ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF MARKETING MANAGEMENT

THE ASSESSMENT OF E- TRADE PRACTICES AND CHALLENGES OF PARTICIPANTS: IN THE CASE OF ETHIOPIAN COMMODITY EXCHANGE

BY

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I declare that this thesis is my original work and has not been presented in any other university/institution for consideration of any certification. This Thesis has been complemented by referenced sources properly acknowledged.

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This Thesis has been submitted for examination with my approval as University Advisor.

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ACRONYMS

ECX Ethiopian Commodity Exchange

ICT Information communication Technology

SMS Mobile Phone Short Message Service

SPSS Statistical Package for Social Studies

WRS Warehouse Receipt System

NMDT Non Members Direct Traders

IM Immediate Members

ABSTRACT

The purpose of this study an assessment of e-trade practices and challenges of participants: - within the case of Ethiopian commodities on this the subsequent research question answered 1.What is the main information source of Ethiopian commodity exchange trading system? 2. How has performed the regulation system of the ECX on the members representatives? 3. Is there any difference between e-trading, warehousing process and grading of the commodity? 4. What factor affects the ECX warehousing process and grading of the commodity? 5 Does E-trading practice affects marketing system of Ethiopian commodity exchange? *To assess those questions the researcher used quantitative and qualitative research design and 73 males and 53 females were selected participants randomly. A survey questionnaire was prepared to gather primary data, secondary data from the books and documents of the ECX, and other sources were also wont to augment the first data. The information was collected from a sample of 126 Ethiopian commodities exchange participants or members selected through sampling. So that, the data was analyzed through descriptive analysis and binary regression model by using SPSS version 26. The result shows that there have been network problems, biased sampling system and lack of adequate knowledge were the main challenges the researcher observed limited membership seat, membership seat fee, and occupation were found to be highly significant with the selection of membership category. aside from this consistent with the descriptive analysis lack of sampling system, higher penalty cost, higher membership seat fee, and transaction cost, were found to be a number of the constraints that hinder participants from the graceful functioning of transactions within the exchange. The researcher recommended the subsequent points the network system of the exchange was inefficient and practically affect E-trading activities. For the upper E-trading of the exchange, it should apply in enough, and proper network facilities should provide a higher concern and commitment in effectively and efficiently using ICT. The electronic trading system reduced price movement, it might cause lower volatility, lower risk within the market, and better liquidity by increasing the speed of transactions and lowering transaction costs, limiting informational asymmetries between trading interests, and increasing access to markets no matter one's geographical location.*

Key Words: *- E-trading, trading practices and trading challenges*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The economy we live in is era of globalization where any activities within the economy are going to be projected within the world market supported the strength of the economy of that nation. In globalization how the economy and commodity market exchange is organized and coordinated is increasingly became a fundamental concern of all nations across the planet. The method with main intention of linking of buyers and sellers in to commodity market place for the effective and efficient accomplishment of transactions among the participants is that the most challenging task. The liberalization of market with increasingly affordable information technology since 1990, commodity exchanges have mushroomed round the world. Commodity exchange provides a platform where traders and buyers from different parts of the planet participate in hedging and price discovery of any listed commodity (Bose, 2009). Instruments (contracts) traded on commodity exchanges include futures, options and other derivatives. Trading in these instruments began with floor trading, also called open outcry systems. In open outcry systems, traders assembled during a pit within the exchange and traded commodities by indicating their bids or offers to others within the pits. Commodity futures markets help with price discovery and supply how to hedge for producers and buyers of commodities (Thomas, 2008). Ethiopian commodities exchange was established in 2008 to revolutionize Ethiopian agriculture and transform the economy through a dynamic, efficient and transparent marketing system that serves all and essentially turns commodity into assets. Properly implemented and regulated, commodity exchanges can contribute greatly to the achievement of a country's economic and developmental goals and strengthen the bargaining power of weak groups such as small farmers. After ECX its establishment different studies were conducted to spot the trading practices and challenges of the participants of the commodities exchange. These studies were conducted during the manual trading system. consistent with the findings of Tollens, (2006) market information and commodity exchanges are often powerful instruments to inform participants about market conditions and costs, to seek out willing buyers, to empower them by making the transactions more equal and fairer, to tell them about the optimal timing of buying

and selling, to induce them to store optimally and to plan ahead, making better informed optimal production and marketing decisions. The main purpose of this study is to assess what the e trading practice seems like and to identify the constraints of the participants that arise from market information, storage (warehouse), quality grade (standard), regulation, and liquidity of the Ethiopian commodities exchange.

1.2. Statement of the Problem

According to Mukhebi (2004) high contract default, unreliable supply, volatile prices, poor information, unregulated actors, unreliable trading partners are taken because the major initiatives to establish commodities exchange and as interest in commodities has risen the range of available products has developed to satisfy the requirements of latest and existing investors. The Ethiopian commodities exchange is young established with bright vision and mission to contribute to the economic development of the country generally and to the individual participants at the grass root level. During a country like Ethiopia where a mostly agricultural society dominates, agriculture is the backbone of the country's development endeavor. Despite this agricultural product marketing weren't given much attention and weren't getting its real value for the last consecutive decades. Gebremedhin and Ian Goggin (2005) found that producers of agricultural products and the country at large were facing different challenges absence to ineffective use of commodities exchange. Despite its implementation commodities exchange progress in most developing countries were found to be a neighborhood of difference. Researches regarding to the Ethiopian commodities exchange participants are very limited and therefore the challenges of the participants aren't fully expressed and described so far.

This research is consequently planning to fill the research gap of the Ethiopian commodities exchange participants. Though ECX has launched regional e trade on three different places, but still at the head quarter the e trade system isn't efficient system for all the members' participants and other related challenges on ECX. The main reason the researcher was interested in surveying e-trade at ECX is because of the constant problem going on at the e-trade center for different commodities. One of the many issues is that the servers stop working on a weekly basis; at least twice a week servers are down at the peak trading season. Down servers cause trade sessions to be transferred to be delayed. This means that anyone trading has now lost precious hours that could be used for their other jobs, this can also include other business lines. Another reason the

researcher studied this topic was that the researcher wanted to examine the potential impact of network interruption on the e-trade practices. Because it is undeniable fact that technology has improved trading system. However, the inefficient of the technology infrastructure has been its own implications, which lead to the choice of the researcher. As a matter of fact, the study is to investigate the gap in e trading practice and challenges at a meantime participants and NMDT usage of internet to streamline the market process got researcher attention.

Researches regarding to the Ethiopian commodities exchange participants are very limited and the challenges of the participants aren't fully articulated and described yet. This research is an effort to fill the research gap of the Ethiopian commodities exchange participants on electronic trading system and related challenges. The research paper has attempted to research the practices of ECX members' representatives on the web trading and related challenges that are encountered thanks to the ineffectiveness of the e-trade system, on the method of the warehousing and related the representative regulations. This paper tries to spot the challenges of the participants on the web trading and its feasibility through the research. The researcher's biggest motivation towards researching on e-trade at ECX is because of long work experience and the fact that the researcher observes a problem with the trading platform that can be fixed for the better. The researcher selected ECX as a study site mainly for the rationale that's the researcher work place and an honest understanding of the challenges and prospects of the study. This gives the researcher the chance to research the trading on Ethiopia commodities exchange at the e-trade and related challenges of the members' representatives.

1.3 Research Question

1. What is the main information source of Ethiopian commodity exchange E-trading system?

2. How has performed the regulation system of the exchange on the members' representatives?

3. Is there any difference between e- trading, warehouse process and grading of commodity?

4. What factor affects the ECX warehousing process and grading of the commodity?

5. How E- trading practice that affect marketing system of Ethiopian commodity exchange?

1.4. Objectives of the Study

1.4.3. General Objective

The overall objective of the study is to assess the e- trading practices and identify the challenges of participants of the Ethiopian commodities exchange.

1.4.2. Specific Objectives

1. To assess the tools and methods adopted by ECX to manage E-trading practice.
2. To descried the performance of regulation system of the exchange on the members' representatives.
3. To describe the difference between e-trading and warehouse process and grading of commodity.
4. To illustrate factors that affect ECX warehousing process and grading of the commodity.
5. To assess on the E-trading practices that affect marketing system of Ethiopia commodity exchange?

1.5. Significance of the Study

The Ethiopia commodity exchange has been improved its trading system. ECX offers an integrated warehouse system from the receipt of commodities on the basis of industry accepted grades and standards for each traded commodity by type to the ultimate delivery. Commodities are deposited in warehouses operated by ECX in major surplus regions of the country. The Electronic Goods Received notes are not negotiable, transferable or represent legal title to the deposited commodity. ECX Inventory Management system guarantees the quality and quantity of the commodity throughout the pre-determined period of storage. Moreover, ECX warehouses are insured at maximum coverage to protect against loss and damage of deposits. Little attention was given to variables which influence Ethiopian commodity exchange participant's success. Thus, study will assess the trading practice and identified the challenges of participants of the Ethiopian commodity exchanges that hindered the graceful functioning of the exchange. Hence, such studies are definitely important for the success of lately emerged Ethiopian commodities exchange. It helps for policy makers and project planners draw recommendations on the difficulty into account for better success within the field. Besides adding a brick to the body of data on the topic, the output of the study could even be informative for development practitioners

and donors interested to work and strengthen Ethiopian commodities exchange. Furthermore, the findings of this study can also use as a source for further research within the area.

1.6. Delimitation and Limitation of the Study

The study examined effectiveness and challenges of e-trade practices and of participants in the case of Ethiopian commodity exchange. The study was delimited to Ethiopian commodity exchange. The study was conducted during the year of 2020 G.C. The Ethiopian commodity exchanges focuses mainly on the Addis Ababa and Humera warehouse operations. There 556 members of the ECX in the e-trading system.

The ECX work has been expanding to different regional offices within the current conditions. For creating the study narrow and manageable the scope of the research is going to be delimited to the Addis Ababa and Humera warehouse operations commodities exchange participants. Because time, manageability of knowledge and budget shortage the researcher are going to be delimited its sample size in to 126 respondents. And these may have limitation on the results of the study.

1.7 Organization of the Study

The study is going to be organized in such how that it will give coherent flow of ideas to the essential findings. It's consisted of 5 chapters each with brief description. Chapter one addressed an introduction, background of the study, statement of the matter, objective of the study and scope of the study. Chapter two has presented the review of the related literature. Chapter three deals research methodology, method of knowledge analysis. Chapter four deals presentation and analysis of the data are going to be discussed in chapter. Finally, the paper is going to be ended up with summary, conclusions and recommendation on the fifth.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Reviews

2.1.1 Term Definition

According to UNCTAD (2005) commodity exchanges are defined in many different ways. For many observers in developed countries, a commodity exchange is a platform for the trade-in futures contracts (standardized contracts for the delivery of commodities at some time in the future) any other form of trade would not classify. In addition to the above commodity exchange is defined as a market in which multiple buyers and sellers trade commodity-linked contracts based on rules and procedures laid down by the exchange.

Parvez (2009) is defined as sale market where contracts on commodities are available for purchase or sale at an agreed price and delivery on a specified date. Or it is an association or a company or any other body corporate organizing futures trading in commodities for which license has been granted by regulating authority. And according to Gabremedhin and Gogggin (2005), a commodity exchange is defined as a central market place where sellers and buyers meet to transact in an organized fashion, with certain clearly specified and transparent "rules of the game ". In its wider sense, a commodity exchange is an organized marketplace where trade is funneled through a single, well-defined mechanism.

The Ethiopia Commodity Exchange [ECX] is an organized market place that brings buyers and sellers to trade standardized contracts using its floor-based trading system. In business, is an electronic trading platform also known as an online trading platform is a computer software program that can be used to place orders for financial product over a network with a financial intermediate.

Trading system: - Transaction orders for sales and purchases in standard lot sizes of standardized commodity grades (referred to as contracts) are, recorded on Order Tickets. The ECX automated back-office system ensures the existence and validity of the Warehouse Receipt backing the sale,

the availability of buyer funds in a deposit account, and where applicable the validity of the Member-Client agreement (http://www.ECX.com.et/).

Market Data: - The ECX Market Data strategy involves harnessing the power of modern information and communication technologies to empower all market actors, including smallholder farmers to access markets more efficiently and profitably. The key market dissemination channels at ECX are rural-based Market Information Tickers, mobile phone Short Messaging Service (SMS), Interactive Voice Response (IVR) service, Mass media (TV, Radio, and Newspaper), and Website (http://www.ECX.com.et/).

2.1.2 Concept Briefing

Organized commodity exchanges have a long history. Grain traders in Japan began experimenting with the idea in 1730, and the Chicago Board of Trade (CBOT) and the London Metal Exchange successfully launched their operations in 1864 and 1877, respectively. For more than a century, commodity exchanges remained largely confined to industrialized nations. However, with market liberalization and increasingly affordable information technology since 1990, commodity exchanges have mushroomed around the world (UNCTAD, 2007).

Rashid, et al (2010) growing interest in commodity exchange from government and donors in Africa is a clear reflection of the need for commodity risk management. Because international markets remain volatile and domestic markets are thin and fragmented, risk management is critical for commodity sector development. There have been many donor-supported initiatives to establish commodity exchanges in developing countries, but very few have succeeded. In Africa, five countries launched agricultural commodity exchanges shortly after market liberalization in the 1990s, but only South Africa succeeded in making its exchange sustainable. Despite the initial stage of success, Zambia and Zimbabwe suspended their operations following unusual price hikes and subsequent government intervention. Other exchanges established in the 1990s include the Kenyan Agricultural Commodity

Exchange (KACE) no longer supports actual trades but exists with donor support and the Uganda Commodity Exchange (UCE) which does coordinate trades but has not been able to attract sufficient trade volumes to be self-sustaining. Since 2004, more and more countries have been

launching exchanges-notable ones include Malawi in 2004, Nigeria in 2006, the Ethiopian Commodity Exchange (ECX) in 2008, and the new Zambian exchange, ZAMACE, established in 2007.

ECX is an institution established by specific legislation and owned by the government. According to Proclamation No. 550/2007, ECX is a wholly State-owned market institution, which commenced operation with a government authorized capital of 250 million Birr having its own legal personality. As a government-owned entity, it is supervised by the Ministry of Agriculture and Rural Development and regulated by the Ethiopia Commodity Exchange Authority (ECX, 2008). It was funded by a consortium of financing partners including UNDP, the World Bank, American development agency USAID, Canadian Development Agency, and the World Food Program (Alemu et al, 2010) ECX is a state-owned Public-Private Partnership enterprise. The Government of Ethiopia is the owner of the ECX, while the ECX offers the sale of Membership seats, which are privately owned, permanently and freely transferable rights to the stream of earnings from trading on the Exchange. It is established as a demutualized corporate entity with a clear separation of ownership, membership, and management. Thus, owners cannot have a trading stake, members cannot have an ownership stake, and the management can be neither drawn from the owners nor the members. There is a joint Board of Directors drawn from relevant public institutions (state) and ECX members (private) (ECX, 2008).

It is anticipated that ECX will reward quality to producers; reduce transaction costs of market participation thus increasing returns to market activity; enable quick capital turnaround thus increasing market volumes, and reduce risk related to counterparty default and prices, thus increasing market participation; increase information and transparency for all market actors, thus empowering smallholders and other disadvantaged actors (Alemu et al, 2010).

2.1.3 This List that related Research Title and Focus Area

The researcher found the following list of research and articles that related with the current research. So that the title and the researchers listed below accordingly.

Bethlehem Girme has been assessment of Ethiopian Commodity Exchange (ECX). It was studied in 2009. The second study was conducted by Gebrekiros Gebremedhin Trading in Commodity Exchange and Challenges of Participants: The Case of Ethiopian Commodity Exchange in 2011. The third study conducted in 2011 by Samson G/Michael and Mesfin Lemma Comparative Study on Current Trading System and Online Trading: The Case of Ethiopia Commodity Exchange. Furthermore, Mohammed Ahmed in 2017 conducted the study in heading Ethiopia commodity exchange: Marketing prospects and challenges in focus. At the same time Sisay Dessale conducted the study in title affecting the contribution and challenges of marketing membership practice: Ethiopian commodity exchange (ECX). Next to these Helina Gezahegn investigating performance of Ethiopian commodity exchange (ECX) and its effect on customer satisfaction in 2018. The last but not the list Samuel Batisa conducted the study in title Challenges of Ethiopian Commodity Exchange Market Performance in Trading Partners in the Case of Wolaita Sodo Branch in 2019.

2.2 Empirical Reviews

Tse and Zabotina (2001) found that electronic trading systems reduce spreads while open outcry systems have higher market quality due to smaller variance of pricing error and higher information content. Information content is measured by studying the bid-ask spreads in response to trades. In addition, according Robin Thomas (2008) Electronic trading leads to reduced price movement, then it would lead to lower volatility and hence lower risk in the market. Adebusuyi‟s (2004) finding reveals that communications and transportation infrastructure is critical to a functioning exchange and outstanding constraints, and challenges to the stabilization of commodity prices were identified to include the small scale nature of production and low level of further processing, poor performance of state and public institutions, poor infrastructure which made production uncompetitive and inadequate market information as well as poor access to productive assets. And as per his finding one of the major factors influencing the fluctuation of commodity prices is cyclical income fluctuations in the consuming

countries. Shahidur et al (2010) found that Countries with successful exchanges have far more developed communications and/or transportation infrastructure than countries with less successful exchanges and the researchers added that the real challenge in African commodity exchange is not the development of grades but the enforcement of contracts that use those goods. Celeste Aida (2010) also found inadequate market information, a weak system to enforce contracts, lack of standards and grades and the inexistence of the necessary institutions that support proper market functioning are some of the constraints of coffee market in Ethiopia. According to Shahidur et al (2010), erratic price behaviors that are inconsistent with transaction costs could undermine a commodity exchange by making risk unacceptably high. Prices can also vary significantly across space due to inadequate infrastructure or information asymmetry, both of which are important sources of market failures. The non-competitive situations resulting from market failures can make it difficult to identify how to structure contracts to be traded on an exchange. According to Gideon (2010) quality of warehouse and storage management skills tends to be highly variable in most African countries. Improving professional skills in the warehousing industry is necessary if storage losses are to be kept at a minimum. Similar training and capacity building are required to enable traders and processing companies to utilize the WRS in cost effectively managing their inventories. According to the study made by Alemu et al (2010) limited availability of international market information in terms of prices and production levels, which is reflected in poor linkage / transmission of price trends with the national market, is expected to be another challenge considerably affecting the competitiveness of the Ethiopian sesame in the international market and this is expected to create disincentives for sesame exporters to engage in the sesame market through ECX. And the researchers added that exporters in Ethiopia face several quality problems in terms of quality grading and sampling representation commodities and adulteration especially by mixing sesame seed of different origin and the Ethiopian Quality and Standard Authority (EQSA)s", quality grading and certification which has been reported to take a long time as well as prone to corruption. In addition Celeste Aida (2010) found that Internet and telecommunications in the ECX are still quite deficient (sometimes non-existent) to disseminate information to the participants. In addition to the above Gabremedhin and Ian Goggin, (2005) before the establishment of the ECX found that the Ethiopian grain markets faced some constraints such as; lack of sufficient market coordination between buyers and sellers, the lack of market information, the lack of trust among market actors, the lack of

contract enforcement, and the lack of grades and standards, implies that buyers and sellers operate within narrow market channels, that is, only those channels for which they can obtain information and in which they have a few trusted trading partners .and their concluding showed that establishing of a commodity exchange will eliminate constraints that the Ethiopian commodity market faced. Tollens (2006) in his study cited that the absence of easily accessible market information for farmers or small traders leads to lack of market transparency, low bargaining power of the buyers and sellers, low and highly variable prices due to market inefficiency, coexistence of surplus and deficit areas due to weak spatial integration of markets, high risks, low produce quality and high losses, high transaction costs and insufficient production to satisfy consumer demand. Another important finding made by Ian Goggin (2007) showed that no perceived need for market transparency in the market, Lack of credit, Lack of understanding of the exchange concept, New concept-particularly for small-scale operators, including farmers, resistance to change and nonperformance on contracts are considered in the study as the main constraints for the successful accomplishment of commodity exchanges.

Gebrekiros (2011) work on Trading in Commodity Exchange and Challenges of Participants and the result showed that Ethiopian commodity exchange was practicing an open outcry trading system and spot contract. The binary regression model result verified that time of participation, limited membership seat, membership seat fee and occupation was found to be highly significant with the choice of membership category. Apart from this according to the descriptive analysis lack of adequate warehouses, grading and sampling system, higher penalty cost for not withdrawing commodities from the warehouses on time, availability of in store credit, higher membership seat fee and transaction cost, were found to be some of constraints that hinder participants from the smooth functioning of transactions in the exchange. Samson and, Mesfin (2014) work on Comparative Study on Current Trading System and Online Trading: The Case of Ethiopia Commodity Exchange and their study found that there is significant capacity problem with major skills gap with traders. The current system has its own significance in balancing the power of negotiation of traders by disseminating reliable data, and limitations in lack of market integrity, poor price discovery mechanisms and limitations in session and ticket writing times. It also found that there is good perception towards online trading system. Moreover, the exchange expects transparency, greater market oversight, market integrity and more commodities by

deploying online trading system and challenges mainly infrastructural problems, and capacity of traders.

Sisay (2017) found that Ethiopian commodity exchange was practicing an open outcry trading system and spot contract. Results confirmed that educational status, membership requirement, warehouse quality service, ICT facility, membership seat fee were found to be significant variables with the choice of membership. Lack of adequate warehouses, grading and sampling system, higher penalty cost for the delay made to withdraw commodities from the warehouses on time, availability of in store credit, corruption, bias, higher membership seat fee and transaction cost, were found to be some of constraints that hinder participants from the smooth functioning of transactions in the exchange. Helina (2018) the objective of this study was to assess operational performance of Ethiopian commodity exchange and its effect on customer satisfaction. The results of the study revealed that Warehouse measurement, Regulatory body and automated system have positive effect on customer satisfaction. The findings showed that regulatory body has the most powerful influence on customer satisfaction and the lowest effect shows on warehouse measurement. Samuel (2019) the study revealed that there was a significant and positive relationship between market conduct variables in both modern and traditional markets. The result of this study also indicates that the major constraints for the involvement of trading partners in ECX were affected by the character of buying and selling, shortage of finance, lack of information access to market, incapable store the existence of inconvenience transportation services.

The Previous researchers was mainly focus on the outcry trading, the comparative study on open outcry and e-trade system, the other studies *were* the operational performance and customer satisfaction and the last researcher was the relationship between the market conduct variable in both modern and tradit*ional markets. But in this study* the researcher has different focused from others. Because the mainly focused was different from other previous researchers based on the numbers of the *members* (participants) based on the system of the trading at this time at ECX, the agreements from different numbers of *banks, based* on the number of the commodities traded at *ECX, based* on the number of the warehouses it has on these days and the was no regional platform on the previous researchers. So the researcher has *been* different mainly on the listed above.

2.3 Conceptual Framework

2.3.1 Commodity Exchange Actors

In the modern commodity exchange system, the number of exchange market actors who participate in the exchange is very limited as compared to the number of people who wish to trade in the exchange. This is due to the limited capacity of the trading floor to accommodate a large number of traders on one hand and other limitations that involve market and marketing infrastructure and the degree of complexity of monitoring and regulatory requirements of the system on the other. Moreover, increasing the number of members that directly participate in the commodity exchange market would complicate the healthy function of the market system.

In countries where the commodity exchange market is available different producers, processors, wholesalers, and retailers as well as consumers' trade through intermediary members that are granted recognition from the commodity exchange authorities. In the commodity system of Ethiopia, there are different types of membership of which the main are of two types of trading and intermediary member. Trading members are those members that can trade (buy and /or sell) only for themselves. Intermediary members on the other hand are members that can trade for themselves as well as on behalf of other market participants who have not got the chance to be members of the commodity exchange (ECX, 2008).

Commodity exchange actors can be defined as any person recognized by the authority who engages in the business of buying and selling exchange-traded contracts for others or his own account. According to Gebremedhin (2007), there are three types of actors or participants in an

Exchange. First, there are those interested in the physical commodity itself, such as producers, processors, or consumers. These actors either have a product they want to sell or wish to buy a product for a particular purpose. Typically, these actors are least willing to take the risk and actively seek to reduce their risk to as little as possible so, if they can, they prefer to pass on their risk to someone else in the market.

Both brokers and dealers, as market intermediaries, play an important role in the market by offering options to trade. Through their actions, they ensure that prices do not vary much across markets. When prices diverge, dealers buy goods in cheaper markets and sell in more expensive markets, thus connecting sellers and buyers across these markets.

Second, some are interested in arbitrage, which is taking advantage of the opportunity to buy at one price and sell at another to make a profit. These actors, such as dealers and brokers, are interested in taking calculated risks involving the sale and purchase of commodities. The third category of market participant involves those who are even less interested in the physical commodity, and even more willing to take risks based on their predictions or informed guesses about the direction of the market. These actors are speculators, who profit from the information they have about future prices. Well-informed speculators can predict future prices better than other traders in the market. They provide the market with signals about the future based on their ability to judge market trends and are willing to take a risk on their judgment.

Unlike the arbitrageurs in the second category, speculators only exist where there is uncertainty over time, leading to a given degree of price volatility in the market. Tse et al, (2001) a floor trader is an Exchange member or employee of a member, who executes trades by being personally present in the trading ring or pit. The floor trader has no place in electronic trading systems.

2.3.2 Agreements of Commodity Exchange

Commodity exchange is an exchange where various commodities and derivatives products are traded. Most commodity markets across the world trade in agricultural products and other raw materials (such as wheat, barley, sugar, maize, cotton, cocoa, coffee, milk products, pork bellies,

oil, metals) and contracts based on them. These contracts can include spots, forwards, futures, and options on futures.

Commodity exchanges usually trade futures contracts on commodities, such as trading contracts to receive something and it protects the farmer (seller) from price drops, and the buyer from price rises. Speculators also buy and sell the futures contracts to make a profit and provide liquidity to the system (Meijerink et al, 2010).

2.3.2.1 Spot Contract

A spot contract is an agreement between a buyer and a seller at time zero when the seller of the asset agrees to deliver it immediately for cash and the buyer agrees to pay in cash for that asset. Thus, the unique feature of a spot contract is the immediate and simultaneous exchange of cash for securities, or what is often called delivery versus payment (Ross et al., 2002).

2.3.2.2 Forward Contract

A forward contract is a legally binding agreement between two parties calling for the sale of an asset or product in the future at a price agreed upon today. The terms of the contract call for one party to deliver the goods to the other on a certain date in the future called the settlement date. The other party pays the previously agreed-upon forward price and takes the goods. Forward contracts can be bought and sold. The buyer of a forward contract has the obligation to take delivery and pay for the goods; the seller has the obligation to make delivery and accept payment. The buyer of forwarding contract benefits if prices increase because the buyer will have locked in a lower price. Similarly, the seller wins if prices fall because a higher selling price has been locked in. Note that one party to a forward contract can win only at the expense of the other, so a forward contract is a zero-sum game (Ross et al., 2002).

2.3.2.3 Future Trading Contract

According to Sahadevan K.G. (2002) Futures contracts are an improved variant of forwarding contracts. They are agreements to purchase or sell a given quantity of a commodity at a predetermined price, with settlement expected to take place at a future date. The futures contracts

as against forwards are standardized in terms of quality and quantity, and place and date of delivery of the commodity.

Parvez (2009) cited in the literature futures market contract in commodity exchange is largely used as risk management or hedging mechanism on either physical commodity itself or open positions in commodity stock. This purchase or sale of commodities must be made through a broker or trading member who must be a member of the exchange and the trade should be done under the terms and conditions of the exchanges.

Due to the bulky nature of the underlying assets, physical settlement in commodity derivatives creates the need for warehousing, the quality of the asset underlying a contract can vary largely and this becomes an important issue to be managed. Participants of a commodities exchange are not free from risk.

In futures contracts, inexperienced investors may face price risk as all futures prices respond to many factors. Such factors may include unexpected high inflation, general strikes, natural calamities, reports on economic forecasts, politics, and even rumors and many other internal and external matters. The factors that can influence commodity prices may occur at any time. In addition to the above Frank and Franco (1996) stated that the basic economic function of futures markets is to provide an opportunity for market participants to hedge against the risk of adverse price movements. Future contracts products created by exchange .to create a particular future contract; an exchange must obtain approval from the commodity future trading commission, government regulatory agency.

2.3.3 Functions of Commodity Exchange

The purpose of a commodity exchange is to provide an organized marketplace in which members can freely buy and sell various commodities in which they have an interest. The exchange itself does not operate for profit. It merely provides the facilities and ground rules for its members to trade in commodity futures and spots and non-members also to trade by dealing through a member broker and paying a brokerage commission (Lerner, 2000).

Also, commodity exchange reduces transaction costs by offering services at a lower cost than that which participants in the commodity sectors would incur if they were acting outside an

institutional framework. These can include – but are not limited to – the costs associated with finding a suitable buyer or seller, negotiating the terms and conditions of a contract, securing finance to fund the transaction, managing credit, cash, and product transfers, and arbitrating disputes between contractual counterparties. Therefore, by reducing the costs incurred by the parties to a potential transaction, a commodity exchange can stimulate trade.

Moreover, properly functioning commodity exchanges can promote more efficient production, storage, marketing, and agro-processing operations, and improved overall agriculture sector performance (Newman S, 2008). And Gideon O.E, 2003) describes commodity exchanges can be an important part of interventions to address the identified constraints because of the following economic benefits:

A) Exchange trading generally saves time and cost of transacting as well as reduces risks faced by counterparties, who are assured of a fair deal (arising from competitive trading), guaranteed payment for what is sold, and delivery of what is paid for.

B) The system creates a means by which sellers and buyers are brought together to trade based on reliable information on the quality, quantity, and location of commodities to be traded. This reduces the cost of sourcing produce for traders and processors while lowering the cost of accessing markets for farmers, especially for premium quality produce. It avoids the high-cost and time-intensive process of physical sampling of goods before purchase, which is predominant in the informal agricultural trade in the country. This is because the quality and quantity of the traded product are assured, thus making „sight-unseen" trade possible, implying sellers can sell to buyers in a wider geographical area than their immediate location.

C) Guarantee of delivery by the exchange, based on the guarantee by warehouse operators, reduces the risk of non-performance of trade contracts. Sellers are also assured of payment for the commodity sold, with systems being in place to minimize the risk of default by buyers, especially when the market moves against them. The greater security in trade transactions provided leads to significantly lower cost (including time lost) associated with contract enforcement, especially where litigation is time-consuming and expensive.

D) Increased availability of inventory finance is also likely to boost non-traditional exports by reducing uncertainty regarding contract performance faced by importers. This will be through enabling exporters to stockpile using inventory finance, thereby assuring more regular supply and to guarantee delivery on a schedule of commodities of known quality and quantity.

E) Exchange trading improves the collection and dissemination of market information to all players. Prices on the exchange, discovered through a transparent process, are widely disseminated. Brokers, who are expected to facilitate trade and provide market advice to their clients, receive and analyses price-sensitive market information, thereby assisting buyers and sellers in making trade decisions.

F) The exchange represents a transparent and often reliable means by which lenders can liquidate collateralized commodities in the event of default by the borrower. Therefore, it facilitates access to commodity finance.

G) As the exchange matures from a spot market into offering various risk management instruments, including futures and options contracts, lenders will use such instruments to hedge price risks. By so doing, they will reduce credit risks, leading to a lower cost of borrowing. The formal market in commodities will also attract investors intending to profit from price movements. Their involvement will bring added liquidity to the market to the benefit of all players.

2.3.4 Commodity Exchanges and Regulation

Regulation: Commodity exchanges typically institute and robustly enforce relevant procedures, rules, regulations, and guidelines to regulate the conduct of members, brokers, and trans actors. They are often able to take disciplinary action against parties in the event of non-compliance with the rules and procedures. They also tend to establish formal systems for quick and low-cost resolution of trade disputes (Gideon O.E, 2003).

Government has two important roles to play - an oversight role by which the government disciplining those who try to manipulate the markets for their own benefit and ensuring the sanctity of contracts; and secondly, an enabling role by which the government providing the necessary legal and regulatory framework for the smooth functioning of the system. The

regulatory intervention should be most active at the time of the establishment of the exchange and contracts. If the contracts are well-formulated, and delivery modalities provide an effective line of defense against attempts at manipulation, the government has to only act as a watchdog intervening only when necessary. The goal of a regulatory agency is not only to regulate but also to inculcate the culture of self-regulation among the participants. This in turn, over a period of time, will give way for more self-regulation supported by the advisory role of state regulation (Sahadevan, 2002)

As it was stated in UNCTAD (2005) intermediaries play a role in the market on behalf of end-users; the activities of these intermediaries need to be overseen to ensure that they fulfill obligations. When either of these thresholds is crossed, there is a requirement upon the exchange to act as a self-regulatory of activities taking place in its markets, and for the Government to provide an overall framework for oversight.

2.3.5 Trading System of Commodity Exchanges

A movement towards electronic trading has taken place in recent years. This has been driven by technological advances and by the advantages in speed, cost, transparency, and functionality that such trade typically offers over the established "open outcry" form of trading, which brings traders together on a trading floor. And besides, Computer technology has the potential to increase the efficiency, transparency, and liquidity of the commodity markets by increasing the speed of transactions and lowering transaction costs.

Electronic trading typically brings many other potential advantages. These include limiting informational asymmetries between trading interests, allowing potentially longer trading hours, and increasing access to markets regardless of one's a geographical location (Thomas, 2008).

It was also explained by Gbremedhin et al (2005) that trading on a commodity exchange is like a continuous two-way auction, in which offers to buy are going on simultaneously with offers to sell. This is possible because the graded product needs no description with a standardized contract and because there is a sufficient volume of both buy and sell orders.

2.3.6 Membership

In a deregulated market, membership is voluntary. Any individual or business organization that is engaged in the marketing of commodities may become a member of an exchange:

Traders, brokers, cooperatives, processors, state enterprises, etc. A key function of the exchange is therefore to ensure compliance of all of its members. An exchange is itself registered with and supervised by government agencies established to oversee its activities in line with the law in place (UNCTAD, 2005).

The exchange's regulations and directives usually make it mandatory for members to make use of standard contracts prepared by the exchange to which they belong. Thus, members are required to strictly adhere to the terms and conditions laid down in the contracts, to keep appropriate records of their transactions; and to submit to be bound by the disciplinary rules of the exchange (Gideon, 2010).

2.3.7 Price Determination

Prices of commodity exchange are determined solely by the interaction of supply and demand conditions. If there are more buyers than sellers, prices will be forced up. If there are more sellers than buyers, prices will be forced down. Buy and sell orders, which originate from all sources and are channeled to the exchange trading floor for execution, are actually what determine prices. These orders to buy and sell are translated into actual purchases and sales on the exchange trading floor, and according to regulation this must be done by public outcry across the trading ring or pit and not by private negotiation. The prices at which transactions are made are recorded and immediately released for distribution over a vast telecommunication network (Lerner, 2000).

As cited in the Chicago Mercantile Commodity Exchange trading futures contracts, you must know how to make a reasonable estimate of what will happen to prices in the future. Of course, no one can know for certain what prices will be, but it pays to have an educated opinion as to whether prices will rise or fall (www.cme.com.retrived 5th April 2011).

2.3.8 Clearing and Settlement of Services

A clearing and settlement system that assures payment to sellers as well as minimizes overexposure of counterparties is essential. Financial institutions that are members of the exchange usually offer cleaning services. Reliable and timely dissemination of such market information would ensure informed decisions by various parties, local and regional, who intend to trade. Informed decisions are critical to market efficiency (Gideon, 2003).

The clearing is the process of determination of obligations, after which the obligations are discharged by settlement. The settlement is a two-way process that involves the legal transfer of the title to funds and securities/other assets on the settlement date. The clearing bank services are a highly time-critical activity as delays directly impact the members/exchange. Banks can play an important role in the settlement of obligations in the overall ecosystem including exchanges, members, clients, custodians, etc. This is a highly transactional nature of the business. Dedicated infrastructure, trained manpower, and the use of technology are the key parameters for doing this business (Sahadevan, 2002).

And the banking settlement system plays a crucial role in the overall risk management of the exchange mechanism, wherein daily settlement of trades/obligations, ability to manage fund flows in volatile days, coordination with exchanges and members, etc contribute towards the effective functioning of the exchange mechanism. Apart from clearing services, banks also provide funds and non-fund-based facilities to the members of the exchange for managing their working capital requirements and, thus, earn revenues through float funds, interest earned on overdrafts/loans, commission income, etc. All members of an exchange are required to clear their trades through the clearinghouse at the end of each trading session, and to deposit with the clearinghouse a sum of money (based on clearinghouse margin requirements) sufficient to cover the member's debit balance (Lerner,2000).

2.3.9 Market Information System

According to Gebremedhin and Goggin (20005), the core attribute of exchange is to enhance market transparency through generating and disseminating information. Through its own

functioning, the exchange creates market information about the underlying supply and demand conditions in the economy.

Thus, contrary to popular perception, commodity exchange does not require an external market information system as a pre-requisite to its proper functioning. a market information system is a service that involves the collection regularly of information on prices and, in some cases, quantities of widely traded agricultural products from rural assembly markets, wholesale and retail markets, as appropriate, and dissemination of this information on a timely and regular basis through various media to farmers, traders, government officials, policy-makers and others including consumers.

Market information helps potential buyers and sellers to make market decisions and assures them that the market is transparent and can handle their market needs. Once the market is established, market information is disseminated by word of mouth, as market user's travel to and from the market to other locations. As the market evolves, market information is also often carried by newspapers that are distributed within the market's catchment area; today such information can also be disseminated by radio, TV telephone links and via the web Gebremedhin and Goggin (2005).

2.3.10 Warehouse and Quality Grading System

A warehouse can be defined as a place in which goods or merchandise are stored; a storehouse. And the development of warehousing has positive knock-on effects up and down the supply chain. The warehouse receipt system (WRS) provides a platform for the introduction of other institutional innovations, notably grading, contracting, and exchange trading. It facilitates public procurement as national and international agencies can simplify their activities by dealing in the paper such as warehouse receipts, rather than trade directly in physical commodities. WRS is also a valuable instrument for financing agricultural commodity chains, especially in countries where the shortage of alternative forms of collateral constitutes one of the most important obstacles in access to finance. Warehouse receipts are issued by warehouse operators as evidence that specified commodities of stated quantity and quality have been deposited at particular locations by named depositors. The warehouse operator holds the stored commodity by way of

safe custody; implying he is legally liable to make good any value lost through theft or damage by fire and other catastrophes but has no legal or beneficial interest in it (Gideon,2010).

The quality of warehouse and storage management skills tends to be highly variable in most developing countries. Improving professional skills in the warehousing industry is necessary if storage losses are to be kept at a minimum. Similar training and capacity building is required to enable traders and processing companies to utilize the WRS in cost-effectively managing their inventories (Gideon, 2010).

According to Gebremedhin & Goggin (2005), a transferable warehouse system is highly complementary to the functions of the exchange. The receipts system goes hand in hand with a commodity exchange in that: Grades and standards are essential to warehouse operations as well as to a commodity exchange with standardized contracts; Price transparency is achieved because receipts indicate a specific grade, which generates price information that can also be used on the exchange; Risk is transferred by selling receipts on the exchange; and, Integrity and order: the legal enforcement of quality and the transferability of the receipt is vital for both the warehouse receipts system and the functioning of the exchange.

2.3.11 Commodities Traded in Ethiopia

Commodity Exchange Reflecting the agrarian nature of the country in which it is situated, the Ethiopia Commodity Exchange concentrates on agricultural commodities. The commodities traded at the ECX are as follows:

Coffee:- since Ethiopia generally held to be the place where coffee was first cultivated, it is entirely appropriate that coffee is, traded as a commodity on ECX. In fact, dozens of coffee contracts are available, each having its own particular contract code/ticker symbol, delivery point, and contract specification. Many of these contracts are, directly related to the regional varieties that have developed over the millennia comprising Ethiopia's history of coffee cultivation: major varieties include Harare, Jimma, Sidama, and Yirgacheffe.

Sesame:- as with coffee, Ethiopia is likely the place where Sesame was first cultivated. This commodity is still important to the region’s economy, and so contracts for two varieties are

offered on ECX: Humera (contract code: WHGS) Wollega (contract code: WWSS) and Red sesame seed (contract code: RDSS).

Red Kidney Beans:- the two contracts available are Processed Red Kidney Beans (contract code: PRKB) and Unprocessed Red Kidney Beans (contract code: URKB).

White Pea Beans:- again, two contracts are available – Processed White Pea Beans (contract code: WPBS) and Flat White Pea Beans (contract code: FWPB).

Green Mung Bean:- Mung bean is known locally as "Masho". It is recent introduction in the Ethiopian pulse production and grown in few areas of the country.

Chick pea Bean:- it is one of the major pulse crops in Ethiopia and locally known as shimbra.

Soya Beans:- production in Ethiopia has been significantly growing over last decade.

Wheat:- like maize, wheat is a key foodstuff in Ethiopia and surrounding countries. Three varieties are traded on the Ethiopia Commodity Exchange: Hard Wheat (contract code: HW), Soft Wheat (contract code: SW) and Mixed Wheat (contract code: MW).

Maize:- maize is also known as corn, is one of the world's primary agricultural commodities, and its importance in the Horn of Africa is increasing as population growth puts pressure on traditional crops. Two corn contracts are traded on MCX: Mixed Maize (contract code: MM) and White Maize (contract code: WM).

Pinto Bean:- one of the major pulse that serve as a rotational crop in cereal based systemin the lowland areas. The production in Ethiopia shows a significant growth during the past two years to the southern nations nationalities and peoples Bareau.

White Pigeon Pea:- it is locally called "Yergib ater". It was first introduced in Ethiopia before 18 years. Its Purpose was water and soil conservation lately it was adopted as animal feeding and humans food. Now a days it is becoming one of exportable commodity's and only 10% is used for household consumption.

2.3.12 Warehouse

ECX offers an integrated warehouse system from the receipt of commodities based on industry-accepted grades and standards for each traded commodity by type to the ultimate delivery. Commodities are, deposited in warehouses operated by ECX in major surplus regions of the country. At the ECX warehouse, commodities are sampled, weighed, and graded using state-of-the-art technology grading and weighing equipment. ECX warehouses issue an Electronic Goods Received Note and provide the depositor or his/her representative with a signed print copy. The Electronic Goods Received Notes are not negotiable, transferable, or represent legal title to the deposited commodity. The depositor has to get Electronic Warehouse Receipt issued by the ECX Central Depository to establish legal title to the deposited commodity. The Deposited commodities are stored using global standards of inventory management, which rely on First-In First-Out principles, rotation, and careful environmental control. ECX Inventory Management system guarantees the quality and quantity of the commodity throughout the predetermined period of storage. Further, ECX warehouses are, insured at maximum coverage to protect against loss and damage of deposits. ECX has 23 warehouses in the country (http://www.ECX.com.et/).

Services ECX warehouses provide the following services:

- ✓ Sampling, Grading, weighing, and certifying of the grain and coffee coming to each warehouse using equipment provided by ECX according to ECX established standards
- ✓ Weighing, receiving, and issuing Electronic Goods Received Note which matches ECX automated system
- ✓ Recording system for incoming and outgoing grain and daily stock position reports Proper handling of the commodity at the warehouse (store layout stacking, bin no, inventory management)
- ✓ Reporting system and formats for up-to-date information exchange between ECX and the area warehouses
- ✓ Maintain the quality of received products.

2.3.13 Central Depository

ECX maintains a Central Depository or Registry of warehouse receipts, which guarantee product integrity. The Electronic Goods Received Note issued at an ECX warehouse is a precondition for the issuance of Electronic Warehouse Receipt by the ECX Central Depository. The ECX Central Depository is the sole entity authorized to and responsible for issuing Electronic Warehouse Receipts, printing copies of receipts, transferring legal title, and canceling receipts. The Electronic Warehouse Receipt issued by the ECX Central Depository represents legal title to the deposited commodity. The Electronic Warehouse Receipt is transferable and negotiable on ECX through the function of the ECX Central Depository. The Central Depository maintains separate accounts for every depositor. ECX is currently working towards introducing the use of Electronic Warehouse Receipts to secure collateral finance or also known as inventory financing soon. The Exchange Central Depository provides the following services. (http://www.ECX.com.et/)

- Create Electronic Warehouse Receipts;
- Maintain and edit required electronic warehouse receipt data;
- Maintain a register of Depositors;
- Effect settlement of contracts traded on the Exchange by transferring Electronic Warehouse

Receipts between holders;

- Issue Delivery Notices after the transfer of Electronic Warehouse Receipt;
- Void or cancel Electronic Warehouse Receipts;
- Reconcile records daily

2.3.14 Trading

Trading at ECX: - The Ethiopia Commodity Exchange (ECX) is a spot exchange established in Addis Ababa, Ethiopia. More than 200 different spot contracts are, traded by the ECX members or their authorized representatives through, open outcry trading system but now it is, replaced by electronics trading. (http://www.ECX.com.et/)

The Trading Floor: - The trading floor is an octagonal area where open-outcry trading takes place. Operating during regular business hours, the ECX trading floor holds various sessions for transacting different commodity contracts. (http://www.ECX.com.et/)

Trades are, made in the pits by bidding or offering a price and quantity of contracts, depending on the intention to buy (bid) or sell (offer).

This is, generally done by using a physical representation of a trader's intentions with his hands. If a trader wants to buy ten contracts of grade 1 of Jimma A, for three hundred, for example, on the floor he would yell " Jimma A1 at three hundred", stating grade before price, and turn his palm inward toward his face. If the trader wants to sell the same, he will yell the same quote, and show one hand with the palm facing outward. The combination of hand-signals and vocal representation between the way a trader expresses bids and offers is a protection against misinterpretation by other market participants but now the system is, changed into electronics trade.

Trading system: - Transaction orders for sales and purchases in standard lot sizes of standardized commodity grades (referred to as contracts) are, recorded on Order Tickets. The ECX automated back-office system ensures the existence and validity of the Warehouse Receipt backing the sale, the availability of buyer funds in a deposit account, and where applicable the validity of the Member-Client agreement. This automated reconciliation takes just minutes and is key to giving all market players confidence in the market. (http://www.ECX.com.et/)

Market Data: - The ECX Market Data strategy involves harnessing the power of modern information and communication technologies (ICTs) to empower all market actors, including smallholder farmers to access markets more efficiently and profitably. The key market dissemination channels at ECX are rural-based Market Information Tickers, mobile phone Short Messaging Service (SMS), Interactive Voice Response (IVR) service, Mass media (TV, Radio, and Newspaper), and Website. (http://www.ECX.com.et/)

ECX collects, processes, updates and disseminates market information in real-time to all market actors and other market intermediaries through the MIS. The market information includes prices

of commodities in different markets, and commodity offers to sell and bids to buy, as well as short extension messages.

The application of ICTs is taking the market to the doorstep or farm-gate of the farmer, commodity dealers, processors, exporters, and importers. The components of the ECX MIS are:

- Electronic Tickers
- Mobile Phone Short Messaging Service (SMS)
- Interactive Voice Response (IVR) service
- Bulletins – Market Commentary
- Mass media (radio, TV, print)
- Information Center

2.3.15. Compliance

The Compliance Division is responsible for formulating and enforcing the Rules of the Exchange and all other relevant laws affecting the operation of the Exchange. To achieve this broad objective, the Rules of the Exchange establish four separate units with specific mandates. These are:

(1) Rules and Regulations;

(2) Compliance Monitoring and Investigation;

(3) Discipline and Enforcement; and

(4) Arbitration Tribunal.

The Compliance Division also serves as the official liaison with all local and international regulatory bodies and provides overall legal counsel to divisions of the Exchange on the proper and sound operation of the Exchange. (http://www.ECX.com.et/)

Rules and Regulations Unit: The Rules and Regulations Unite ("RRU") are responsible for the drafting of Rules of the Exchange; the research and analysis of regulatory issues requiring new

rules and regulations; the amending of the existing rules-based on feedbacks received from members, customers, and other stakeholders; and the interpretation of the Rules of the Exchange.

Compliance Monitoring and Investigation Unit: The Compliance Monitoring and Investigation. Unit ("CMIU") is responsible for overseeing that compliance is, maintained with the relevant law of the Exchange, Rules, and policies of the Exchange, and Directives of the Ethiopia Commodities Exchange Authority at all levels the Exchange's operations; conducting and coordinating investigations of violations of the Rules of the Exchange, the Authority is Directive and other pertinent laws. The CMIU is also responsible for the reviewing of membership applications for compliance with the applicable laws of the Exchange and the Authority, the conducting of on-site Member visits, the inspection of Member books and accounts, and the monitoring and reviewing of Members" annual and other regular compliance reports.

Discipline and Enforcement Unit: The Discipline and Enforcement Unit ("DEU") is responsible for enforcing the Rules of Exchange and other pertinent laws through a disciplinary rule' enforcement mechanism. The DEU works closely with the Authority and relevant law enforcement agencies to protect the integrity of the Exchange's price discovery Mechanism as well.

Arbitration Tribunal: The Arbitration Unite ("ABU") is responsible for facilitating the resolution of disputes between Members or Members and the Exchange during the course of trading at the Exchange. The Exchange has two types of alternative dispute resolution mechanisms: (1) Expert Determination: a grade dispute resolution mechanism for Quality disputes between the Exchange and its members, and (2) Trade disputes between members' interest, and between members and their clients

In keeping with global best practices, the Ethiopian Commodity Exchange Authority (ECEA) is the regulatory body established to ensure the development of an efficient modern trading system and to regulate and control the secure, transparent, and stable functioning of the Exchange and to protect the rights and benefits of sellers, buyers, intermediaries, and the general public. Its specific objectives are to:

- Promote responsible innovation, access to market information by all market participants, and fair competition among markets and market participants;
- Deter and prevent price manipulation or any other disruption of market integrity;
- Ensure the financial integrity of all transactions subject to this Proclamation and the avoidance of systemic risk; and
- Protect all market participants from fraudulent or other abusive trading practices and misuses of customer assets.

2.3.16 Authority Recognition

The powers and duties of the ECEA extend to recognition and oversight of Exchange. Actors (Members and their representatives), recognition and oversight of clearing Institutions (domestic banks or other financial institutions engaged in clearing and settlement of payments). Oversight of the Rules of the Exchange and regulation of Exchange-traded contracts, as well as regulation of the conduct of investment advisors, consulting companies, law practices, accounting and audit professionals, as this conduct relates to ECX business. Besides, the ECEA has the power to investigate wrongdoing and adjudicate cases falling under its jurisdiction or to refer criminal cases to the appropriate court. (http://www.ECX.com.et/)

Given the multi-sectoral nature and its broad scope of powers and duties, the ECEA is accountable to the Prime Minister. Moreover, in a unique and appropriate governance structure, ECEA is, governed by a Board comprised of a Chairman, and a member from each of the following relevant government bodies: Ministry of Finance and Economic Development, Ministry of Trade and Industry, Ministry of Agriculture and Rural Development, and the National Bank of Ethiopia. Thus, by law, the ECEA Board shall exercise the full powers and duties of the ECEA. The operations of the ECEA are executed by a Director-General, who is also an ex-officio member of the Board (http://www.ECX.com.et/) .Actor Association Alongside the development of the ECX corporate entity and the regulatory body, the National Exchange Actors Association (NEAA) plays a vital role in the ECX Ecosystem. Following global best practices, Members and their Authorized Representatives are required to participate in the NEAA, which is an institution recognized by the Authority to uphold and maintain the standards of integrity, professionalism, and skills of all Exchange Actors. (http://www.ECX.com.et/)

The NEAA will maintain a database of Exchange Actors and be responsible for developing

1. Commodity Marketing and ECX Rules training standards and proficiency testing;

2. Self-audit programs for Members to enforce compliance with relevant ECX Rules and authority directives governing accounting, financial standards, and trading practices;

3. Public database on grievances filed against exchange actors or the Exchange by Clients or others;

4. Public education and sensitization on the Commodity Exchange for media, policymakers, stakeholder groups, students, and others; and

5. Advocacy on behalf of Exchange Actors.

2.3.17 Being a Client

A Client can be, represented through an Intermediary Member or Limited Intermediary Member. A client of an IM has the opportunity to buy and sell all of the commodities offered by the exchange (http://www.ECX.com.et/).

Clients have the right to submit to the Exchange Arbitration Tribunal any claims, controversies, or disputes initiated by the intermediary member on the invalidation, performance termination, or cancellation of the trade contract (http://www.ECX.com.et/).

Although the relationship between a Member and Client is strictly private, the Exchange operates under certain Know Your Client procedures, which protect the client and enable a smoothly functioning system for all. When a Client signs up to trade through a Member, the Member must submit the Member-Client Agreement to the Exchange. Also, the Client must furnish the following information to the Exchange: (http://www.ECX.com.et/)

- Business License
- Tax Identification Number
- VAT Registration

- Kebele ID

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Area

Ethiopian Commodity Exchange was established in 2008 to revolutionize Ethiopian agriculture and transform the economy through a dynamic, efficient, and transparent marketing the system that serves all and essentially turns commodity into assets. Properly implemented and regulated, commodity exchanges can contribute greatly to the achievement of a country's economic and developmental goals and strengthen the bargaining power of weak groups such as small farmers.

In Ethiopia in previous, the previous of high transaction costs, related to the lack of sufficient market coordination between buyers and sellers, the lack of market information, the lack of trust among market actors, the lack of contract enforcement, and the lack of grades and standards, implies that buyers and sellers operate within narrow market channels, that is, only those channels for which they can obtain information and in which they have a few trusted trading partners. Despite market liberalization in the early 1990s, the persistence of high transaction costs and contract risk has resulted in limited arbitrage and weak investments by private traders, leading to limited market volumes, weak responsiveness to price signals, and high price volatility, all of which harm smallholder producer livelihoods.

The initiative to establish the Ethiopian Commodity Exchange was based on a simple concept. If markets function in such a way as to reward quality, reduce transaction costs of market participation thus increasing returns to market activity, enable quick capital turnaround thus increasing market volumes, and reduce risk of market participation, then markets will serve the needs of buyers and sellers and contribute to the well-being of all who participate in the market economy (ECX, 2006). Thus, it is anticipated that ECX will reward quality to producers; reduce transaction costs of market participation thus increasing returns to market activity; enable quick capital turnaround thus increasing market volumes, and reduce risk related to counterparty default and prices, thus increasing market participation; increase information and transparency for all market actors, thus empowering smallholders and other disadvantaged actors.

3.2 Research Design

To achieve the study objectives, the researcher was employed as a quantitative and qualitative research approach. Quantitative research is the process of collecting and analyzing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations. The quantitative one helped quantify variables which were gathered through closed-ended questions, gathering and interpreting statistical data. This research is basically cross-sectional survey research. Qualitative research relies on data obtained by the researcher from first-hand observation, interviews, questionnaires, focus groups, and participant-observation, recordings made in natural settings, documents, and objects. The data are generally non numerical.

To assess the trading practice and challenges of the participants in the Ethiopian commodity exchange the study was employed a survey questionnaire which comprises of both closed and open-ended questionnaires. In this study challenge of commodity exchange participants were identified in terms of market information, quality standard and warehousing, liquidity, regulation, e-trade implementation(process), and trading practice.

3.3 Data Type and Source

3.3.1 Data Type

To conduct the study fruitfully, the researcher has been used as a close-ended and open-ended questionnaire as a primary data gathering instrument. The sets of questionnaires were designed by the researcher to collect the data. The questionnaire has two parts. The first part of the questionnaire consists of individual-level basic information such as age, level of education, employment status, etc. Part two consists of operation and customer satisfaction issues. Generally, the questionnaire contains a broad range of information on the operational performance of Ethiopian commodity exchange (ECX) and its effect on participants satisfaction**.**

3.3.2 Data Source

The source of data for this study was involved of both primary and secondary sources. The primary data source collected by questionnaires.

To support the collected primary data sources direct observation has been conducted. In addition to this, Secondary source of data was used for the study inter coded include data from ECX, published and unpublished materials and electronic sources.

3.4. Sample Size Determination

The study focuses mainly on the Addis Ababa and Humera warehouse operations. There 556 members of the ECX in the e-trading system. The sampling frame, list of the commodity exchange participants or members was taken from the Ethiopian commodity exchange found in Addis Ababa and Humera. The Ethiopian commodity exchange participants included in the sample were those commodity actors which will the legal members of the Ethiopian commodity exchange. Furthermore, key informant interviews conducted with knowledgeable informants, who among others include warehouses operation officers, member participants included in the study. The sampling frame consists of heterogeneous membership type categories, the appropriate sampling technique for the research was originated to be stratified sampling technique.

The researcher was used it from selected randomly through the lottery method. All warehouse operations has taken as a sample in ECX, among the total warehouse operations in the sample frame the study was traded to include an equal number of respondents from each warehouse operations. The total e-traders were 556. The researcher used formula to determine sample size.

$$S = \frac{X^2 NP(1-P)}{D^2(N-1) + X^2 P(1-p)}$$

$$S = \frac{3.841^2 556 * 0.05(1-0.5)}{0.05^2(556-1) + X^2 0.051-0.5)} = 126$$

Where: S = required sample size; X^2 = the table value of chi-square for 1 degree of freedom at 0.05 confidence level (3.841); N = the population size; P = the population proportion (assumed to be 0.50 as this would provide the maximum sample size); and D^2 = the degree of accuracy expressed as a proportion (0.05).

3.5. Sampling Methods

From the total study population of 556 ECX participants, which were categorized as full members and non-members direct traders (NMDT) of the Ethiopian commodity exchange, engaged in buying and selling of commodities in Addis Ababa and Humera city participants were selected as a sample. The study employed a standard statistical formula to determine the sample size of the study. Based on a single proportion formula, the sample size was 126 but due to the manageability of the data and the time available, the researcher prefers to take only samples of member participants. The sample was selected through a stratified random sampling technique to assign proportional size of analysis.

3.6 Data Collection Methods and Instruments

Appropriate questionnaires have been prepared and used for the survey. Respondents are told what the research would be all about in the language that they can understand. Respondents in this study would be speakers of *Amharic*. Therefore, the questionnaire is translated into a language that they can understand. Doing so would be very important for respondents to easily understand the questionnaire and express their ideas comfortably.

3.7 Data Processing and Presentation

Participants were gathered in a room or office and then will explain the purpose of the research. Then, the questionnaire has been distributed to them. Participants' were once again talked about the purpose of the research and have been requested to be honest in their responses. They were also expressed that there is no right or wrong answer to the question because they relate to the opinion of respondents and that they were needed to give their own opinion rather than that of others. The procedure of analysis has been got that the recording list to determine the type, challenges, and frequency of e-trade practices. Then the questionnaire was edited at the beginning and items would be classified into different groups. This is followed by coding responses for each question and calculating the proportion of responses to each question by SPSS version 26 software.

3.8. Methods of Data Analysis

The Data collected through the afore mentioned research tools have been organized in a way suitable for analysis using computer software. A descriptive method of data analysis has been employed using Statistical Package for Social Studies (SPSS) version, 26 SPSS software was used.It helps that to analyze the data collected through instruments and a t-test was also used to test whether the dependent variables have differences in the constraining variable. Besides regression was used to sort out the relative strength of explanatory variables which are expected to influence the decision and status of participants‟ membership category (limited and nonmembers direct traders' categories).

3.9. Ethical Consideration

The researcher should be protecting the dignity and welfare of human sample subjects. Respect the subjects' freedom to decline participants and the confidentiality of the research data and also guard against the violation or invasion of privacy and the researcher not in a general mention for instance the name of the subjects anywhere in the report.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The purpose of this research was to investigate the assessment of E-trade practice and challenges of the participant in the case of ECX. Subsequently, this chapter deals with the presentation, analysis and interpretation of data collected on the practices E- trade as well as its challenges while trading. It contains six major parts; the first part presents characteristics of respondents. The second part deals market information, the third deals with warehousing and grading, the fourth part deals with liquidation, the fifth part deals trading practices and the last part deal with regulation of trading.

4.1. Background of the Participant

Table 1: Background of the Participant

SEX	Frequency	Percent
MALE	73	57.9
FEMALE	53	42.1
Total	126	100.0
20 – 30	59	46.8
31 – 45	64	50.8
above 45	3	2.4
Total	**126**	**100.0**
Primary level	27	21.4
Secondary level	44	34.9
Tertiary	55	43.7
Total	**126**	**100.0**
Major occupation		
Merchant	9	7.1
private employee	56	44.4
government employee	13	10.3
Exporter	41	32.5
sellers	7	5.6

Total	**126**	**100.0**
When did you started to participate in ECX		
2000 -2003	16	12.7
2004 – 2006	54	42.9
2007-2009	25	19.8
2010-2012	31	24.6
Total	**126**	**100.0**

Source: SPSS output version 26

As the table one illustrated 73(57.9%) male 53(42.1%) female participants were participated in this study. As the table illustrated most of the participants were male. The age distribution of the respondents confirmed as follow 59(46.8%) age range between 20-30, 64(50.8%) of the respondents age between 31-45 years old the rest 3(2.4%) of the respondents age above 45 years old. Therefore, the majority of the respondents' age was between 31-45 years old. Regardless of the respondents' educational background 27(21.4%) of the respondents were completed primary education, 44(34.9%) of the respondents were completed secondary education and the rest 55(43.7) of the respondents were completed higher education. As the result indicated that the majority of the respondents have been completed higher education and secondary level. Therefore, educational status affects the E -trading system.

Regardless of the major occupation 9(7.1%) of the respondents were merchants, 56(44.4%) of the respondents were private employee, 13(10.3%) of the respondents were government employees, 41(32.5%) of the respondents were exporter and the rest 7(5.6%) of the respondents were sellers. Totally, the majority of the respondents were private employee's.

Regardless to the year that participated in the ECX 16(12.7%) respondents were started to participated in ECX from 2000-2003E.C ,54(42.9%) of the respondents were started to participated in ECX from 2004 – 2006E.C, 25(19.8%) of the respondents were started to participated in ECX in from 2007-2009E.C and the rest 31(24.6%) of the respondents were started participated in ECX in from 2010-2012E.C. The majority of the respondents started to participated in ECX from 2004 -2006 E.C.

4.2 Results on Frequency Distribution of Marketing Information

Table 2: Results on Frequency Distribution of Marketing Information

Do you have access to market related information released from ECX	**Frequency**	**Percent**
YES	118	93.7
NO	8	6.3
Total	126	100.0
Source of how do you get information		
Information desks	36	28.6
Mobile phone short message service (SMS)	29	23.0
Internet based data base system (website)	5	4.0
Social Medias (Facebook, Telegram, Viber, What's up)	54	42.9
Others, please specify	2	1.6
Total	126	100.0
Is internet-based data base system and Social media's being you satisfied with the network		
Yes	43	34.1
NO	83	65.9
Total	126	100.0
Are you comfortable to comprehend and understand the information displayed in ECX		
YES	91	72.2
NO	35	27.8

Total	126	100.0
How do you rate your frequency to go to ECX to gather information regarding domestic commodity market prices, quality, and quantity information		
Always	58	46.0
Occasionally	39	31.0
Rarely	29	23.0
Total	126	100.0
Have you got differences in market prices at the time of sale or buy and the prices in		
YES	85	67.5
NO	41	32.5
Total	126	100.0
Are you satisfied with the market information provided by the ECX information centers		
YES	72	57.1
NO	54	42.9
Total	126	100.0

Source: SPSS output version 26

As the above table illustrated that the 118(93.7%) participants were have access to market related information released from ECX and the rest 8(6.3%) of the respondents were not have access to market related information from ECX. Thoroughly the majority of the respondents were having access to market related information released from ECX.

Regarding the source of information 36(28.6%) of the respondents were got information from information desks, 29(23.0%) of the respondents were got information from Mobile phone short message service (SMS), 5(4%) of the respondents got used internet-based data system source of data, 54(42.9%) of the respondents got information from social medias and the rest 2(1.6%) of the respondents used other source of information. Therefore, most of the information is obtained from Social media is one of the main sources of information, but their response shows that network interruptions have affected their work. A total of 83 (65.0%) participants indicated that they were dissatisfied with the network's service process and that this was a challenge to their marketing activities. Only 43 (34.1%) said they were happy with the network's performance. It

can be seen from the results that the interruption of the Internet in order to use the Internet service is an obstacle to making the transaction process more efficient and faster.

Furthermore, 91(72.2%) of the respondents were comfortable to comprehend and understand the information displayed in ECX and the rest 35(27.8%) of the respondents were not comfortable to comprehend and understand the information displayed in ECX. Therefore, the majority of the respondents were comfortable to comprehend and understand the information displayed in ECX.

58(46.0%) of the respondents were always rate to go to ECX to gather information regarding domestic commodity market prices, quality, and quantity information, 39(31.0%) of the respondents were occasionally rate go to ECX to gather information regarding domestic commodity market prices, quality, and quantity information and the rest 29(23.0%) of the respondents were really to go to ECX to gather information regarding domestic commodity market prices, quality, and quantity information.

Likewise 85(67.5%) of participants reported price differences during the purchase and sale process. The result noted that in general, the exchange rate fluctuates during sales and purchases. The remaining 41 (32.5%) responded that there was no difference in price during the trading system. So the majority of the respondents were got differences in market prices at the time of sale or buy and the prices. Moreover to information centers 72 (57.1%) of the respondents were satisfied with the market information provided by the ECX information centers and the rest 54(42.9%) of the respondents expressed were not satisfaction with the organization of the information and the presentation of the information provided by the ECX information centers. Therefore, the majority of the respondents where are satisfied with the market information provided by the ECX information centers.

4.3 Result on Warehousing and Grading

Table 3: Result on Warehousing and Grading

No	Items	5		4		3		2		1	
		N	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**
1	The warehouses are adequate enough to accommodate all the requests from ECX participants	2	1.6	57	45.2	-	-	63	50	4	3.2

2	The quality of the service of the warehouse is satisfactory	5	4.0	72	57.1	-	-	46	36.5	3	2.4
3	The warehouse storage cost is fair and affordable	7	5.6	39	31.0	-	-	75	59.5	5	4.0
4	The penalty cost for the delay made to withdraw the commodity on time from the warehouse is affordable and reasonable	53	42.1	31	24.6	-	-	42	33.3	-	-
5	The time given to store and transfer any commodity is adequate enough	17	13.5	31	24.6	-	-	60	47.6	18	14.3
6	Customers are satisfied with the recording and management system of the warehouse	5	4.0	58	46.0	-	-	59	46.8	4	3.2
7	The warehouse is secured for risky casualties like theft and fire	7	5.6	40	31.7	-	-	72	57.1	7	5.6
8	The warehouse operation is independent from government intervention	9	7.1	30	23.8	-	-	79	62.7	8	6.4
9	Any customer will not be forced to sell the commodity you have in the warehouse in relation to problems associated with the warehouse system	19	15.1	33	26.2	-	-	62	49.2	12	9.5
10	The warehouse equipped with grading laboratory	37	29.4	44	34.9	-	-	30	23.8	15	11.9
11	The warehouse operates with quality control specialist	14	11.1	63	50.0	-	-	34	27.0	15	11.9
12	Customers satisfied with the grading and sampling system of the exchange	54	42.9	36	28.6	-	-	8	6.3	-	-

13	Will be responsible if damages on goods occurred by thief's, fire and other causes	82	65.1	13	10.3	24	19.0	7	5.6		
14	If customers are not satisfied with grading and sampling what can be the cause	29	23.0	42	33.3	53	42.2	2	1.6		

Source: SPSS output version 26

Pretending to warehouses adequate enough to accommodate all the requests from ECX participants 59(46.8%) of the respondents disagreed on the statement and the rest 67(53.2%) of the respondents agreed on the statement. therefore, there were warehousing and grading adequate enough to accommodate all the requests from ECX participants.

Regardless of the quality of the service of the warehouse is satisfactory 77(61.1%) of the respondents were not accepted the statement and the rest 49(38.9%) of the respondents confirmed the statement. So that, there were not quality of the service of the warehouse is not satisfactory for respondents.

Pretending to the warehouse storage cost fairness and affordability 46(36.6%) of the respondents said that the warehouse storage cost is not fair and affordable and the rest 80(63.4%) of the respondents confirmed that the warehouse storage cost and is fair and affordable. Therefore, there is enough storage area with fair and affordable cost.

84(66.7%) of the respondents confirmed that there were not affordable the penalty cost for the delay made to withdraw the commodity on time from the warehouse is not reasonable and the rest 42(33.3%) of the respondent confirmed that the penalty cost for the delay made to withdraw the commodity on time from the warehouse is affordable and reasonable. There for the cost of the penalty cost for the delay made to withdraw the commodity on time from the warehouse is affordable and not reasonable**.**

Pretending to the time given to store and transfer any commodity is adequate enough 48(38.1%) of the respondent disagreed and said that there was not enough time given to store and transfer any commodity is adequate enough in contrary 78(61.9%) of the respondents was adequate time given to store and transfer any commodity is adequate enough the time given to store and

transfer any commodity is adequate enough. Therefore, the majority of the respondents agreed on the time given to store and transfer any commodity is adequate enough.

63(50.0%) of the respondents were disagreed on the statement. Customers are not satisfied with the recording and management system of the warehouse whereas the rest 63(50.0%) of the respondents agreed on the statement. Therefore, customers are neither satisfied nor dissatisfied with the recording and management system of the warehouse of the organization.

47(36.7%) of the respondents reject the statement ‘’ warehouse is not secured for risky casualties like theft and fire’’ while the rest 72(63.3%) of the respondents accepted the statement. Based on the result the majority of the respondents accepting the statement. The result confirmed that the warehouse is safe from theft and fire.

Pretending to independence, from the total participant 39(30.9%) of the respondents disagreed with the statement. The result showed that the ECX is dependent on government. In contrary, 87(69.1%) of the respondents agreed on the statement. So that, the result illustrated that the ECX is independent and free from government intervention.

52(41.3%) of the respondents indicated that any customer will be forced to sell the commodity in the warehouse in relation to problems associated with the warehouse system although 74(58.7%) of the respondents were accepting that any customer will not be forced to sell the commodity you have in the warehouse in relation to problems associated with the warehouse system. So that, on one not be forced to sell the commodity you have in the warehouse in relation to problems associated with the warehouse system.

Towards the warehouse equipped with grading instrument 81(64.3%) of the respondents disagreed on the statement and there was not warehouse equipped with grading laboratory while 45(35.7%) of the respondents agreed on the statement. Consequently, the warehouse was not equipped with grading laboratory.

Pretending to the warehouse operates with quality control specialist 77(61.1%) disagreed on the statement whereas 49(38.9%) of the respondents angered on the statement. so that. The majority of the respondents confirmed that the warehouse operates without quality control specialist. The quality control specialist affects the ECX e- trade system.

90(71.5%) of the respondents confirmed that customers were not satisfied with the grading and sampling system of the exchange while the rest 36(28.5%) of the respondents confirmed that Customers satisfied with the grading and sampling system of the exchange. Therefore, the majority of the respondents showed that there was not customer satisfaction with the grading and sampling system of the exchange of EC X.

Regarding to responsibility of damage by goods occurred by thief, fire and other causes 82(65.1%) of the respondents said that the ECX was responsible, 13(10.3%) of the respondents said that seller /buyer was responsible, 24(19.0%) of the respondents confirmed that warehouse owners were responsible the rest 7(5.6%) of the respondents demonstrated that other party was responsible for damage, thief, fire and other causes. Hence, the result proved that ECX was responsible for damage, thief, fire and other causes happened to goods. Pretending to unsatisfied with grading and sampling cause 29(23.0%) of the respondents proved that bias affect grading and sampling cause, 42(33.3%) of the respondents proved that the cause of bias was lack of knowledge affect to grading and sampling system, 53(42.1%) of the respondents proved that lack of accurate measuring equipment affect that grading and sampling system and, the rest 2(1.6%) respondents other factors affect grading and sampling system. Accordingly, customer satisfaction affected by lack of accurate measuring equipment.

4.4 Result on Liquidity

Table 4: Result on Liquidity

From which source did you get financial support		Frequency	Percent
	Government	12	9.5
	Microfinance institution	21	16.7
	Banks	93	73.8
	Total	126	100.0
How do see the interest rate that you pay for the aforementioned financial institution		Frequency	Percent
	Low	16	12.7
	Fair	42	33.3
	High	68	54.0

	Total	126	100.0
How do you rate the credit availability if needed?		Frequency	Percent
Easily available		30	23.8
Not available		96	76.2
Total		126	100.0
Do you get in store credit (warehouse receipt) if you need		Frequency	Percent
	YES	73	57.9
	NO	53	42.1
	Total	126	100.0
If your answer to question no 28, is yes from which source do you get		Frequency	Percent
	ECX institution	33	46.0
	Warehouse owner	19	24.6
	Private institution and individuals	11	14.3
	Government	10	15.1
	Total	73	100.0

Source: SPSS output version 26

Towards source financial support 12(9.5%) of the respondents proved that government was their finance supporter, 21(16.7%) of the respondents was their financial support was micro finance institution, 93(73.8%) of the respondents was proved that Banks were their financial supporter. Then, the majority of the respondents were proved that Banks were their financial supporter.

Regarding to interest 16(12.7%) of the respondents confirmed that there were low interest proportion, 42(33.3%) of the respondents confirmed that there was faire interest rate, the rest 68(54.0%) of the respondents were confirmed that there was high interest amount. The majority of the respondents saw that there was high interest proportion.

Furthermore, 30(23.8%) of the respondents indicated that there was easily available of credit while the res 96(76.2%) of the respondents indicated that there was not availability of credit. So that the result confirmed that there was not availability of credit while the customer need. Instead of getting store credit (warehouse receipt) if need 73(57.9%) of the respondents agreed

while 53(42.1%) of the respondents disagreed. Therefore, customers getting store credit (warehouse receipt) if they need.

Those who did get warehouse credit illustrated the following sources 33(46.0%) of the participants get from ECX, 19(24.6) % of the respondents get from warehouse owner, 11(14.3%) of the respondents got from privet institution and individual and the rest 10(15.1%) of the respondents got from governmental organization.

Table 5: Result on ECX Clearing and Settlement Provide Satisfactory Service.

Assures payment to seller		Frequency	Percent
	YES	107	84.9
	NO	19	15.1
	Total	126	100.0
Matching up of each buy and sell transaction			
	YES	88	69.8
	NO	38	30.2
	Total	126	100.0
Protecting the integrity of the market place			
	YES	76	60.3
	NO	50	39.7
	Total	126	100.0

Source: SPSS output version 26

Towards assures payment to seller 107(84.9%) of the respondents confirmed that providing satisfactory service while the rest 19(15.1%) of the respondents confirmed that there was not satisfactory service for assure payment to seller. Pretending to matching up of each buy and sell transaction 88(69.8%) of the respondents get satisfactory service while the rest 38(30.2%) of the respondents confirmed that there was not satisfactory service for matching up each buy and sell transaction. Furthermore, 76(60.3%) of the respondents confirmed that there was satisfactory service towards protecting the truthfulness of the market place whereas the rest 50(39.7%) of the respondents dissatisfied with the protecting of the integrity service of the market place.

Table 6: Result on the Banking Settlement Systems of the ECX Provide Service

Ability to manage fund flows in volatile days	Frequency	Percent
YES	104	82.5
NO	22	13.5
Total	126	100.0

Coordination of exchanges and members		
YES	88	69.8
NO	38	30.2
Total	126	100.0

Service for members in managing their working capital management valid		
YES	89	70.6
NO	37	29.4
Total	126	100.0

Source: SPSS output version 26

Ability to manage fund flows in volatile days 104(82.5%) of the respondents confirmed that the banking settlement system of the ECX provide ability to manage fund flows in volatile days while the rest 22(17.5%) of the respondents confirmed that there was not Ability to manage fund flows in volatile days. Regarding to Coordination of exchanges and members 88(69.8%) of the respondents confirmed that these assists was provided by banking settlement systems of the ECX provide however the rest 38(30.2%) of the respondents confirmed that coordination of exchange and members were not provide by banking settlement systems of the ECX. Furthermore, 89(70.6%) of the respondents agreed on service for members in managing their working capital management provided by banking settlement systems of the ECX but the rest 37(29.4%) of the respondents showed that service for members in managing their working capital management was not provided by banking settlement systems of the ECX.

Table 7: Result on the ECX Clearing and Settlement System Equipped Adequately

Infrastructure	Frequency	Percent
YES	80	63.5

NO	46	36.5
Total	126	100.0
Trained manpower		
YES	65	51.6
NO	61	48.4
Total	126	100.0
Technology		
YES	99	78.6
NO	27	21.4
Total	126	100.0

Source: SPSS output version 26

Additionally, 80(63.5%) of the respondents confirmed that the ECX clearing and settlement system equipped adequately by infrastructure whereas 46(36.5%) of the respondents confirmed that the ECX was not clearing and settlement system equipped adequately by the infrastructure. Regarding to Trained manpower 65(51.6%) of the respondents showed that the ECX was clearing and settlement system equipped adequately manpower whereas 61(48.4%) of the respondents confirmed that there was not trained human power. 99(76.6%) of respondents confirmed that the ECX was clearing and settlement system equipped adequately technology whereas the rest 27(21.4%) of the respondents confirmed that the ECX was not clearing and settlement system equipped adequately technology.

4.5 Result on Membership Trading Practices

Table 8: Result on Membership Trading Practices

In which categories of membership did you participate	Frequency	Percent
Membership	104	82.5
Nonmembers Direct traders	22	17.5
Total	126	100.0

What are the major factors that affect you in not participating full membership of ECX		
Limited membership seat	55	43.7
shortage of capital	59	46.8
other, reason please	12	9.5
Total	126	100.0
What do you think the membership seat fee of the ECX		
Expensive	82	65.1
Cheap	28	22.2
Fair	16	12.7
Total	126	100.0

The membership requirement of the ECX is	Frequency	Percent
Encouraging	62	49.2
Discouraging	64	50.8
Total	126	100.0
What type of exchange trading contract do you use currently	Frequency	Percent
Organized spot trading	71	56.3
Future contract trading	40	31.7
Forward contract trading	15	11.9
Total	126	100.0
How do you describe Ethiopian commodity exchange in terms of transaction costs	Frequency	Percent
Reduced transaction cost	54	42.9
Increased transaction cost	61	48.4
No difference with the traditional trading system	11	8.7
Total	126	100.0

Source: SPSS output version 26

Towards trading practices 104(82.5%) of the respondents participated in categories of full membership while the rest 22(17.5%) of the respondents participated nonmembers directed traders. The majority of the respondents participated in full membership categories.

55(43.7%) of the respondents confirmed that limited membership seat effects their participation of, 59(46.8%) of the respondents confirmed that shortage of capital affect their participation and the rest 12(9.5%) of the respondents affected by other cause to participated in ECX.

Regarding to membership seat fee of the ECX 82(65.1%) of the respondents confirmed that the fee was expansive, 28(22.2%) of the respondents confirmed that the fee was cheap whereas 16(12.7%) of the respondents confirmed that the fee was fair. Therefore, due to the expensiveness member ship seat fee ECX participant limited themselves.

62(49.2%) of respondents agreed on encouraging the membership requirement was established in ECX. whereas 64(50.8%) of the respondents confirmed that there was discouraging membership requirement established in ECX. Furthermore, 71(56.3%) of the respondents used organized spot trading, 40(31.7%) of the respondents used future contact trading and the rest 15(11.9%) of the respondents used forward contact trading. As the matter of fact, the majority of the respondents used organized spot trading.

Finally, 54(42.9%) participants described that Ethiopia commodity exchange in terms of transaction cost reduced transaction cost was observed 61(48.4%) of the respondents confirmed that increased transaction cost was excited while the rest 11(8.7%) of the respondents preferred no difference with the traditional trading system.

4.6 Result on Regulation

1.6.1 Do the Regulation Made to the Following to Protect the Member is Satisfactory?

Table 9: Do the Regulation Made to the Following to Protect the Member is Satisfactory?

Dishonest or irresponsible practice by the exchange	Frequency	Percent
YES	68	54.0
NO	58	46.0
Total	126	100.0
Dishonest or irresponsible practice by counterparties, intermediaries or banks		
YES	41	32.5
NO	85	67.5

Total	126	100.0
In enforcing contract		
YES	74	58.7
NO	52	41.3
Total	126	100.0
Arbitration mechanism for dispute settlement		
YES	77	61.1
NO	49	38.9
Total	126	100.0

Source: SPSS output version 26

Regardless of regulation 68(54.0%) of the respondents confirmed that there was dishonest or irresponsible practice by the exchange this activity made them dissatisfied the rest 58(46.0%) of the respondents confirmed that there was not dishonest or irresponsible practice by the exchange. As the matter of fact, the majority of the respondents illustrated that there was regulation made to protect the member was dissatisfactory**.**

In addition to 41(32.5%) of the respondents was showed that there was dishonest or irresponsible practice by counterparties, intermediaries or banks in contrary, 85(67.5%) of the respondents showed that there was not dishonest or irresponsible practice by counterparties, intermediaries or banks. Because of absentee of dishonest or irresponsible practice by counterparties, intermediaries or banks the members were satisfied. In addition, 74(58.7%) of the respondent confirmed that there was in enforcing contract but the rest 52(41.3%) of the respondents confirmed that there was not in enforcing contract.

Furthermore, 77(61.1%) of the respondent was illustrated there thought and gave their confirmation as their approval there was an arbitration mechanism for dispute settlement in other hand 49(38.9%) of the respondents approved that there was not Arbitration mechanism for dispute settlement.

4.6.2 Do the ECX Regulatory Ensure the Following Major Characteristics of Exchange Markets

Table 10: Do the ECX Regulatory Ensure the Following Major Characteristics of Exchange Markets

Exchange markets	Frequency	Percent
YES	65	51.6
NO	61	48.4
Total	126	100.0
The market price truly reflects the information known about the market		
YES	73	57.9
NO	53	42.1
Total	126	100.0
Constrains speculative excess		
YES	91	72.2
NO	35	27.8
Total	126	100.0
Free and transparent dissemination of data		
YES	71	56.3
NO	55	43.7
Total	126	100.0
Reducing risk of default to acceptable level		
YES	78	61.9
NO	48	38.1
Total	126	100.0
Ensuring the system as whole is sufficiently flexible to withstand with shocks		
YES	84	66.7
NO	42	33.3
Total	126	100.0

Source: SPSS output version 26

ECX regulator ensure exchange market 65(51.6%) of the respondents proved that ECX characterized by exchange market the rest 61(48.4%) of the respondents proved that ECX did not characterized by exchange market.

Regardless of price 73(57.9%) of the respondents proved that the market price truly reflects the information known about the market in contrary 53(42.1%) of the respondents prove that there was not the market price truly reflects the information known about the market. So that, the trader have been got information about the everyday market price. As can be the result showed there is no differences between market price and the information that got prior to actual marketing.

Pretending to constrains speculative excess was approved by 91(72.2%) of the respondents while 35(27.8%) of the respondents disapproved Constrains speculative excess. The majority of the respondents agreed on the presence of Constrains speculative excess in ECX**.**

The free and transparent dissemination of data was exercised in the ECX. The practice of transparence proves by 71(56.3%) of the participants but the rest 55(43.7%) of the respondents were not accept the transparency of dissemination of data.

78(61.9%) of the respondents proved that there was reducing risk of default to acceptable level in contrast 48(38.1%) of the respondents was disproved that rescuing risk of default to acceptable level. Therefore, the majority of the respondents proved that the presence of risk management system.

The presence of Ensuring the system as whole is sufficiently flexible to withstand with shocks was proved by 84(66.7%) of the respondents whereas 42(33.3%) of the respondents was not accept the presence of Ensuring the system as whole is sufficiently flexible to withstand with shocks in ECX.

4.6.3 Do You Satisfy with the Following Major Characteristics of Market Information ECX Have Providing?

Table 11: Do You Satisfy with the Following Major Characteristics of Market Information ECX Have Providing?

Accuracy of markets information	Frequency	Percent

YES	85	67.5
NO	41	32.5
Total	126	100.0
Time lines of markets information		
YES	90	71.4
NO	36	28.6
Total	126	100.0
Accessibility of markets information that ECX have		
YES	83	65.9
NO	43	34.1
Total	126	100.0
ICT facility		
YES	75	59.5
NO	51	40.5
Total	126	100.0
e- trade related information dispatch and notifications		
YES	98	77.8
NO	28	22.2
Total	126	100.0

Source: SPSS output version 26

Nevertheless, of accuracy of market information 85(67.5%) of the respondents' pleased with the accuracy of markets information in other hand 41(32.5%) of the respondents disappoint with the accuracy of markets information that ECX provided. Pretending Time lines of markets information 90(71.4%) of the respondents satisfied whereas 36(28.6%) of the respondents was dissatisfied with the time lines of market information provided.

In addition to Accessibility of markets information 83(65.9%) of the respondents satisfied with the statement the rest 43(34.1%) of the respondents 'were not satisfied with accessibility of market information ECX provided. In study of information communication technology

75(59.5%) of the respondents satisfied with ICT facility while the rest 51(40.5%) of the respondents dissatisfied with the ICT facility.

98(77.8%) of the respondents' pleased with market information with e -trade related dispatch and notification whereas 28(22.2%) of the respondents dissatisfied with information that dispatch and notification believed e trade related.

Table 12: The ANOVA result

The relationship between market information that ECX provided with warehousing and grading, clearing and settlement, banking settlement system, regulation made to protect members and regulation ensure

		Sum of Squares	df	Mean Square	F	Sig.
warehousing and grading	Between Groups	6799.886	5	1359.977	.997	.423
	Within Groups	163700.249	120	1364.169		
	Total	170500.135	125			
clearing and settlement provide	Between Groups	12.996	5	2.599	4.151	.002
	Within Groups	75.139	120	.626		
	Total	88.135	125			
banking settlement system	Between Groups	10.915	5	2.183	3.668	.004
	Within Groups	71.410	120	.595		
	Total	82.325	125			
clearing and settlement system	Between Groups	16.094	5	3.219	4.523	.001
	Within	85.398	120	.712		

	Groups					
	Total	101.492	125			
regulation made to protect members	Between Groups	10.814	5	2.163	3.508	.005
	Within Groups	73.988	120	.617		
	Total	84.802	125			
regulatory ensure	Between Groups	58.332	5	11.666	14.051	.000
	Within Groups	99.636	120	.830		
	Total	157.968	125			

Source: SPSS output version 26

In table, the F (obtained) is 0.997 which test when using an alpha of .05. Correspondingly, the observed p-value of .423 is well above chosen alpha of .05. So that, there were not significant relationship was observed between warehousing and grading system of the ECX and E- trading of the ECX. Furthermore, the F (obtained) is 4.151 at alpha of 0.05. Correspondingly the observed p-value of 0.002 well below chosen alpha of 0.05. So that, the result revealed that there was significant relationship between E-trading system and clearing and settlement provision. Moreover, the F (obtained) is 3.668 at the alpha of 0.05 and the observed p-value 0.004 which bellow alpha 0.05. Hence, there was significant relationship observed between E-trading and banking settlement system. Additionally, the F (obtained) is 4.523 using alpha of 0.05. Correspondingly, the observed p-values 0.001 at alpha 0.05. As the result reveled that there was significant relationship between E-trading and clearing and settlement system. The F (obtained) is 3.508 using alpha of 0.05, the observed p-values 0.005 which was less than the alpha at 0.05. The result reveled that there was significant relationship observed between E-trading and regulation made to protect members. Finally, the F (obtained) 14.051 using alpha of 0.05 and the observed p-value 0.00 at alpha of 0.05. Therefore, there was significant relationship observed between E-trading and regulatory ensure.

In general, the relationship between variables with market information system, as can be the result showed that there was not significant relation between warehouse grading system and market information system, in other hand there was significant relationship between market information system and clearing and settlement provision and E-trading has been significant relationship. In addition to, banking settlement system, clearing settlement system, regulation mad to protect members and regulatory ensure that significant relationship with E-trading. Therefore, the result reveled that except clearing and settlement provision the result variables have been significant relationship with E-trading.

Table 13: Step wise regression analysis of factor that affects ECX e-trading practices

Predictor level variables percent	Regression coefficient	Std. E	Standard regression coefficient	R square	Prediction by
regulation made to protect member	.250	. O83	.253	.0112	11.7
market information	.195	.085	.198	.0159	17.5
Access on market related information released	.219	.087	.214	0.113	19.6

Source: SPSS output version 26

Out of 48.8 % accounted for variables in 11.7% were contributed only by regulation that made to protect members. The other predictor variable contributes 17.5% market information system on E-trading. In addition, access on market information released contributed 19.6% on E-trading. The other variables such as educational status, major occupation, warehousing and grading, clearing and settlement system, banking settlement system and liquidity in aggregate contributed the rest 51.2% proportion.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The purpose of this research was to investigate the assessment of E-trade practice and challenges of the participant in the case of ECX. Subsequently, this chapter deals with the presentation, analysis and interpretation of data collected on the practices E- trade as well as its challenges while trading. The study demonstrated that greatest number of male trader and their age ranges between 20-45 years old and educational status there were completed Higher education and secondary level. Those are private employees and joined ECX from 2004-2006 E.C.

The first research question search for the main information source of Ethiopian commodity exchange trading system. 118(93.7%) participants have been accessed to market related information released from ECX. Thoroughly the majority of the respondents were having access to market related information released from ECX. 36(28.6%) of the respondents were got information from information desks, 29(23.0%) of the respondents were got information from Mobile phone short message service (SMS), 5(4.0%) of the respondents got used internet-based data system source of data, 54(42.9%) of the respondents got information from social medias and the rest 2(1.6%) of the respondents used other source of information. Therefore, the majority of the respondents were gotten information from social media system. In contrary 83(65.0%) of the respondents were not satisfied with internet-based data system network. Furthermore, 91(72.2%) of the respondents were comfortable to comprehend and understand the information displayed in ECX. 58(46.0%) of the respondents were always rate to going to ECX to gather information regarding domestic commodity market prices, quality, and quantity information, 39(31.0%) of the respondents were occasionally going to the rest 29(23.0%) of the respondents were really going to ECX to gather information regarding domestic commodity market prices, quality, and quantity information. Information gap and shortage of information affect marketing system.

Concerning to second research question the result sought the ECX regulator ensure exchange market 65(51.6%) of the respondents proved that ECX characterized by exchange market.

Regardless of price 73(57.9%) of the respondents proved that the market price truly reflects the information known about the market. Pretending to constrains speculative excess was approved by 91(72.2%) of respondents. The free and transparent dissemination of data was exercised in the ECX. The practice of transparence proves by 71(56.3%) of the participants .78(61.9%) of the respondents proved that there was reducing risk of default to acceptable level. The presence of Ensuring the system as whole is sufficiently flexible to withstand with shocks was proven by 84(66.7%) of the respondents.

The third research question sought to establish there was any significant the relationship between variables with market information system, as can be the result showed that there was not significant relation between warehouse grading system and market information system, in other hand there was significant relationship between market information system and clearing and settlement provision and E-trading has been significant relationship. In addition to banking settlement system, clearing settlement system, regulation made to protect members and regulatory ensure that significant relationship with E-trading. Therefore, the result reveled that except warehouse and grading system the result variables have been significant relationship with E-trading.

The forth research question aimed factors that affect ECX e-trading practices Out of 48.8 % accounted for variables in 11.7% were contributed only by regulation that made to protect members. The other predictor variable contributes 17.5% market information system on E-trading. In addition, access on market information released contributed 19.6% on E-trading. The other variables such as educational status, major occupation, warehousing and grading, clearing and settlement system, banking settlement system and liquidity in aggregate contributed the rest 51.2% proportion.

The fifth research question'' Does E- trading practice affect marketing system of Ethiopian commodity exchange trading practices?" 104(82.5%) of the respondents participated in categories of membership. Opposing to this, 59(46.8%) of the respondents affect that by shortage of capital to have member ship seat. Regarding to membership seat fee of the ECX 82(65.1%) of the respondents confirmed that the fee was expansive. Due to the expensiveness member ship seat fee ECX participant limited themselves. So that, 64(50.8%) of the respondents confirmed that there was discouraging membership requirement established in ECX. Furthermore,

71(56.3%) of the respondents used organized spot trading, 40(31.7%) of the respondents used future contact trading

5.2 Conclusion

The marketing information system having access to market linked information released from ECX. For instance, information desks, Mobile phone short message service (SMS), internet-based data system source of data, social Medias and source of information. All this system proceed with network without this the function of E-trading is not working properly. From the point of view of warehousing, e-commerce is not a homogeneous concept. Cooperation with existing customers in the market on unchanged terms and conditions, only through the use of electronic forms of communication, in principle does not change much.

Problem related to internet-based data system network. It affects trader to go to ECX to gather information regarding domestic commodity market prices, quality, and quantity information. This created information gap and affect traders to get information about market prices. In study of quality of the service of the warehouse is not provided satisfactory service. The warehouse storage cost fair and affordable. Thus, there was enough storage area with fair and affordable cost. In addition, the cost of the penalty cost for the delay made to withdraw the commodity on time from the warehouse is not affordable and not reasonable**.**

In contrary, the warehouse was not equipped with scoring laboratory. Hence, the result proved that ECX was responsible for damage, thief, fire and other causes happened to goods but grading and sampling cause affected by biased, lack of knowledge affects and lack of accurate measuring equipment affects that grading and sampling system.

Similarly, the high rate interest and, the availability of credit while the customer is not satisfactory. Ability to manage fund flows in volatile days the banking settlement system of the ECX provide ability to manage fund flows in volatile days. Limited membership seat and seat fee of the ECX was expansive.

ECX regulator ensure exchange market ECX characterized by exchange market price and the market price truly reflects the information known about the market. Hence, the free and transparent dissemination of data was available. Reducing risk of default to acceptable level. Therefore, the result of the study proved that the presence of risk management system accessible

at the ECX at the meantime the presence of ensuring the system as whole is sufficiently flexible to withstand with shocks was provided.

5.3 Recommendation

ECX is competent commodity exchange, results of the finding revealed that it was gaining a promising progress and positive momentum towards achieving its intended goal. In light of this and other important findings of the study, the following priority areas are forwarded for consideration for future intervention endeavor

- As results of the finding revealed most of the members were participated in the membership that they did not want to participate as the situation request them. So ECX need to consider and overlook the membership criteria to allow nonmembers direct traders (limited members) to participate in the membership that they want to join. And should increase its full membership seat in order to accommodate higher number of participants which were participating in the nonmembers direct traders (limited membership).
- Membership seat Bid payments in ECX is very high. With the present trend the exchange membership will be dominated by richer families excluding farmers and other middle-income participants. So ECX authority and the exchange should evaluate the financial membership criteria effectively and should adjust it to include all the participants from all parts of the region without income discrimination.
- The most of warehouses were created in the regional areas of the countries, ECX should evaluate effectively and efficiently the time given to the member participants to store and transfer their commodities. Since the penalty cost for not withdrawing of the commodities from the warehouses was much higher, it should apply reasonable penality cost for not withdrawing commodities on time. The 10-day deadline for the release of agricultural products is not enough due to the country's transportation and security problems. If the ECX considering this in to account and extends the limit, it will reduce the penalty.
- One of the central problems in joining in the ECX was quality grading and sampling system. The quality grading specialists of the exchange should treat all participants equal without bias and should be free from corruption. In addition to this training and

capacity building should be given for the quality grading specialists in order to upgrade their knowledge and skill.

- The network system of the exchange was inefficient and practically affect E-trading activities. For the higher E-trading of the exchange it should apply in enough and proper network facility should give a higher concern and commitment in effectively and efficiently using of ICT.

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Appendix

St. Mary's University

School of Graduate Studies

Marketing Management Program

Survey questionnaire for ECX participants

Dear respondent

The researcher is a student of St. Mary's University, student of graduate program in MBA program. As a partial requirement for the completion of the MBA program, the researcher is undertaking a research on Trading in commodity exchange and challenges of the participants: the case of ECX. The overall objective of this questionnaire is to gather first-hand information on the above mentioned issue from responsible bodies participating in the commodity exchange. I humbly request your cooperation for your valuable time in filling up this questions. I would like to assure you that the information you are going to provide me will be exclusively used for academic purpose and will remain confidential. Therefore, you are kindly requested to respond to the questions freely and to the best of your knowledge.

✍ *'Thank you in advance for your cooperation'* ✍

NOTE please use ✓ mark or circle your answer

I. General Information

Sex Female ☐ Male ☐

Age 20 – 30 ☐ 31 – 45 ☐ above 45 ☐

Educational status

1-Read and write 2- Primary level 3-Secondary level 4- Tertiary

Major occupation 1- Merchant 2- private employee 3- Government Employee 4- Exporter 5- sellers other, specify

---

When did you started to participate in ECX?

2000-2003E.C ☐ 2004 – 2006E.C ☐ 2007-2009E.C ☐ 2010-2012E.C ☐

MARKET INFORMATION RELATED QUESTIONS

1. Do you have access to market related information released from ECX?

   1. Yes 2. No

2. If your answer to question No. 2 is yes from which source do you get the information?

   1. Information desks
   2. Mobile phone short message service (SMS)
   3. Internet based data base system (website)
   4. Mass media
   5. Newspaper and magazine
   6. Social Medias (Facebook, Telegram, what's up)
   7. Others, please specify----------

3. If your answer to question No. 3 is internet based data base system and Social Medias are you satisfied with the network?

   1. Yes 2. No

4. Are you comfortable to comprehend and understand the information displayed in ECX?

   1. Yes 2. No

5. How do you rate your frequency to go to ECX to gather information regarding domestic commodity market prices, quality, and quantity information?

   1. Always 2. Occasionally 3. Rarely 4. Never

6. Have you got differences in market prices at the time of sale or buy and the prices in the local market?

   1. Yes 2. No

7. If your answer to question no 7 is Yes why do you think are the probable reasons?

---

8. Are you satisfied with the market information provided by the ECX information centers?

   1. Yes 2. No

III. Warehousing and Grading related questions

1- Strongly disagree 2 - Disagree 3 - Agree 4 - Strongly agree

	Items	1	2	3	4	Remark
9	The warehouses are adequate enough to accommodate all the requests from ECX participants					
10	The quality of the service of the warehouse is satisfactory					
11	The warehouse storage cost is fair and affordable					
12	The penalty cost for the delay made to withdraw the commodity on time from the warehouse is affordable and reasonable					
13	The time given to store and transfer any commodity is adequate enough					
14	Customers are satisfied with the recording and management system of the warehouse					
15	The warehouse is secured for risky casualties like theft and fire					
16	The warehouse operation is independent from government intervention					
17	Any customer will not be forced to sell the commodity you have in the warehouse in relation to problems associated with the warehouse system					
18	The warehouse equipped with grading laboratory					
19	The warehouse operate with quality control specialist					
20	Customers satisfied with the grading and sampling system of the exchange					

21. Who will be responsible if damages on goods occurred by thief's, fire and other causes?

1. ECX 2. Seller/buyer 3. Warehouse owners 4. others

22. If you are not satisfied with quality control what shall be done?

_____

23. If customers are not satisfied with grading and sampling what can be the cause?

1. Bias 2. Lack of knowledge 3. Lack of accurate measuring equipment 4. other

24. What do you think should be done to improve services at the warehouse for effective and efficient commodity exchange?

1._____

2._____

3._____

IV. LIQUIDITY RELATED QUESTIONS

25. From which source did you get financial support?

1. Government 2. Microfinance institution 3. Banks 4. Friends or relatives

26. How do see the interest rate that you pay for the aforementioned financial institution?

1. Low 2. Fair 3. High

27. How do you rate the credit availability if needed?

1. Easly available 2. Not available

28. Do you get in store credit (warehouse receipt) if you need?

1. YES 2.NO

29. If your answer to question no 28, is yes from which source do you get?

1. ECX institution 2. Warehouse owner

3. Private institution and individuals 4. Government

30. If your answer to question no 28 is no what do you think are the reasons for not providing of such service?

31	Do the ECX clearing and settlement provide satisfactory service of the following?	Yes	No
31.1	Assures payment to seller		
31.2	Matching up of each buy and sell transaction		
31.3	Protecting the integrity of the market place		
32	Do the banking settlement systems of the ECX provide the following service?		
32.1	Ability to manage fund flows in volatile days		
32.2	Coordination of exchanges and members		
32.3	Service for members in managing their working capital management		
33	Do the ECX clearing and settlement system equipped adequately by the following?		
33.1	Infrastructure		
33.2	Trained manpower		
33.3	Technology		

VI. TRADING PRACTICES RELATED QUESTIONS

34. In which categories of membership did you participate?

1. Full trading member 2. Nonmembers Direct traders

35. Which membership category do you think is the best?

1. Full trading member 2. Nonmembers direct trader

36. Why you think that is the best? Explain in short ----------

---------- ----------

37. What are the major factors that affect you in participating full membership of ECX?

1. Limited membership seat 2. shortage of capital 3. other, reason please specify

---

38. What do you think the membership seat fee of the ECX?

1. Expensive 2. Cheap 3. Fair

39. The membership requirement of the ECX is

1. Encouraging 2. Discouraging

40. What type of exchange trading contract do you use currently?

1. Organized spot trading 2. Future contract trading

3. Forward contract trading 4. Others

41. If your answer to 40 is organized spot trading how do you hedge against price fluctuations and risk?

---

42. How do you describe Ethiopian commodity exchange in terms of transaction costs?

1. Reduced transaction cost 2. Increased transaction cost

3. No difference with the traditional trading system

4. Others, specify----------

If your answer is increased transaction cost what are the possible reasons you can suggest

---

REGULATION RELATED QUESTIONS

43	Do the regulations made to the following to protect the members is satisfactory?	Yes	No
43.1	Dishonest or irresponsible practice by the exchange		
43.2	Dishonest or irresponsible practice by counterparties , intermediaries or banks		
43.3	In enforcing contract		
43.4	Arbitration mechanism for dispute settlement		
44	Do the ECX regulators ensure the following major characteristics of the exchange markets?		
44.1	The market price truly reflect the information known about the market		
44.2	Constrains speculative excess		
44.3	Free and transparent dissemination of data		
44.4	Reducing risk of default to acceptable level		
44.5	Ensuring the system as whole is sufficiently flexible to withstand with shocks		
45	Do you satisfy with the following major characteristics of market information that ECX have/providing?		
45.1	Accuracy of markets information		
45.2	Time lines of markets information		
45.3	Accessibility of markets information that ECX have		
45.4	ICT facility		
45.5	e- trade related information dispatch and notifications		

Thank you for your response!!

Appendix 2

ቅድስተማሪያም ዩኒቨርሲቲ

የድህር ምረቃ ኮሌጅ

ለኢትዮጵያ ምርት ገበያ ተሳታፊዎች የተዘጋጀ መጠይቅ

ውድ የኢትዮጵያ ምርት ገበያ አባላት

የዚህ ጥናት አጥኚ በቅድስተ ማሪያም ዩኒቨርሲቲ በንግድ አስተዳደር የሁለተኛ ዲግሪ (MBA) ትምህርት በመከታተል ልይ ትገኛለች። ተማሪዋ የመመረቂያ ፅሁፍዋን "የ ግብይት አሰራር እና የ ተሳታፊዎች ተግዳሮቶች በኢትዮጵያ ምርት ገበያ" በሚል ርእስ በማካሄዴ ላይ ትገኛለች። የዚህ መጠይቅ ዋነኛ ዓላማ የጥናቱን ርእስ የተመለከቱ የመጀመርያ ደረጃ መረጃ ከዋና ተሳታፉዎች ማግኘት ነው። በመሆኑም የምትሰጡት መረጃ ለትምህርት ተግባር የሚውል እና ሚስጥርነቱም የ ተጠበቀ መሆኑን ላረጋግጥላችሁ እወዳለሁ። ስለሆነም የምታውቁትን መረጃ በነፅነት እና በሀቀኝነት እንድትሰጡኝ ትብብራችሁን እጠይቃለሁ። ስማችሁን መፃፍ አያስፈልግም።

✍ስለትብብራችሁ በቅድምያ አመሰግናለሁ ✍

መልስ ሲሰጡ የ ✓ ምልክት መጠቀም ወይም ማክበብ ይችላሉ።

Ⅰ. አጠቃላይ መረጃ

1. ፆታ ወንድ ☐ ሴት ☐

2. እድሜ 20 - 30 ☐ 31 - 45 ☐ ከ46 በላይ ☐

3. የ ትምህርት ደረጃ መጻፍ እና ማንበብ ☐

አንደኛ ደረጃ ☐ ሁለተኛ ደረጃ ☐

ኮሌጅ/ ዩኒቨርስቲ ☐

4. ዋና ስራው የመንግ☐ የግል ድር☐ጥር ☐ላኪ ነጋዴ ☐ አቅ☐ ሌላ

1. በኢትዮጵያ ምርት ገበያ መሳተፍ የጀመሩት መቼ ነው?

1- 5 ☐ 6-10 ☐ ክ10 በላይ ☐

II. የገበያ መረጃን የተመለከቱ ጥያቄዎች

1. ገበያን የተመለከቱ መረጃዎች ማግኘት ይችላሉ?

1.አዎ ☐ 2.አናገኝም ☐

2. ለጥያቄ ቁጥር 1. መልስዎ አዎ ከሆነ የ መረጃዎቹ ምን ጮች የ ትኞቹ ናቸው?

1 . በተዘጋጀው የመረጃ ማእከል(ዴስክ) 2. አጭር የሞባይል መልእክት 3.ኢንተርኔት (ከ ድሕረ ገፅ) 4.መገናኛ ብዙሃን

5.ጋዜጣ እና መፅሄት 6. ማሕበራዊ የትስስር መድረኮች

7. ሌላ ካለ ያብራሩ _____

_____

3. ለጥያቄ ቁጥር 2. መልስዎ ኢንተርኔት እና ማሕበራዊ የትስስር መድረኮች ከሆነ ባለው ኔትዎርክ ደስተኛ ነዎት?

1.አዎ 2.አይደለሁም

4. በምርት ገበያው የሚሰራጩ መረጃዎች በቀላል ተረድተው መተንተን ይችላሉን?

1.አዎ 2.በመጠኑ 3.አይገባኝም

5. ወደ ምርት ገበያው በየ ምንያህል ግዜ ይላለሳሉ

1. ሁልጊዜ 2. አልፎ አልፎ 3. በረጅም ግዜ አንድ ግዜ 4. አልሄድም

6. የአገር ውስጥ የምርት ገበያ ዋጋ፤ ጥራትና ብዛት የተመለከቱ መረጃዎች በመያዝ ወደ ኢትዮጵያ ምርት ገበያ በየስንት ግዜው ይሄዳሉ?

1. ዘወትር 2. አልፎ አልፎ 3.ቡዙ አይደለም 4.ሄጄ አላውቅም

7. ሲገዙና ሲሸጡ ያለው የዋጋ ተመን እና እርስዎ ከአከባቢዎ ገበያ የሚያገኙት ዋጋ ተመሳሳይ ነው?

1.አዎ 2.አይደለም

8. ጥያቄ ቁጥር 6. መልስዎ አይደለም ከሆነ ምክንያቱ ምንድነው ብለው ያስባሉ? _____

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III <u>የመጋዝን የጥራት ደረጃን የተመለከቱ ጥያቄዎች</u>

1. ሙሉ ለሙሉ አልስማማም 2. አልስማማም 3.እስማማለሁ 4.ሙሉ ለሙሉ እስማማለሁ

ተ.ቁ	ጥያቄዎች	1	2	3	4	ምርመራ
9	ያሉት መጋዝኖች ከተሳታፉዎች ለሚቀርቡ ጥያቄዎችን ለማሰተናገድ በቂ ናቸው					
10	በመጋዝኖች የሚቀርበው የአገልግሎት ጥራት አርኪ ነው					
11	የመጋዝኖቹ የማከማቻ ወጪ ተመጣጣኝ እና አቅምን ያገናዘበ ነው					
12	ከመጋዘኖቹ ምርቱን በግዜው ባለማንሳት የ ሚጣለውን ቅጣት ምክንያታዊ እና ተመጣጣኝ ነው።					
13	ምርትን ለማከማቸትና ለማስተላለፍ የሚሰጠው ግዜ በቂ ነው					
14	በመጋዝኖቹ መዝገብ አያያዝና አስተዳደር ስርዓት አርኪ ነው					
15	መጋዝኖቹ ከስርቆት እና መቃጠል ከመሳሰለ ስጋቶች የተጠበቀ ነው					
16	የመጋዝኖቹ አገልግሎት አሰጣጥ ከመንግስት ጣልቃ ገብነት ነፃ ነው					
17	ከመጋዘኑ አሰራር ስርዓት ጋር በተያያዙ ችግሮች የተነሳ በመጋዝኑ የሚገኝ ምርት በግድ ይሸጣል					
18	መጋዝኖቹ በተደራጀ ቤተ-ሙክራ የተሟለ ናቸው					
19	ጥራት ቁጥጥር ባለሞያ አላቸው					
20	በምርት ገበያው የደረጃ አሰጣጥ እና ናሙና አወሳሰድ ስርአት አርኪ ነው					

21. በመጋዘኑ ላይ ለሚደርስ የስርቆት የእሳት ወይንም ሌላ አደጋ ሀላፊነቱን ሊወስድ የሚገባው ማነ ነው ብለው ያምናሉ

1. የኢትዮጵያ ምርት ገበያ 2. ሻጭ እና ገዢ 3. የመጋዝኑ ባለቤት 4. ላኪ

22.የናሙና አመራረጥ እና አወሳሰድ የማያረካዎት ከሆነ ምክንያቱ ምንድነን ነው ብለው ያስባሉ

1.ማዳላት 2. የእውቀት ማነስ 3.የ ትክክለኛ መለክያ መሳርያ እጥረት 4. ሌላ

23. ለችግሩ መፍትሄ ይሆናሉ ብለው የሚያስቀምጡት ሀሳብ ካለዎት

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24. ምርት ገበያው ቀልጣፋ እና ውጤታማ እንዲሆን በመጋዝኖቹ ላይ መሰራት ያሉባቸው ነገሮች ካሉ ይዘርዝሩ?

1. ----------
2. ----------
3. ----------

<u>ብድርን የተመለከቱ ጥያቄዎች</u>

25. የብድር አገልግሎት የሚያገኙት ከየትኛው ምንጭ ነው?

1.ከመንግስት 2.ጥቃቅንና አነስተኛ ተቋማት 3.ባንኮች 4.ከጓደኛ/ከዘመዴ

26. የሚያገኙት ብድር የሚከፍሉት ወለድ መጠን እንዳት ይገልፁታል?

1. ዝቅተኛ ነው 2. ተመጣጣኝ ነው 3. ከፍተኛ ነ ው

27. የብድር አቅርቦቱን እንዴት ያዩታል?

1.በቀላል ይገኛል 2. በቀላል አይገኝም

28. ምርትዎ በመጋዝን ውስጥ እያለ ወይም የመጋዝን ደረሰኝ በመያዝ ብድር ማግኘት ያችላሉ?

1.አዎ እችላለሁ 2.አልችልም

29. ለጥያቄ ቁጥር 28. መሌስዎ አዎ ከሆነ ከየትኛው የ ብድር ምንጭ ነው የ ሚያገኙት?

1. የኢትዮጵያ ምርት ገበያ 2. የመጋዝኑ ባለቤት
3. የግል ተቋማትና ግለሰቦች 4. ከመንግስት ተቋማት

30. ከላይ ለቀረበው ጥያቄ መልስዎ አልችልም ከሆነ ፣ክንያቱ ምን ይመስልዎታል _____

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31.	የኢትዮጵያ የምርት ገበያው የምርት ርክክብ እና ክፍያ የሚከተለት አገልግልቶችን በአርኪ ሁኔታ ያቀርባልን?	አዎ	አይዮሆም
31.1	ለሻጩ የክፍያ ዋስትና ይሰጣል		
31.2	ርክክብ በገዢ እና ሻጭ በየግዜው እንዱካሄዱ ያደርጋል		
31.3	የገበያ ትስስር እንዱጠነክር ያደርጋል		
32.	የኢትዮጵያ ምርት ገበያ የባንክ ክፍያ ስርዓትን የሚከተለት አገልግልቶች ያቀርባልን?		
32.1	ባሌተረጋጉ የገበያ ቀኖች የሚኖሮው የገንዘብ ፍሰት የመቆጣጠር ብቃት		
32.2	የምርት ገበያው እና የአባሎች ትስስር እንዲኖር ያደርጋል		
32.3	አባላት የራሳቸው ገቢ እና ወጪ አንዲቆጣጠሩ ያደርጋል		
33.	የኢትጵያ ምርት ገበያ ምርት ርክክብና ክፍያ በሚከተለት በበቂ ሁኔታ የተሟላ ነውን?		
33.1	መሰረተ ልማት		
33.2	የ ሰለጠነ የሰው ሃይሌ		
33.3	ቴክኖሎጂ		

V. የ ግብይት አሰራርን የ ተመሌከቱ ጥያቄዎች

34. እርሰዎ የ ሚሳተፉት በየትኛው የ አባልነት ዓይነት ነው?

1. ሙሉ ተገበያይ አባል 2.ቀጥታ ተገባግይ

35. በእርስዎ እይታ የትኛው የአባልነት አይነት የተሸለ ነው ብለው ያምናሉ

1. ሙሉ ተገበያይ አባል 2.ቀጥታ ተገባግይ

36. የመረጡበትን ምክንያት በአጭሩ ያብራሩ _____

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37. በሙሉ አባልነት እንዲይሳተፉ የ ሚያረደርጉ ምክንያቶች የትኛው ነው ብለው ያስባሉ?

1.ውሱን ወንበር መኖሩ 2.የ ካፒታል እጥረት 3.ሌላ ምክንያቶች _____

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38. ምርት ገበያው የሚያስከፍለውን የአባሌነት የወንበር ክፍያ እንዴት ይገልፁታል?

1. ከፍተኛ ነው 2.ዝቅተኛ ነው 3.ተመጣጣኝ ነው 4. ሌላ

39. የምርት ገበያውን የአባልነት መስፈርት እንዴት ይገመግሙታል

1. አሳታፊ እና አበረታች 2. የማያበረታታ

40. በአሁኑ ግዜ የሚጠቀሙት የግብይት ውል ሰነድ የትኛው ነው?

1.የ ተደራጀ የእጅ በእጅ ሽያጭ 2.የ ወደፊት የውል ሰነድ ግብይት

3. ቀጥታ የውል ሰነድ 4. ሌላ

41. lጥያቄ ቁጥር 40 መልስዎ የ ተደራጀ የእጅ በእጅ ሽያጭ ከሆነ የሚከሰተው የዋጋ አለመረጋጋት እንዴት ይከላከሉታ? _____

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42. የ ኢትዮጵያ ምርት ገበያ የግብይት ወጪን እንዳት ያዩታል?

1. የ ግብይት ወጭው ቀንሷል 2. የ ግብይት ወጭው ጨምሮዋል

3.ከልማዳዊ ግብይት ልዩነት የለውም 4. ሊላ

43.	በምርት ገበያው አባላትን ለመከላከል ተብለው የከሚደረጉ ቁጥጥሮች መካከል የትኞቹ አርኪ ናቸው ብለው ያምናሉ?	አዎ	አይደለም
43.1	በምርት ገበያው የ ሚፈፀሙ ታማኝነትና እምነት የጎደለውን ስራ መቆጣጠር		
43.2	በሌላ ወገን በአገናኞችና በባንኮች የ ሚፈፀሙ ታማኝነትና እምነት የጎደለውን ስራ መቆጣጠር		
43.3	ዉልችን የማስፈፀም ስራ		
43.4	አለመግባባትን ለመፍታት የሚወሰደ የግልግል ዳኝነ ት መንገድች		
44.	የኢትዮጵያ ምርት ገበያ ተቆጣጣሪዎች የሚከተለትን ዋነኛ የምርት ገበያ መገ ለጫዎች		
44.1	የ ዋጋ ተመኑ በትክክል የገበያ መረጃን እዲያሳይ ከማረግ አንፃ ር		
44.2	ያለአግባብ ጥቅም እንዲይገኝ ከመቆጣጠር አንፃ ር		
45	ከሚከተለት የኢትዮጵያ ምርት ገበያ ከሚሰጣቸው ዋና ዋና የገበያ መረጃዎች ወይም አገልግል,ሎቶች በየትኞቹ ረክተዋል?		
45.1	በገ በያ መረጃው ትክክለኛነ ት		
45.2	ግዝያዊ መረጃ በማግኘት		
45.3	የመረጃ ቋት ውስጥ የሚገኝ መረጃ እንደፈለጉት የማግኘት		
45.4	መረጃና መገናኛ ቴክኖልጂ አውታር		
45.5	የኤሌክትሮኒክ የግብይት መረጃን ማግኘት እና ማሳወቂያዎችን የማግኛት		

ስለትብብርዎ በጣም አመሰግናለሁ!