bank’s) Export Working Capital Program:

a) Exporters must adhere to the Bank’s requirements for content, non-nuclear uses, non-military uses, and environmental and economic impact and to the Country Limitation Schedule.

b) There is a non-refundable SR 100 application fee.

c) A 1.5 percent upfront facility fee based on the total loan amount and a one-year loan but may be reduce to 1 percent with export credit insurance and if designated requirements are met.

d) Fees and interest rate charged by the commercial lender are usually negotiable.

e) Enhancements are available for minority- or woman-owned, rural and environmental firms.

The Risk Mitigation:

Government guarantees on export loans do not make exporters immune to the risk of nonpayment by foreign customers. Rather, the government guarantee provides lenders with an incentive to offer financing by reducing the lender’s risk exposure. Exporters may need some form of risk mitigation, such as export credit insurance, to offer open account terms.

Export Credit Insurance:

The export credit insurance (ECI) protects an exporter of products and services against the risk of non-payment by a foreign buyer. In other words, ECI significantly reduces the payment risks associated with doing international business by giving the exporter conditional assurance that payment will made if the foreign buyer is unable to pay. Simply put, exporters can protect their foreign receivables against a variety of risks that could result in non-payment by foreign buyers. ECI generally covers commercial risks, such as insolvency of the buyer, bankruptcy, or protracted defaults (slow payment), and certain political risks such as war, terrorism, riots, and revolution. ECI also covers currency inconvertibility, expropriation, and changes in import or export regulations. ECI is offered either on a single-buyer basis or on a portfolio multi-buyer basis for short-term (up to one year) and medium-term (one to five years) repayment periods. ECI allows exporters to offer competitive open account terms to foreign buyers while minimizing the risk of non-payment.

This even credit worthy buyers could default on payment, due to circumstances beyond their control. With reduced non-payment risk, exporters can increase export sales, establish market share in emerging and developing countries, and compete more vigorously in the global market. When foreign accounts receivables are insured, lenders are more willing to increase the exporter’s borrowing capacity and to offer attractive financing terms.

Legal framework of insurance:

Legal framework of insurance important for evolved in time, continuously improving. It is composed of two categories of sources: internal and international. The internal sources in the matter of insurance are the 2009 Civil Code and a series of special laws. Amongst such laws, the most important are Law No. 136 of 29 December 1995 on insurance and reinsurance in Romania and Law No. 32 of 3 April 2000 on insurance companies and supervision of insurance, norms that went through numerous amendments and additions. In the international law, we can distinguish several conventions as sources, especially multilateral conventions. Amongst them, we remind 1919 Paris Convention, International convention concerning the carriage of goods by rail (CIM), 1929 Warsaw Convention and 1955 Hague Protocol, 1980 Vienna Convention. The EU sources are the Treaty of Rome and the European directives.
Coverage:

Short-term ECI, which provides 90 to 95 percent coverage against commercial and political risks that result in buyer payment defaults, typically covers:

1. Consumer goods, materials, and services up to 180 days.
2. Small capital goods, consumer durables, and bulk commodities up to 360 days. Medium-term ECI, which provides 85 percent coverage of the net contract value, usually covers large capital equipment up to five years. Export Credit Insurance-ECI, which is often incorporated into the selling price, should be a proactive purchase exporters already have coverage before a customer becomes a problem.

Where Can I Get Export Credit Insurance?

Export Credit Insurance-ECI policies are offered by many private commercial risk insurance companies, as well as the Ex–Im Bank, which is the government agency that assists in financing the export of U.S. goods and services to international markets. U.S. exporters are strongly encouraged to shop for a good specialty insurance broker who can help them select the most cost-effective solution for their needs. Reputable, well-established companies that sell commercial ECI policies easily found on the Internet. You may also buy ECI policies directly from Ex–Im Bank. In addition, a list of active insurance brokers registered with Ex–Im Bank is available.

Private-Sector Export Credit Insurance:
1. Premiums are individually determined based on risk factors and may be reduce for established and experienced exporters.
2. Most multi-buyer policies cost less than 1 percent of insured sales, whereas the prices of single-buyer policies vary widely due to presumed higher risk.
3. The cost in most cases is significantly less than the fees charged for letters of credit.
4. There are no restrictions regarding foreign content or military sales.

Ex–Im Bank's Export Credit Insurance:

a. Ex–Im Bank customers are advised to refer to the Exposure Fee Advice Tables (which are posted on the bank’s Web site www.exim.gov.sa under the “Tools” section) to determine exposure fees (premiums).
b. Coverage is available in riskier emerging foreign markets where private insurers may not operate.
c. Exporters electing an Ex–Im Bank working capital guarantee may receive a 25 percent premium discount on multi-buyer insurance policies.

Ex–Im Bank’s Export Credit Insurance:

 Enhanced support offered for environmentally beneficial exports.
d. Products must be shipping from the United States and have at least 50 percent KSA. Content.
e. Ex–Im Bank is unable to support military products or purchases made by foreign military entities.
f. Support for exports may be close or restricted in certain countries for KSA. Government policy reasons (for more information, see the Country Limitation Schedule posted on the bank’s Web site under the “Tools” section.

Export Factoring:

Export factoring is a complete financial package that combines export working capital financing, credit protection; foreign accounts receivable bookkeeping, and collection services. A factoring house, or factor, is a bank or specialized financial firm that performs financing through the purchase of invoices or accounts receivable. Export factoring offered under an agreement between the factor and exporter, in which the factor purchases the exporter’s short-term foreign accounts receivable for cash at a discount from the face value, normally without recourse. It also assumes the risk on the ability of the foreign buyer to pay, and handles collections on the receivables. Thus, by virtually eliminating the risk of nonpayment by foreign buyers, factoring allows the exporter to offer open accounts, improves liquidity position, and boosts competitiveness in the global marketplace. Factoring
foreign accounts receivables can be a viable alternative to export credit insurance, long-term bank financing, expensive short-term bridge loans or other types of borrowing that create debt on the balance sheet.

Two Common Export Factoring Financing Arrangements and Their Costs:

In discount factoring, the factor issues an advance of funds against the exporter’s receivables until money collected from the importer. The cost is variable, depending on the period and the dollar amount advanced. In collection factoring, the factor pays the exporter (less a commission charge) when receivables are at maturity, regardless of the importer’s financial ability to pay. The cost fixed, and usually ranges between, 1 and 4, percent, depending on the country, sales volume, and amount of paperwork. However, as a rule of thumb, export factoring usually costs about twice as much as export credit insurance.

Limitations of Export Factoring:
1. It exists in countries with laws that support the buying and selling of receivables.
2. It generally does not work with foreign account receivables that have more than 180-day terms.
3. It may be cost prohibitive for exporters with tight profit margins.

Forfaiting:

Forfaiting is a method of trade finance that allows exporters to obtain cash by selling their medium-term foreign accounts receivable at a discount on a “without recourse” basis. A forfeiter is a specialized finance firm or a department in a bank that performs non-recourse export financing through the purchase of medium-term trade receivables. Similar to factoring, forfaiting virtually eliminates the risk of non-payment, once the goods have delivered to the foreign buyer in accordance with the terms of sale. However, unlike factors, forfeiters typically work with exporters who sell capital goods, commodities, or large projects and needs to offer periods of credit from 180 days to seven years. In forfaiting, receivables normally guaranteed by the importer’s bank, which allows the exporter to take the transaction off the balance sheet to enhance key financial ratios. The current minimum transaction size for forfaiting is SR100,000. In the Kingdom Saudi Arabia, most users of forfaiting are large established corporations, but small and medium-sized companies are slowly embracing forfaiting as they become more aggressive in seeking financing solutions for countries considered high risk.

Three Additional Major Advantages of Forfaiting:
1. **Volume**: Forfaiting can work on a one-shot deal, without requiring an ongoing volume of business.
2. **Speed**: Commitments can be issue within hours or days depending on details and country.
3. **Simplicity**: Documentation is usually simple, concise, and straightforward.

Government-Assisted Foreign Buyer Financing:

International sales of high-value capital goods or services and exports to large-scale projects, which require medium- or long-term financing, often pose special challenges to exporters, as commercial lenders may be reluctant to lend large sums to foreign buyers, especially those in developing countries, for extended periods. One viable solution to these challenges is foreign buyer financing offered by the Export–Import Bank of the Kingdom Saudi Arabia (Ex–Im Bank). As the official KSA. Export credit agency, Ex–Im Bank supports the purchases of KSA. Goods and services by creditworthy foreign buyers who are unable to obtain financing they need through traditional commercial sources. Ex–Im Bank does not compete with commercial lenders but provides products that fill gaps in trade financing by assuming country and credit risks that the private sector is unable or unwilling to accept. With Ex–Im Bank’s foreign buyer financing, KSA. Exporters can turn their business opportunities into real transactions and get paid cash on delivery and acceptance of the goods or services.
Foreign Exchange Risk Management:

Foreign exchange (FX) is a risk factor that often overlooked by small and medium-sized enterprises (SMEs) that wish to enter, grow, and succeed in the global marketplace. Although most KSA. SME exporters prefer to sell in KSA. SR currency, creditworthy foreign buyers today are increasingly demanding to pay in their local currencies. From the viewpoint of a KSA. Exporter who chooses to sell in foreign currencies, FX risk is the exposure to potential financial losses due to devaluation of the foreign currency against the KSA. SR currency. Obviously, this exposure can be avoid by insisting on selling only in SR currency. However, such an approach may result in losing export opportunities to competitors who are willing to accommodate their foreign buyers by selling in their local currencies. This approach could also result in the non-payment by a foreign buyer who may find it impossible to meet SR currency-denominated payment obligations due to the devaluation of the local currency against the SR currency. While coverage for non-payment could covered by export credit insurance, such “what-if” protection is meaningless if export opportunities are lost in the first place because of the “payment in KSA. SR currency only” policy. Selling in foreign currencies, if FX risk is successfully manage or hedged, can a viable option for KSA. Exporters who wish to enter and remain competitive in the global marketplace.

Conclusion:

To conclude, the impact of Government-Guaranteed Export on Working Capital Loan Programs in Kingdom Saudi Arabia- can constitute useful mechanisms for increasing access to finance groups of (borrowers) exporters. However, their success and financial sustainability hinge on proper design. The disappointing experience with many public credit guarantee exporters, especially in developing countries, suggests that getting the design right might constitute a significant challenge. Moreover, rigorous evidence on the impact of Government-Guaranteed Export on Working Capital Loan Programs, in these country is still scare. There is a need for more in-depth evaluations that jointly take into account financial sustainability and additionally and that assess these exporters against alternative policy instruments. By developing the export innovative solutions to the specific problems that current and potential SME exporters face in their states, state governments can foster greater global engagement and strengthen economic growth in their metropolitan areas, to the benefit of their states and the KSA, economy as a whole.

Working capital Loan Programs is an important area of financial management, plays a vital role in companies’ financial decisions. The purpose of this study is to The Impact of Government-Guaranteed Export on Working Capital Loan Programs in Kingdom Saudi Arabia (KSA)- In fact effect of the working capital loans management is varying from company to company the effect of working capital cannot be generalized.

The study is finding:

- Government guarantees on export loans do not make exporters immune to the risk of nonpayment by foreign customers. Rather, the government guarantee provides lenders with an incentive to offer financing by reducing the lender’s risk exposure.
- Government guarantees on export loans make exporters support funds if they followed LCs (Letter of Credits) and OA (Open Account) in method of payment in foreign trade in (Table 1.1)
- It can said that credit guarantee scheme has become a trend and it applied in most of the countries around the world.
- Credit guarantee schemes have existed for a very long time, with the oldest schemes dating back to the twentieth century in KSA.
- Evidence on economic additionally, also mixed. Guaranteed loans have found to increase employment in the KSA.
- In the KSA, Exporters firms participating in public credit guarantee exporters increased their sales and survival rates.
The study recommended that:

- Exporters firms use the new funds as working capital loan programs from government to grow their businesses before receivable the transfer from importers outside of their country rather than for investment in new durable goods that increase their capital stock.
- Only LCs (Letter of Credits) and OA (Open Account) in method of payment in foreign trade must be used to all exporters in future in KSA. Because the government give facilities' (Guaranteed Export on Working Capital Loans) for Exporters.

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