

**THE INFLUENCE OF FAIR-TRADE PRACTICES ON THE
EXPORT PERFORMANCE OF WORLD FAIR TRADE
ORGANIZATIONS IN KENYA**


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DECLARATION

This research project is my original work and hasn't been submitted for examination to any other University.

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Date: 30th August 2021

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D61/72448/2014

This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my children,

I wish you the best in your quest for academic excellence

To my Parents,

You are my daily reminder of all that is good in this world

To my wife,

For allowing me to take this path of self-actualization

ABSTRACT

The objective of the study was to evaluate the influence of fair-trade practices on export performance of world fair trade organization members in Kenya, with the specific objectives being to investigate the influence of; affording opportunity for the disadvantaged, transparency and accountability, fair prices for producers, capacity building for producers and environmental conservation practices among the fair-trade members on their export performance. The population of the study were the 17 fair trade affiliated members in Nairobi from whom the questionnaires were distributed to. The findings suggest that with regard to offering opportunity for the disadvantaged, the fair-trade members discourage use of child labour and also that the local people are recruited during the production process. Further, the findings reveal that with regard to transparency and accountability tenet, the fair-trade organizations involve producers in all matters affecting them and the product production is based on equity. In order to improve fairness in pricing, the findings suggest that the fair-trade organizations had strived to eliminate middlemen in the production value chain and that they aimed to fetch prices that cover all the production and marketing cost. During the production process, the results suggest that the fair-trade members work towards ensuring that the water resources are conserved during production and that all these practices have resulted in increased volume and revenue from exports. The influence of fair-trade practices on export performance was found to be strong at R^2 of 80.5% with a strong positive correlation $r=0.897$. Further, it was found that the transparency and accountability was found to be the only significant variable affecting the export performance with a p of 0.26. Based on the study findings, it is conclusive that fair trade practices are one of the significant practices that can be adopted by producer organizations, especially in developing countries, to access export market in the developing countries who are concerned with the production of farmers.

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LIST OF ABBREVIATIONS

FT	-	Fair Trade
FTO	-	Fair Trade Organization
GMO	-	Genetically Modified Organism
TCB	-	Tanzania Cooperative Board
WFTO	-	World Fair Trade Organization

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Exports, in each country play some important role in enhancing economic development, employment opportunities and the balance of payments. The agriculture sector has played an important role in the growth cycle in parts of the developed world with modern production capacities and tools aimed at growing the world's export capabilities (Fatemah & Qayyum 2018). Towards increasing the export performance, different strategies have been employed to differentiate a country's products from the others and this can be achieved through advancing the products as coming out of Fair-trade production system that is free from environmental degradation, child labour, payment of fair price and also that the product creates opportunities for the economically disadvantaged producers (Mishra, 2016). Fair trade as a strategy could influence an organization export performance since consumers might be persuaded to buy such products on the basis that they are produced and sold by way of adoption of Fair-trade practices.

The understanding of the influence of fair-trade product labelling on export performance of organizations has been in this study discussed based on three key theories, namely; international Entrepreneurship theory, Network theory and the Classical Trade theory. The Entrepreneurship theory (Zahra and George, 2002) assert that the main driver of internationalization is the entrepreneur capacity to acquire necessary skills and information to facilitate the analysis of available opportunities available in both the local and foreign market. Being a risk seeker also enables an entrepreneur to venture in regions where limited information is available, The Network theory (Emerson, 1981) that effective internationalization is achieved through having foreign networks to distribute ones' products

and also be able to make the products visible in the foreign land through advertisement and promotion. Hence labelling of fair-trade products can achieve its goal of increased sales if there is a foreign partner. Ricardo (2004) proposed a classical trade theory and suggests that the degree of export and import of a nation corresponds to its pattern of exchange with others. In other terms, the countries will profit from dedicating capital towards producing economically beneficial products and services (Ricardo, 2004). So, classic trade theory explains essentially the situation where a nation manufactures products and services in which it profits, for domestic consumption and then exports the surplus.

The World Fair Trade Organization promotes social exercise across seventy-six countries spread all over the world and that have been brought together by the need to practice fair trade in their dealings with the producers – mostly of agricultural products. The Kenyan Fair-Trade Organization work towards ensure that there is growth and equity in the sales, market access and working conditions for its member organizations with the hope that these organizations sales will fetch a premium in the international market and that also should have a competitive advantage over their peers on the international market (Yabs, 2007). Despite the presumption of a competitive advantage however, member organizations continue to struggle in international trade as their exports are concerned (Bwisa, 2017). Therefore, it is necessary that a study be undertaken to establish whether indeed the fair-trade labelling practice affect the export performance of products that are marketed by the Kenyan fair-trade organizations.

1.1.1 The Concept of International Business

Worldwide trade comprise business exchange that crosses the fringes of any two countries and includes an expansive and developing part of world's aggregate business. Sheperds (2013) avers that international exchange facilitate the flow of business practices across

national limits. It's an increase of local business transactions, and include the trade of monetary resources, for instance, products, capital and services containing innovation, skilled work, and export among others. Worldwide trade therefore incorporates exchange of products and services, as well as foreign investments and has over the last three decades gained traction because of the growth in the international market (World Bank, 2017).

Gereffi and Luo (2016) aver that external streams of trade and capital inflows are one of the primary vehicles of technological innovation in developing nations. The advantage of being receptive to external capital flows is that it facilitates the bringing in of new innovation, which can result in increased learning capability and higher aggregate factor efficiency resulting from better allocation of resources to higher profitable exercises. Essentially, Devinney (2015) stated that international business expands the level of competition in the local markets and opens up new opportunities abroad. Expanded worldwide competition that accompanies global business empowers organizations to be more creative and effective in utilization of their resources. For purchasers, global trade bring expanded assortments of products and services into the global commercial market place and upgrades expectations for everyday living styles.

International trade strategy comprises of multilateral plans among nations and management of the terms of trade between them. These trade approaches and management however rely upon the structure of a nations' economy such that the changing policies developed influence the international relations and subsequent policies on trade (Tietenberg & Lewis, 2016). Since no country can deliver all it needs without the help of other nation, international exchange has turned out to just not be a method by which countries source products and

services they don't have in adequate amounts but a subject of worldwide governmental issues (Gereffi & Luo, 2016).

1.1.2 Fair-Trade

Fair-Trade is a strategic relationship focused upon consultation, openness and regard for mutual economic rights (Utting, 2014). This argument was supported earlier by Tallontire (2000) who aver that the aim of fair trade is the establishment of a trading relationship focused on dialog between suppliers and customers, openness and fairness through greater equality in foreign trade. By providing decent opportunities for exporting, and taking into consideration the welfare of disadvantaged producers and employees, fair trade leads to economic growth. Fair-trade enterprises (supported by buyers) are strongly engaged in this initiative to reform the goals of fair-trade by supporting suppliers and growing visibility through the thermal transition movement and standard foreign trade activity (FINE 2001). The foregoing aim of free trade is also to gain greater equality in foreign markets. Fair trade goods are mainly marketed through dedicated retail stores, postal and supermarkets to accomplish this.

Redfern and Snedker (2012) looks on the aims of fair-trade and emphasized that fair-trade policies seek to increase producer's product prices' and livelihoods through increased export access, increasing farmers' prices, and continuing business ties. In addition, existence of fair-trade practices facilitates promotion of opportunities, especially for the disadvantaged by protecting children from exploitation. Furthermore, the fair-trade policies, according to Castaldo, Perrini, Misani and Tencati (2015) help to promote opportunities to disadvantaged farmers, particularly physically disadvantages, as well as the protection of children from abusing production facilities. Fair trade practices also help increase consumer awareness of the adverse effects of producers to enable them to exercise their buying power positively.

With regard to fostering social justice, Gebben and Gitsham (2016) argue that the implementation of sound environmental practices and economic protection for farmers is promoted by fair trade practices. All these practices aim at encouraging partnership in trade through respect, transparency and dialogue among all the stakeholders. Further, for an organization to be a partner in the fair-trade matters, they need to demonstrate their willingness to put people and planet first in everything they do. In order to counter poverty and climate change, gender inequality and oppression as well as proof of the concept which shows the new economy's enterprise model (WFTO 2015), the organization must go beyond simple transactions and sale.

The Fair Trade (FT) goods are differentiated through characteristics such as organically produced food, non-child labour produced or genetically modified (GM) food. These goods are collectively known as credence goods and encompass all goods with characteristics that consumers cannot evaluate even after consuming the same product. However, Loureiro and Lotade (2015) highlight that all consumers have no capacity to identify products that can be categorised as fair trade and therefore rely on players in the trade to assess FT quality. The efficacy of the current regulatory framework regulating the labelling and interpretation of FT products by customers is equally important for the FT market growth. The popular products that are marketed under the terms of fair trade comprise of cocoa, fresh fruit, juices, sugar, rice, sports balls, and tea with tropical fruit of greater standards, wines and also other tropical products under development (Roe & Sheldon 2012).

1.1.3 Export Performance

Export performance, according to Nathaniel (2010) is the level to which a business is pleased with its market position and export revenue results. Cavusgil and Zou (1994) advanced the

same claim, describing export success to what degree corporate goals are accomplished by implementing the export market strategy as calculated by the amount of export to a foreign market. In addition, Tonesakulrungruang (2009) support the position held by the earlier scholar by defining export performance as the degree to which a firm export objective is achieved in a foreign market through as a result of specific strategy and orientations. These implies that the success of an enterprise export performance can be ascertained in terms of such parameters as success in entering a foreign market, attain new customer segment in a foreign market, increased sales from export and also increase in market share.

Commenting on the factors determining the export performance of a firm, Sousa, Martínez-López and Coelho (2008) assert that the external export environment and internal company specific determinants drive the performance of exports. They note that an enterprise internal factors such as adopted strategy, organizational structure, capabilities and resources available; and its orientation and export environment market conditions. Further, (Hultman et al, 2011) highlight that key company skills and resources such as relationship skills, customer management and effective use of the available information are vital in determining export success. The export competitiveness of a country will predominantly be decided by the extent of economic blocks that a country has entered into since the same creates a preferential environment for goods and services. Similarly, Margullis (2014) assert that the general level of education of the country as well as adoption of information technology has a direct bearing on the performance of a country export performance.

1.1.4 Fair-Trade Organization in Kenya

The fair-trade movement is an entity which is self-regulating and operates on a biannual basis and covered by the maintenance of free trade standards. To be classified as a fair-trade organization they must demonstrate the capacity to provide economically disadvantaged

producers with opportunities, to promote transparency, accountability in agriculture and capacity development activities. In addition, Murray and Reynolds (2010) further highlight that fair-trade members will be engaged in activities concerned with payment of fair prices to producers, gender equity, working conditions of labourers and child labour, as well as the environment. The members of Fair Trade are visited to be audited by their peers and independent auditors in accordance with the principles of fair trade and, following a successful evaluation, can be considered a true Fair-Trade company that first takes account of producers' interests and their communities (WFTO, 2015).

Commenting on the classification of the fair trade organizations, Davies and Crane (2008) assert that the companies and enterprises that operate under the terms of Fair Trade movement consists of producer organisations that supply the goods and are found in the Southern countries and the secondly the buying organisations in industrialized countries serve as importers of goods purchased from the Southern production organizations, wholesalers and distributors. In addition, there are governing bodies that act as umbrella which comprise of the fair-trade organizations that spearhead the interest of the producer entities. In Kenya there are 17 registered fair-trade organizations that deal with different products ranging from handicraft, agricultural products and in the hospitality industry (Appendix II).

1.2 Research Problem

Exporting business is increasingly becoming an important activity that determines the growth of a country and in the recent years has become a means of maintaining and ensuring growth, profitability and survival of farmers in the developing countries (Patel & D'souza, 2011). Consequently, a lot of resources have been directed by countries on improvement of the export performance of these countries with the overall intention of increasing the firm overall

outcome in the international market – as reflected through the firm’s ultimate competitiveness, profits, sales and market share. In addition, in recognition of the changes in the business environment, Thanos et al., (2016) assert that different organizations have come up with varied strategies aimed at improving their export performance through, for example, projecting a product as an outcome of fair-trade practices. The strategy of selling a product or service that is labelled as being an outcome of fair practice during its production process is expected to attract the interest of buyers who value equity and therefore will prefer to buy such products (Sahoo & Yadav, 2017).

The World Fair Trade Organization works towards improvement and equity in the sales, market access and working conditions for its member organizations. In Kenya, however, a significant number of producers and enterprises have not realized the value and importance of marking their goods as originating from a fair-trade process (Okpara, 2009). In that situation, the fair-trade organisation's presence is limited. FTO participants are supposed to gain a comparative edge over their rivals in the export market, since a free trading environment is likely to draw customers to the commodity where consumers are not abused in respect to the product prices. The impact of fair-trade-labelled products on export success of fair-trade organizations in Kenya is therefore an important area of study. Furthermore, the influence of fair-trading marks on the performance of a company, has drawn the attention of numerous scholars.

Belineau, and Dufeu (2010) noticed that about 65 percent of the French tested customers were able to pay an extra ten percent for the products marked by fair trade when spending that free trade items were certification products within the French FTO. In comparison to the current report, however, the analysis has followed a case study method which takes a descriptive research design and is carried out in a developed world. Moore (2014) sought to

evaluate the threats, objectives and potential study course of the Fair-Trade movement and found that fair trade concerns in the northern countries are important to their industry, corporate culture, campaigning and marketing for the fair trade to be practiced in trade and lobbying to their government was the most effective way. Parrish, Luzadis and Bentley (2015) investigated the performance of Tanzania coffee farmers that had adopted the fair-trade labelling of the products and the findings was that the labelling of the coffee had yielded potential valuable results to the farmers that are distinct to particular markets in which the coffee is exported to.

Munene (2010) investigated factors influencing implementation of fair-trade projects in Imenti Tea Factory and found that lack of appropriate knowledge, inadequate funding, political patronage and lack of adequate resources are the main causes of inefficient fair-trade projects implementation. However, the study did not look at the effect of labelling the products as a fair trade on the export performance of these coffee factories. Njenga (2012) further investigated international trade fairs as strategies adopted by government agencies in promoting international trade activities in Kenya. The researcher found that trade fairs offers easy accessibility to strategic resources for example technology, raw materials and markets. It was established that trade fairs improve investments in Kenya.

From the above studies reviewed and other literature, it can be concluded that though studies to establish those factors that affect the export performance of a country and investments have been undertaken, limited studies have sought to link the fair-trade labelling and the export performance of the organization. Consequently, the research sought to answer the research question; what is the effect of fair-trade labelled goods on export performance of world fair trade members in Kenya?

1.3 Research Objective

The objective of the study was singular; to evaluate how fair-trade practices influence the export performance of world fair trade organization members in Kenya.

1.4 Value of the Study

A better understanding of how fair trade labeled goods influence the export performance of world fair-trade members is important to the export business in Kenya. The management of exporting firms in Kenya is now able to know the strategies that they can use to grow their export business by adherence to fair-trade principles and also by labeling their products. The organization is also able to introduce organization alliance with producers with a view to adapting their production systems to the requirements set out by the WFTO. Managers are also expected to benefit from the study because they will learn the required production system necessary to adhere to the requirement of the fair-trade system.

The policy holders also benefit from the study because through the same, government departments and units such as the Ministry of Trade and Agriculture are able to tailor their operation to conform to the requirement of fair trade. The ministries are able to develop relevant policies that will affect production systems for agricultural products to make Kenya a fair-trade country in the long run. Also, the government through the ministry of education is able to come up with appropriate training materials for agricultural extension officers that guides the implementation of the fair-trade conditions.

The study is of benefit to scholars seeking to understand the effect of labeling products as fair trade on the performance of such organizations. Since the fair-trade concept is relatively new in Kenya and Africa in general, scholars benefit from the study in understanding how the fair-trade label can be used as a strategy of promoting export

especially of developing countries. The study is also be of benefit in advancing the internationalization theories, namely international entrepreneurship theory, network theory and classical trade theory. This has been achieved through discussion of how applicable the theories to the fair-trade labeling of products and how they influence export performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section on literature review discuss relevant past literature relevant towards answering the objective of the study. It covers theoretical work that anchor the research subject area, dimensions or constructs of Fair-trade and also the influence of Fair-trade on export performance. Additionally, it also presents a conceptual framework to helps to explain the direction of the research variables.

2.2 Theoretical Framework

The study was premised around three theories; the Network theory, the International Entrepreneurship Theory and the Classical Trade Theory. These theories help in understanding more how fair-trade practices impact the export performance of a country.

2.2.1 Network Theory

The network theory as stated by Johanson and Mattsson (1988) and states that a firm that operates in foreign markets and international business situates within a foreign network and, therefore, enjoys immediate relations with foreign actors. The theory posits that the willingness of an organization to participate in Fair trade exports is a function of formal and informal network ties (Chaney 2014). The major premise is that high-tech companies do not present the progressive process; instead they are able to realize faster export process by way of the resources and experience of network partners (Paul, Parthasarathy & Gupta, 2017). All companies that operate in Fair trade program and any market are thought to be in a web of one or more networks through links to their customers, suppliers, other market actors and subcontractors (Chetty & Holm, 2000). Lawler and Yoon (1998) describe a network as composition of two or more associated company groups, through which the partnership between firms perceived to be joint participants is shared. Network theory scholars see an

aim of a business to sell its products in international markets as a normal activity involving linkages with international firms and individuals (Johansson & Mattson, 1988).

Networks are thus mechanisms used to bridge and facilitate rapid export performance since it acts as a spring of knowledge and information (Styles, Loane & Bell, 2006). The Network strategy focuses upon improving participants' expertise by establishing strong relations with vendors, consumers, business, other market actors, public and regulatory authorities and distributors through the use of the information and knowledge shared. Mutual trust, Knowledge, and dedication to working together as partners shape the foundation of such relationships (Mitgwe, 2006).

2.2.2 International Entrepreneurship Theory

The international entrepreneurship theory (IET) was developed by Morrow (1988); states that the main driver of a firm engagement in export activity is motivated by a fair-trade program to the entrepreneur. An entrepreneur is characterized by diverse body of skills and sufficient information to analyze any opportunities that present themselves in the market and also has the ability to make stable associations with suppliers, local and international government, media and other firms (Bolzani & Der Foo, 2018). The entrepreneur has analytical and theoretical experience as well. Being a risk-taker, an entrepreneur will use the appropriate commodity more efficiently to gain competitive advantage over the other market players. The International Theory of Entrepreneurship often notes that an entrepreneur must have appropriate foreign knowledge and experience and also must always try market expansion to benefit from suitable opportunities that exists in the market (Dana & Wright, 2009).

Morrow (1988) aver that technological advancements, a general decline in cultural barriers and an increase in awareness of culture has resulted to the opening of foreign markets that were once considered remote to all types of firms that is small companies, well established

companies and also new entrants. McDougall's (1989) conducted a study that compared new international and local businesses which opened up the way for the international entrepreneurship academic study. Studies by McDougall and Oviatt's (2000) also defined international entrepreneurship as encompassing innovativeness, risk seeking and proactive behavior that surpasses national boundaries and aims at creating value in firms. This is the most widely accepted definition. Later they embraced a more in-depth idea on entrepreneurship in stating it as the enactment, discovery, exploitation and evaluation of any opportunity that presents itself across national boundaries that result in creation of future services and (McDougall & Oviatt, 2005). Therefore, combining entrepreneurship as discussed by the international entrepreneurship theory with Fairtrade program might lead to increased export performance of a firm.

2.2.3 Classical Trade Theory

The classical trade theory states that practical ties between markets and exchange rates were always well-worked in the long run – although not in quite a long period. A rise in the quantity of money would also result in an improvement in value and in a depreciation of exchange rates (Myint, 1982). The classical trade theory further states that it is by no way that the theory precede the latter: The sequence of occurrences might be in the opposite direction. Where rates fall behind, the production and import dumping premiums are effectively levied. Yet for this very purpose equilibrium will be restored early unless new deposits of money are constantly introduced into circulation. Therefore, one should be aware in formulating the strategies of Fairtrade and export of goods. O'Brien (2017) argues, as proponents of the principle of buying power parity, that price inflation is the main trend, and is mainly attributed to the impact of deflation of currency exchanges. The two modifications have a similar connection to each other and have the same impact. It is the rise in the volume of revenue that the fiscal deficit actually has.

There should be no doubt that depreciation of currency and increasing costs of products render the budget difficult to balance and finance and that contributes to higher inflation, more price increases and more deterioration of the economy (Green, R., 2016). However, as seen by the case, this 'vicious cycle' may be split, even while the budget-deficit cannot be compensated, whether the budgetary potential of the country is untaxable, or if the pressure imposed upon the national exchequer exceeds from the outside (e.g., reparations). This doesn't refute the hypothesis that, if the quantity of money remains constant, forces are being released which put the market and exchange movements at rest and adapt, prices and currencies, as our modified theory of buying power parity asserts (Zhang & Liu, 2020). This deficit will therefore be brought into equilibrium through the practices of Fairtrade program that aims to give producers stable market prices, enhance transparency and accountability, capacity building as well as provide an opportunity for the marginalized and disadvantaged producers and farmers (Fort & Ruben, 2017).

2.3 Fair Trade Practices

Fairtrade is trading between companies in developed countries and producers in emerging economies. There are various practices of Fairtrade exercised with an aim of achieving effective Fairtrade objectives. The current study was limited to five practices. These include; opportunity for the disadvantaged, transparency and accountability in farming, fair prices for farmers, capacity building for farmers and environmental conservation practices.

2.3.1 Opportunity for the Disadvantaged

A major aspect of the priorities of the company is eliminating injustice by introducing Fairtrade. Fair exchange operation benefits local businesses, whether they be individual family firms or organized into partnerships or cooperatives in marginalized or disadvantageous circumstances (Mohan, Upadhyay, Derkalakis & Durham, 2019). This aims

to make this possible for them to shift from uncertainty of their incomes, deprivation and economic sovereignty. The system is often intended to enhance the financial well-being of the underprivileged. In this case, social benefits imply 'the social wellbeing in a community that is disadvantaged, which results from a particular intervention' (Social Benefit, 2017). Because of the Fair-Trade system membership, marginalized employees are being paid a decent minimum wage and therefore their livelihoods are improved and become stable in the long run. Premium use is increasing in the community with a social solution to poverty being achieved.

Many exploited producers are excluded or only accessible through long and inefficient trade chains from the mainstream and added value markets. Such farmers are supported by free trade in realizing their historically generated societies 'social benefits (Nelson, et al. 2016). Through fostering such principles (which are usually not accepted on mainstream markets), it allows purchasers to interact with producers that otherwise would be disqualified from the market. This also allows simplify trade chains so as to guarantee that vulnerable suppliers earn better than traditional intermediaries from the ultimate sale price of their products. Fairtrade progress depends primarily on the efficacy and financial stability of Fairtrade's policy to support the social well-being of disadvantaged and marginalized employees and producers.

2.3.2 Transparency and Accountability

The fair-trade campaign is historically based on confidence instead of on conformity with clear results requirements in its openness and accountability partnerships with stakeholders. Nonetheless, as with those within the third sector, there has been an increase in obligations, mostly motivated by demand for the consumers at end of the supply chain, which face explicit audits in compliance to publicly developed requirements. Power (1997) warns that,

rather than improving transparency, the demand for transparent audits "requires greater accounting measures and auditing trust in experts does not automatically mean greater and better transparency; in this sense, auditing is a replacement for democracy rather than its assistance".

Trading relationship that strives for greater equality in foreign trade, focused on discussion, openness and consideration have the capacity to create more opportunities for farmers. It leads to sustainable growth by granting the interests of vulnerable farmers and staff improved trade conditions, in the South in particular (Fine, 1998). Also, according to Dragusanu, Giovannuci and Nunn (2014), fair trade is one of the many voluntary norms that have emerged. World trade often exploits people. Many of products that are sold in the west, for example a are made by low- paid working in unpleasant and sometimes dangerous factories in developing countries and hence a fair-trade industry which is still growing has assisted to boast the welfare of such workers and producers.

2.3.3 Fair Prices for Farmers

Fair trade offers producers a sustainable pricing which covers a minimum production cost regardless of market price fluctuations, fair trade premiums, partnership between producers and suppliers as well as workers' empowerment (Medley, 2017). Usually, markets are predicated to address consumer minimum conditions and to eradicate the dishonest intermediaries that defraud producers or farmers. Fairtrade prices may involve either the price of the floor of Fairtrade or the consumer price. The expense or manufacturing cost in compliance with the Fairtrade minimum norm are measured in comparison to the Fairtrade floor price (Rachael 2017).

In terms of prices and more market performance details, Fairtrade provides producers with consistency and transparency in the process. There have been opposing opinions on the

aspect that more farmers being permitted to contribute to higher Fairtrade supply. They claim that the Fairtrade paradigm becomes too restrictive to contribute to global market manipulation as the number of producers increase. Fairtrade floor rates would even have to be withdrawn in the case of supply shock due to increased quantity of supply. In effect, origin and quality will raise market floors such that customers will buy a range of Fairtrade goods and remain profitable at the same time (Berndt, 2007).

Fairtrade often links farmers directly with importers, thereby removing the need to locate a place where their goods can be marketed (Fridah, 2009). Farmers therefore can now access their products on a readily available market and join the Fairtrade program through a cooperative long-term business agreement. In general, small-scale farmers depend on middlemen to sell their goods in developed countries in particular. The consequence is both lack of appropriate foreign market knowledge and also on the sector of operation as well as inadequate network with international market. The middle men then manipulate the farmers by colluding in such a way that the producers' goods are not profitable in the long run. This causes un-concurring pricing system (Brown, 2017). The farmer benefits directly from a direct relationship between the seller and the buyer.

2.3.4 Capacity Building for Farmers

The Fairtrade program has been introduced as a result of demand from farmers and craftsmen due to its profit maximization capacity which in the long run more dollars will actually be brought into their own hands (Ranjan & Grote, 2017). This alternate form of trading is, however, meant to support one another. Consumers demand higher prices; farmer or producer offer premium goods. Yet producers or farmers must be competent and have the resources. In order to guarantee their long-term business success, they will provide the managerial capacity, resources, money, and preparation opportunities required to continue building up

and developing their means of production. That context is what is termed as capacity building in the current study.

One of the few studies in which farms in the approved coops contrasted the situation with traditional farmers in the same geographical region is Ronchi (2002). In this situation, about half the profits from the approved cooperative have Fairtrade conditions and it also shows that the income of individual farmers in the region selling only conventional coffee is greater than other producers. Nonetheless, this and other research studies often highlight the advantages of fair-trade knowledge, best practices in processing and distribution, and exposure to pre-financing in terms of the advantages of participating in fair trade markets. These studies have also found that nearby conventional farmers also benefit from information and a degree of competition from fair trade buyers which can enable other producers to negotiate more effectively with buyers. Balat et al. (2007) are presenting systematic and analytical data from Uganda demonstrating how an improvement in the amount of export market entry intermediaries (not in the case of fair trade) lowers production prices, raised production volumes and reduced poverty.

Capacity building comprise of a variety of forms such as: pre-harvest finance, technological assistance, business analysis, procurement of new machinery loans and, to name a couple, quality assurance preparation. The method of building capacity is made feasible by long-standing, globally and with a view to the producers' freedom at the grassroots level at the very beginning of the supply chain (Ranjan Jena & Grote, 2017). To help build capacity is not a benefit, but a means to improve flexibility and autonomy of the manufacturing industries themselves, which they rely on for better and sustainable survival. Sharing resources and expertise would allow those disadvantaged by traditional trading system more economic development. It is protection against unforeseen threats and that is what makes it possible to retain farmers in a network that is tampered with them. Capacity building in this

case therefore is a crucial component of a fair-trade economy otherwise without capacity building; genuine Fairtrade may not be realized.

2.3.5 Environmental Conservation Practices

In developed countries, citizens are actively trying to strike a compromise between best agricultural practices and protection of the environment. Very frequently, factories take action that places toxic chemicals, degradation, pollutant and toxin dumping on water and land depletion at risk of damaging the environment (Ranjan Jena & Grote, 2017). Fairtrade regulations allow suppliers and their networks to conform to globally agreed environmental conservation measures. The scheme, for companies who are dedicated to reforestation, environmental protection and water management programs, are offered financial support by the Fairtrade environmental conservation program (Sally, 2016).

Fairtrade enables producers to embrace fair agricultural practices with respect to the climate conservation policy and recommendations. Such farmers also endorse environmental protection practices. In addition, they are also not allowed to use harmful polluting materials. Their regular management will concentrate on fostering conservation of the climate. It means thusly that environmentally friendly activities and processes will help the whole supply chain. The usage of non-renewable fuels can consequently be reduced in the long run (Nelson et al. 2016).

Producers are urged to preserve and protect the environment, including virgin forests, natural water supplies and the control of pollution and erosion problems. Producers will comply with soil biodiversity and water control in accordance with safe waste management platforms (Paula, 2016). Therefore, farmers must carry out operations that match their aspirations for agricultural development and conservation of the environment. It is encouraged to use environmentally friendly chemicals while shunning the use of GMOs. Producers and

manufacturers are advised to limit and properly utilize agrochemicals. Ultimately, manufacturers are required to assess the environmental impact of their companies and draw up a plan to reduce their carbon footprint (Rachael, 2017).

2.4 Fair Trade and Export Performance

Fairtrade has been viewed by many scholars as a program that has enhanced export performance significantly. Mendez et al. (2010) surveyed, for example, in coffee harvesting from 2003/2004, 469 households in eighteen separate cooperatives in four countries (El Salvador, Guatemala, Mexico and Nicaragua). The links between average exports volumes and Fairtrade and sustainable certification in all four nations are strongly positive. Weber (2011) noticed that farmers accredited with fair trade and organic certificates have earned improved export production in a survey carried out in 2004/2005 of 845 coffee farmers in Southern Mexico.

Many reports also have verified Fairtrade's impact and vital position in enhancing the output of businesses in global markets. Companies can be able to resolve export obstacles with appropriate equal trading rules (Kalafsky, 2016). Fairtrade consumers benefit from different technologies, expertise and efficient relationship with the companies in the system, thus growing the export success in terms of their financial inclusion, support, planning and operational objectives, market share, export revenue and higher commodity prices than non-members (Durmusoğlu et al. 2012). Fairtrade has been seen to have a beneficial effect on export markets as well as goods over the long run.

The growth of Tanzania's exports cooperatives has put the Tanzania Cooperative Board (TCB) under pressure to adjust certain laws, first to Fair Trading Partners and then to traditional importers and exporters. New legislation enabled direct export contracts to bypass the domestic auction. There is therefore evidence that the value of the Fairtrade paradigm is

indirect for certain cooperatives. Dragusanu and Nunn (2014) use such a technique to look at the annual panel of 262 Costa Rican coffee mills between 1999 and 2010. Their study considered that accredited Fair-Trade factories are 5 cents a pound better for exports than traditional factories. This extra coffee price has enhanced export quantity significantly over the years.

2.5 Summary of Literature and Research Gap

Resulting research has its base on the summary of the literature present in this sub-section. The review took into consideration empirical studies published in journals from 1970-2019. The review began by examining the relevant theories that supports the concept of Fairtrade and export performance. The international entrepreneurship theory has supported the idea that entrepreneurs plays a critical role in enhancing Fairtrade program since they bring new ideas and how best these ideas can be implemented through Fairtrade practices. The network theory has asserted that farmers in Fairtrade program depends on networking in realization of international market for exporting their produce. On the other hand, classical trade theory provides that to strike a balance between the cost of production and market prices, Fairtrade is the program and strategy to implement. The study also has discussed the practices of Fairtrade. This include, opportunity for the disadvantaged farmers, transparency and accountability, fair prices for farmers, capacity building to farmers and also the environmental conservation practices. With considerations in the literature, the study has established that there is no study that has focused solely to the influence of Fair-trade labelled goods on export performance of world fair trade organization members in Kenya. The present study therefore, aims to fill this gap.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter present the research methods adopted in the research. The chapter is presented in sections that include: research design, target population, data collection, analysis and presentation and validity and reliability of research instrument.

3.2 Research Design

This research adopted the descriptive design methodology. Descriptive research is a qualitative and quantitative design that allows the researcher to measure the relationship between variables of a phenomenon of interest qualitatively through perception ranking of the respondent. The descriptive study describes the present circumstances and attitudes and documents them in line with the current situation (Wimmer & Dominick, 2006). The findings allowed researchers to examine the links between variables and to draw explanatory conclusions.

The reason behind adoption of a descriptive research is to explain observed trends and changes in a population in regard to specific subject. The design was found suitable for the study as it pursued to investigate the effect fair trade labelled goods on export performance of world fair trade members in Kenya.

3.3 Target Population

Population as defined by Mugenda and Mugenda (2003) are all the components meeting the inclusion criteria in a study. The target population is described as the population that meets specific criteria interested in by the researcher. The study population were the 17 World Fair-trade organization members in Kenya (Appendix II). Since the population size is small, then a census study was undertaken.

3.4 Data Collection

The study used a questionnaire as the primary tool for collection of data. Kothari (2004) describe a questionnaire as a tool in which all respondents receive questions in exactly the same format and order. The questionnaire was divided into three sections which included demographic information, Fair trade practices and the last section will cover the effect of Fairtrade on export performance. The questionnaire was self-administered to respondents through a process in which the researcher visited the selected Fairtrade certified firms and conveniently administered the questionnaires to the chosen respondents.

3.7 Data Analysis

All the questionnaires submitted to the respondents were collected, checked for precision, coded numerically and entered into SPSS prepared templates to calculate the response percentages, the mean, variance data and errors. The analysis of data means that the searcher and reader are informed in a meaningful way of the raw information collected in the field. The field results evaluation was carried out using the Statistical Package for Social Science (SPSS). The results were arranged and summarized in conformity to the study objectives. The study used correlation and regression analysis in the data analysis phase where correlation shows influence between variables and direction whereas the intensity of the relation between study variables is illustrated through regression methods. The data analysis used descriptive measures and included; mean, standard deviation, frequencies and percentages. Data presentation was done using tables.

The regression adopted the following;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where;

Y = Export performance

β_0 = Constant (Co-efficient of intercept)

- X₁ = Opportunity for the disadvantaged;
- X₂ = Transparency and accountability in farming;
- X₃ = Fair prices for farmers;
- X₄ = Capacity building to farmers;
- X₅ = Environmental conservation measures
- ε = Error Term

B₁...B₅= Regression co-efficient of the five variable factors

The study used the F-test in order to establish the significance of the regression, while the R^2 , determining the variance of Y, was explained by changes in X. The F-test was used to determine the importance of the regression, using the coefficient of detection R^2 , to ascertain how much change in Y is described by X. This was achieved with 95 per cent confidence level and correlation analysis was also carried out to determine the direction of the relation.

CHAPTER FOUR: RESULTS AND FINDINGS

4.1 Introduction

The chapter presents the analysis of data collected and analysed. The key areas of considerations in this chapter are; the response rate, organization demographic information, descriptive statistics with regard to the dimensions of Fairtrade practices, normality tests, regression analysis and the summary for the research results and findings. Presentation of results and findings are done based on the five research specific objectives. Tables are used as a tool for presentation.

4.2 Response Rate

Each of the 17 Fairtrade organization was issued with one questionnaire and 16 of the firms filled out and returned them. The response rate was thus 94.1% as shown in Table 4.1.

Table 4. 1: Response Rate

Questionnaires	Number responded	Percentage
Filled out and Returned	16	94.1
Non-responsive	1	5.9
Total	17	100

The level of response achieved in Table 4.1 was regarded as adequate in making conclusions on the study topic. According to Mugenda and Mugenda (2003), a response rate above 70% is rated excellent for drawing inference. On the other hand, Bailey (2000) avers that a response rate above 50% is sufficient enough for drawing reference for a population of less than 50 elements. The response rate of 94.1% therefore, is considered adequate to draw appropriate conclusion on the research subject matter.

4.3 Demographic Information

This part of the questionnaire was aimed at establishing the information about the organization with regard to its number of employees and age.

4.3.1 Number of Employees

Table 4.2 presents the findings with regard to the range of number of employees that the fair-trade organizations had.

Table 4. 2: Number of Employees

		Frequency	Percent	Cumulative Percent
Valid	less than 10	10	62.5	62.5
	10-20	2	12.5	75.0
	21-30	2	12.5	87.5
	Over 30	2	12.5	100.0
	Total	16	100.0	

Based on the results in Table 4.2, it is clear that the majority of the 16 Fairtrade organizations in Kenya are small organization due to the small number of employees. From the results, 62.5% of the organizations mentioned that they have less than 10 employees whereas 12.5% opined that the overall number of employees in their organization fall in the bracket 10-20, 21-30 and over 30 employees in each category. Therefore, over 85% of the fair-trade organizations researched on in Kenya have less than 30 employees and therefore can be categorized as small enterprises.

4.3.2 Age of the Organization

The age of the enterprise helps in assessing to what extent the organizations has been involved in implementation of their strategies towards achievement of the stated

organizational objectives. The findings in regard to the age of the organizations are as shown in Table 4.3.

Table 4. 3: Age of the organization

	Frequency	Percent	Cumulative Percent
Valid less than 5 years	1	6.2	6.2
5-10 years	1	6.2	12.5
11-20 years	7	43.8	56.2
Over 20 years	7	43.8	100.0
Total	16	100.0	

The findings in Table 4. 3 indicate that a majority of the organizations (87.6%) had been in operations in Kenya longer than 10 year and only 12% had started their operations in Kenya within the last 10 years. Therefore, considering that a majority of the fair-trade enterprises in Kenya had been in operations longer than 10 years, it is fair to assume that they would gain adequate insight on the operations of the movement and what its influence on export performance.

4.4 Fair trade Practices

Fairtrade practices are discussed in relation to the principles of fair-trade certification. The present study considered five fair-trade practices which are considered as the main dimensions of a fair-trade principles. These practices are; opportunity for the disadvantaged producers, transparency and accountability, fair prices for producers, capacity building for producers and environmental conservation practices. In an effort to establish to what extent fair-trade practices implementation at the target firms is carried out, the researcher sought to rate the statements in each section using a 5-point linkert scale. The key ranged from 1-very

small extent to 5-very large extent. This means that a greater than 3.5 imply that the practice has been implemented to a large extent while less than 1.5 shows that the practice has been implemented though to a very small extent. A standard deviation indication greater than 1 represents a higher response rate on variations.

4.4.1 Opportunity for the Disadvantaged

Table 4.4 presents the figures for opportunity for the disadvantaged.

Table 4. 4 Opportunity for the Disadvantaged

Statements	N	Mean	Std. Deviation
No child labour is involved in our production process	16	4.94	.250
The workers during the production of our products are the indigenous people	16	4.69	.479
The production of the products is aimed at improving the economic wellbeing of the marginalized workers	16	4.62	.500
The products sold aims at fostering the economic wellbeing of the community	16	4.56	.512
The organization works to improve the welfare of the marginalized workers	16	4.56	.512
Our products are mainly produced by women who are disadvantaged	16	4.31	.704
Overall Mean		4.61	

From the study findings, the responses agreed to a very large extent (M=4.94) and that there is no child labour involved in the production process citing that to a very large extent (M=4.69) also, that the workers during the production of products are productive indigenous

people. In addition, the production of products, to a very large extent (M=4.62) is aimed at improving the economic wellbeing of the marginalized groups. Similarly, the products sold aims at fostering the economic wellbeing of the community (M=4.56) and in the process, the organization works to improve the welfare of the marginalized workers (M=4.56). To a large extent (M=4.31), the respondents agreed that the products of the fair-trade organizations are produced by women who are disadvantaged. It is evident from the low standard deviations that the opinions of the respondents inclined towards the mean. This suggest that the production process of the affiliated producer units to the fair-trade organizations offers equal opportunities to the disadvantaged.

4.4.2 Transparency and Accountability

The second dimension of fair trade investigated was the extent to which there is transparency and accountability during the members’ production process as well as sourcing of markets and pricing. The results are shown in Table 4.5.

Table 4. 5: Transparency and Accountability

Statements	N	Mean	Std. Deviation
Organization involves producers on all matters affecting them	16	4.50	.516
Product production is based on equity	16	4.50	.516
We offer adequate information on market performance	16	4.44	.629
Product production is based on dialogue with producers	16	4.44	.629
Changes in the international market is well explained to the producers	16	4.31	.873
The organization posts account information on primary society doors	16	3.94	1.124
Overall Mean		4.36	

Based on the results in Table 4.5, to a very large extent (M=4.50), the organization involves producers on all matters affecting them and that the production is based on equity (M=4.50). The study also established that to a very large extent (M=4.44), the organization offer adequate information on market performance given that incorporation and engagement of producers is done through dialogue to ensure that the production process meets the quality demanded by consumers (M=4.44). Similarly, in enhancing transparency and accountability at the organizations, the study found that to a large extent (M=4.31), changes in the international market is well explained to the producers and that the organizations posts account information on primary society doors (M=3.94). These statements have been implemented to a large extent implying that transparency and accountability is highly practiced. The respondents also agreed with the statements unanimously given the low standard deviations.

4.4.3 Fair Prices for Producers

The ability to avoid price discrimination on producer prices is one major challenge that face farmers especially in developing countries whose marketing organizations and regulatory framework is not well developed. The results on the extent to which the fair-trade organizations facilitate fairness in pricing are shown in Table 4.6.

Table 4. 6: Fair Prices for Producers

	N	Mean	Std. Deviation
The organization has eliminated middlemen in the production system and thus able to offer competitive prices	16	4.62	.619
The prices we offer covers all the producer's production cost	16	4.50	.632
The prices of our products are usually set in advance	16	4.50	.632
The quality of product determines the prices offered in the market and hence encouraging the production of quality products	16	4.38	.619

The prices offered comply with the fair-trade cost of living	16	4.38	.619
The product origin determines its price in the market	16	4.19	.911
Overall Mean		4.43	

In regard to fair prices to consumers, the study established that to a very large extent (M=4.62), fair trade organizations have eliminated middlemen in the production system and thus able to offer competitive prices that covers all costs of production incurred by the producer (M=4.50), and that these prices are always set in advance (M=4.50) which ensures that producers operate within the profit line. The study also found that to a large extent, that the quality (M=4.38) and origin (M=4.19) of product determines the prices offered in the market and hence encouraging the production of quality products while complying with the fair-trade cost of living.

4.4.4 Capacity Building for Producers

Capacity building among the producers ensures that the well-being of producers are considered and given priority. The knowledge and skills equipped to the producers will ensure that with the absence of aid from third parties, they can continue producing independently. The findings with regard to capacity building are shown in Table 4.7.

Table 4.7: Capacity Building for Producers

Statements	N	Mean	Std. Deviation
We equip producers with the necessary technical know-how	16	3.94	.772
Our organization provides necessary infrastructure to producers	16	3.81	.544
We offer quality control training to producers	16	3.62	.885
We offer necessary capital to producers	16	3.50	1.095

We offer loans to purchase new equipment	16	2.44	1.209
We offer pre-harvest finances to our clients	16	2.38	1.500
Overall Mean		3.28	

The results from Table 4.7 suggests that Fairtrade organizations, to a large extent (M=3.94), equip producers with necessary technical know-how and to achieve this, the organizations provides necessary infrastructure to producers (M=3.81). Similarly, the results reveal that the organizations offer quality control training to producers (M=3.62), offer necessary capital to producers (M=3.50), offer loans to purchase new equipment (M=2.44) and also offer pre-harvest finances to our clients (M=2.38). However, the higher standard deviation experienced that is > 1.0 suggests that the responses were varied on the last three statements.

2.4.5 Environmental Conservation Practices

The study aimed at establishing the extent at which fair trade organizations considered in the study have implemented measures to safeguard the environment. The results in regard to the adoption of environmental conservation among the organization's membership are shown in Table 4.8.

Table 4. 8: Environmental Conservation Practices

Statements	N	Mean	Std. Deviation
Natural water resources are always conserved	16	2.75	1.000
Our producers concern virgin forest bodies during their production process	16	2.62	1.088
The farmers balance between their agricultural needs and the need to conserve the environment	16	2.50	1.095

The production waste is recycled and used in the production process	16	2.31	.793
Minimal use of agro-chemicals is used during the production process	16	2.06	.998
Carbon emission standards is always adhered to	16	1.88	1.147
Overall Mean		2.35	

In conserving the environment, the study found that to a moderate extent ($M=2.75$, $SD=1.000$), the fair-trade organizations membership in Kenya conserve natural water resources and that their producers are much concerned with virgin forest bodies during the production process ($M=2.62$, $SD=1.088$). Similarly, fair trade organization affiliated members farmers are always advised to balance between their agricultural needs and the need to conserve the environment ($M=2.50$) and practice measures that conserve the environment such as ensuring; production waste is recycled and used in the production process ($M=2.31$), minimal use of agro-chemicals is used during the production process ($M=2.06$) and carbon emission standards is always adhered to ($M=1.88$).

4.5 Export Performance

The fair-trade practices considered in the study was used to predict export competitiveness of the said organizations. In this regard the study objective was to establish to what extent do these practices affect export performance of fair-trade organizations. The results are shown in Table 4.9.

Table 4.9: Export Performance

Statements	N	Mean	Std. Deviation
Export quantity has continually increased with certification	16	4.38	.619
Increased foreign market turnover	16	4.31	.602
The firm foreign market share has increased	16	4.31	.602
New market opportunities have arisen in the foreign market	16	4.19	.655
There has been direct export and thus by-passing the local auction	16	4.12	.885
Export barriers have decreased with fair trade certification	16	4.12	1.025
The prices of our products have increased as compared to the last period	16	3.87	1.088
Overall Mean		4.19	

The study found that to a large extent, export quantity has continually increased (M=4.38), foreign market turnover has increased (M=4.31), firm foreign market share has increased (M= 4.31), new market opportunities have risen in the foreign market (M=4.19), There has been direct export and thus by-passing the local auction (M=4.12), Export barriers have decreased with fair trade certification (M=4.12) and that the prices of products have increased as compared to when these organizations had not been certified with fair trade (3.87).

4.6 Diagnosis tests

Diagnostic tests are done to ensure that the data gives suitable regression outcomes without errors relating to correlation. This test involves normality, serial correlation (autocorrelation), heteroscedasticity and multicollinearity.

4.6.1 Normality

This study used Shapiro-Wilk test to establish the normality of the data as shown in Table 4.10. When interpreting the results, a level of significance greater than 0.05 indicates the data value deviates slowly from the normal distribution while a level of significance less than or equal to 0.05 means it is normally distributed.

Table 4.10: Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Export performance	.323	16	.000	.759	16	.001
Opportunity for disadvantaged	.326	16	.000	.722	16	.000
Transparency accountability	.323	16	.000	.759	16	.001
Fair Prices	.358	16	.000	.774	16	.001
Capacity building	.300	16	.000	.794	16	.002
Environmental conservation	.256	16	.006	.827	16	.006

a. Lilliefors Significance Correction

From the study findings, we can attest that the data points relating to all the variables considered in the study are normally distributed since their significance values are less than 5%. This therefore implies that the data comes from a normally distributed population.

4.6.2 Multicollinearity

The study adopted a variance inflation factor (VIF) technique so as to examine the degree of multicollinearity among the explanatory variables. Table 4.11 below shows the results of the test. When VIF lies between 1 and 10, there is no multicollinearity.

Table 4. 10: Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Opportunity for the disadvantaged	.140	7.164
Transparency and accountability	.342	2.924
Fair Prices	.135	7.404
Capacity building	.264	3.787
Environmental conservation	.539	1.854

As shown in table 4.11 of the study results, (VIF) of the variables lies between 1 and 10. These imply that there is no multicollinearity and thus the explanatory variables in the multiple regression models are not linearly related.

4.7 Regression Analysis

The relationship between fair-trade practices and the export performance of world fair trade organization members in Kenya was established by use of multiple regression analysis. The coefficient of determination evaluates the degree to which variations in the independent variables explain deviations in the outcome variable or the variation proportion in the outcome variable that is indicated by all the explanatory variables.

4.7.1 Model Summary

Table 4.12 demonstrates the model summary of regression results where, adjusted R square, R square, and standard error of estimate are presented.

Table 4. 112: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897 ^a	.805	.707	.326

b. Dependent Variable: Export performance

Table 4.12 represents the model summary of regressed study variables with the correlation coefficient (R) value indicating the degree of association between the dependent and independent variables. In this model therefore the coefficient of correlation is 0.897 which indicates a positive and strong correlation between the fair-trade practices employed by producers and export performance of these products. The R Squared is the coefficient of determination that indicates the changes in the export performance that is caused by the adoption of the fair-trade practices. From the above the R squared statistic gives the goodness of fit of the model which shows how good the regression model approximates the real data points. The R square of this model is 0.805 which implies that the model is a good fit of the actual data and that the export performance of these organizations is explained 80.5% by the level of fair-trade practices adopted by the organizations.

4.7.2 ANOVA

The Analysis of variance was used to determine the significance of the model in predicting the dependent variable. A low F statistic value indicates low variance in the data values. The significance level less than 0.05 imply that the model is significant to predict the outcome variable. The results of the ANOVA are shown in Table 4.13.

Table 4. 123: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.376	5	.875	8.245	.003 ^a
	Residual	1.061	10	.106		
	Total	5.438	15			

a. The Predictors: (Constant), Environmental conservation, Transparency and accountability, Fair Prices, Capacity building, Opportunity disadvantaged

b. The Dependent Variable: Export performance

The significance value of the model was found to be 0.003 which is less than 0.05. This therefore suggests that the model is statistically significant and that export performance is

statistically predicted by Fairtrade practices. Thus, the results show that there is a positive relationship between Fairtrade practices and export performance.

4.6.3 Regression Coefficients

Table 4. 134: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.916	.769		1.192	.261
Opportunity for the disadvantaged	-.355	.220	-.605	-1.617	.137
Transparency accountability	.626	.239	.626	2.621	.026
Fair Prices	.436	.210	.789	2.074	.065
Capacity building	.094	.250	-.103	.377	.714
Environmental conservation	.209	.129	.308	1.619	.137

a. The Dependent Variable: Export performance

The regression model is presented as,

$$Y = 0.916 - 0.355X_1 + 0.626X_2 + 0.436X_3 + 0.094X_4 + 0.209X_5 + \varepsilon$$

The regression equation shows that holding environmental conservation, transparency and accountability, fair prices, capacity building and opportunity for the disadvantaged producers constant 0, export performance will remain at 0.916 units. A unit increase in environmental conservation will reduce the export performance by 0.355 and a unit increase in transparency and accountability will increase the amount of export performance by 0.626. In addition, an increase in fair prices to producers, capacity building and opportunity for the disadvantaged producers brings a positive change to export performance by 0.436, 0.094 and 0.209 respectively. There is therefore a positive relationship between organization environmental conservation, transparency and accountability, fair prices, capacity building and opportunity for the disadvantaged producers and export performance. In addition, from the results in

Table 4.12, the significant parameters that influence the export performance are transparency and accountability since its p-value of 0.26. All the other parameters are insignificant because their p-values are greater than 0.05.

4.8 Discussion of the Findings

The study analysed the influence of fair-trade practices on the export performance of world fair-trade organizations in Kenya. It incorporated five fair trade practices considered in the present study as independent variables. These practices include; opportunity for the disadvantaged producers, transparency and accountability, fair prices for producers, capacity building for producers and environmental conservation practices.

From the findings, the study found that opportunity for the disadvantaged enhances export performance due to its positive coefficient factor. The study found that with appropriate strategies for creation of opportunities for more disadvantaged farmers and producers, more products are produced for export thus enhancing export performance. Furthermore, the fair opportunity for marginalized producers enhances their livelihoods. This finding supports earlier findings by Mohan et al. (2019) that because of the Fair-Trade organization, marginalized employees are being paid a decent minimum wage and therefore their livelihoods are improved and become stable in the long run.

In relation to transparency and accountability, the study found that there is a positive association between fair trade organization's transparency and accountability and export performance. Through publication of financial statements, stakeholders are aware of how income are generated and how expenditure are incurred thus are willing to invest more capital and in the long term enhance export performance. Similarly, through transparency and accountability practices, farmers and producers are able to get market information and therefore are aware of the quality standards required in the international market. Thus,

meeting the quality standards required means that their products will have high demand hence increasing export quantity. These findings are in line with Dragusanu, Giovannuci and Nunn (2014) who opined that fair trade campaign is historically based on confidence instead of on conformity with clear results requirements in its openness and accountability partnerships with stakeholders.

The study also established that fair prices for farmers enhances export quantity. Through payment of fair prices to farmers, more farmers are willing to sell their products to fair-trade certified organization due to the fact that they will get significant returns. Additionally, fair trade organization has eliminated middlemen who are purported to manipulate farmers through payment of unfair prices. As a result, farmers sell their produce direct to the market through fair-trade terms thus export quantity will increase and therefore enhancing overall export performance. The results are in tandem with that of Brown (2017) that the presence of middle men who manipulate the farmers by colluding in a manner that make the producers' goods not to be profitable in the long run. This causes un-concurring pricing system.

In addition, it is established that fair trade organizations ability to empower its producers and farmers through capacity building strategies results in a positive impact on export performance. It established that through provision of capital to farmers and producers, export quantity has been increasing significantly thus enhancing the overall export performance. In addition, the fair treatment of producers through provision of capital ensures that the net profit earned by customers are substantial. The findings support earlier study by Ranjan and Grote, (2017) that the Fairtrade program has been introduced as a result of demand from farmers and craftsmen due to its profit maximization capacity which in the long run more dollars will actually be brought into their own hands thus empowering producers economically.

Environmental conservation remains the main global priority among the fair-trade organizations. As a practice, it was established that a positive relationship between environmental conservation and export performance. Given the fact that fair trade organization advices its producers and farmers to use the right chemicals in right quantities, it is an act that promotes safety of soil condition and in the long run enhances soil productivity thus increasing production quantity. Similarly, Paula (2016) opine that if producers will comply with soil biodiversity and water control in accordance with safe waste management platforms, crop production will increase significantly thus the export quantity.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary of key outcomes, conclusions drawn from the results and policy implications and recommendations. The conclusions and recommendations drawn were in an effort to addressing research objective which was singularly; to evaluate the influence of fair-trade practices on the export performance of world fair trade organization members in Kenya

5.2 Summary

Based on demographic information, it is established that majority (62.5%) of fair-trade organization members have less than 10 employees while only 37.5% have 10 or more employees. This is an indication that these organizations are small owing to the small number of employees. The age of the organization is perceived to determine the level of experience that the organizations have been involved in the fair-trade practices. In this regard, the study found that 87.6% of the firms under fair trade program have been in operation for more than 10 years. This imply therefore that these firms have the requisite experience in the fair-trade practice adherence.

With regard to opportunity for the disadvantaged producers and farmers, the study found that there is a positive relationship with export performance in the sense that the coefficient factor of opportunity for the disadvantaged is positive on the regression equation. The findings established that in enhancing opportunity for the disadvantaged, the fair-trade certified organizations have put up measures to ensure that there is no child labour in the production process. In addition, production in these organizations are aimed at improving the living conditions of the marginalized workers and thus while these workers are working in the

production system, they are motivated to improve their wellbeing and in the long run production capacity increases and consequently, the export quantity.

Furthermore, transparency and accountability among the fair-trade certified firms has been found to impact export performance positively. The study established that as a practice, the organizations involve producers on all matters affecting the production process while focusing on equity and dialogue with producers. It is also established that the fair-trade producers are provided with information pertaining the quality standards required at the international markets as well as adequate information on market performance. In so doing therefore, producers will produce products that are highly demanded at the international market thus enhancing quantity exported.

Fair prices for producers have been established to enhance export performance. The study established that fair-trade organization has eliminated middlemen in the production system and thus able to offer competitive prices. Consequently, producers are willing to sell their produce in fair-trade terms due to high returns and profit capacity hence improves export performance in general. In addition, capacity building as a practice for fair trade organization enhances export performance since producers are equipped with necessary technical know-how. Additionally, the organizations support producers by offering quality control training and necessary capital to improve production quantity and thus increase the total export quantity.

On environmental conservation, the study established that fair trade organization ensures that virgin forest bodies and natural water resources are conserved. Farmers are also advised to balance between their agricultural needs and the need to conserve the environment. Consequently, farmers will have a sustainable environment for long term conducive productive environment and soil biodiversity. The findings have shown that in general, the

five fair-trade practices considered in the study constitutes 80.5% of the overall export performance.

5.3 Conclusion

Drawing from the study results, it can be inferred that fair-trade practices enhances export performance among the world fair-trade organizations in Kenya. The study confirmed that with proper adherence of transparency and accountability, farmers are provided with the necessary information pertaining the international market thus enabling them to produce farm produce that are highly demanded at the right quality and quantity. In addition, capacity building is an important practice in fair trade program. Producers are offered appropriate training that enables them to produce high quality products conveniently at a lowest cost of production. The quality control trainings offered to producers' plays an important role in enhancing production of goods meeting the recommended quality standards at the international market.

The study also concludes that the fair prices offered to producers motivates them to produce more and sell to fair trade organizations due to the favourable gains that they receive. In the long run, this practice enhances their wellbeing and general living conditions including the disadvantaged farmers. In addition, environmental conservation is given priority for sustainable production and soil biodiversity.

5.4 Policy Implications and Recommendations

The study has made significant conclusion on the impact of fair-trade practices on export performance among fair-trade member organizations in Kenya. Consequently, the study recommends that Fairtrade organization should intensify its practices to ensure maximum export performance. Practices such as transparency and accountability has shown a significant impact on export performance therefore fair-trade organization should enhance

information accessibility to ensure that they get quality and appropriate information pertaining market access and quality standards.

In addition, to enhance opportunity for the disadvantaged, the organization should implement measures that ensures there is no child labor in the production system. Besides, women and marginalized groups should be incorporated into the production system to promote equity. Capacity building also plays an important role in enhancing export performance. As a result, provision of necessary capital and infrastructure is crucial to producers.

5.5 Limitations of the Study

The major limitations in the study include the fact that some respondents were reluctant to give some information which they regard as confidential and personal in nature. In addition, the research was conducted among world fair trade organization members in Kenya and whether its findings are in agreement with other countries is subject to verification on the basis of other studies. Therefore, it will be necessary to test the study findings on different regions. The other limitation to the study was the few variables considered and it is possible that there are other factors that influence export performance among the world fair-trade organization members in Kenya.

5.6 Suggestion for Further Research

The study focused on the relationship between five fair-trade practices and the export performance of world fair-trade organization members in Kenya. It is recommended that future research studies can examine how other fair-trade practices, which were not considered in the current study, affect export performance while using a larger sample size. Finally, future studies should consider incorporating intervening variables to bring out clearly the relationship.

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APPENDIXES

APPENDIX 1: LETTER OF INTRODUCTION

Edwin Kipkoech Bett

P.O Box 36910-00200

Nairobi.

Dear Sir/Madam,

REQUEST TO FILL THE QUESTIONNAIRE FOR RESEARCH PURPOSE

This is to request you to kindly complete the enclosed questionnaire for analysis.

The focus of the study is to investigate the effect of fair-trade labelled goods on export performance of world fair trade members in Kenya. The submitted data will be handled with the maximum confidentiality and the resultant report will be available to you upon request. I am anticipating your cooperation in this exercise as you help me achieve my goals.

With kind regards,

.....

Edwin Kipkoech Bett

APPENDIX II: QUESTIONNAIRE

This questionnaire is designed to gather information on the role of fair-trade labelled goods on export performance of world fair trade members in Kenya and is solely for academic purposes only. Kindly give information to all items in the questionnaire by putting a tick (√) on one of the options. For questions that require your own opinion, fill out the blanks. (.....)

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of the organization (Optional).....
2. How many employees are there in your organization?

a) Less than 10	()	b) 11 – 20	()
c) 21 - 30	()	d) Over 30	()
3. What is the age of the organization?

a) Less than 5 year	()	b) 6 – 10	()
c) 11 - 20	()	d) Over 21 years	()

SECTION B: DIFFERENTIATION STRATEGIES

4. Please indicate to what extent you concur with the following statements concerning differentiation strategies.

KEY;

5 = to a very large extent, 4 = Large extent, 3 = Moderate extent, 2 = Small extent, 1 = Very small extent

a) Opportunity for the Disadvantaged

Statement	5	4	3	2	1
The production of the products are aimed at improving the economic wellbeing of the farmers					
The organization works to improve the welfare of the marginalised workers					
The products sold aims at fostering the economic well being of the community					

Our products are mainly produced by women who are disadvantaged					
The workers during the production of our products are the indigenous people					
No child labour is involved in our production process					

How else is the product sold by the organization takes care of the interests of the disadvantaged

.....

b) Transparency and Accountability

Statement	5	4	3	2	1
Product production is based on equity					
Product production is based on dialogue with producers					
We offer adequate information on market performance					
The organization involves producers on all matters affecting them					
The organization posts account information on primary society doors					
Changes in the international market is well explained to the producers					

How else is the product sold manifest higher level of transparency and accountability during its production and sale.....

.....

c) Fair Prices for Farmers

Statement	5	4	3	2	1
The prices of our products are usually set in advance					
The prices we offer covers all the producers production cost					
The prices offered comply with the fair-trade cost of living					
The organization has eliminated middlemen in the production system and thus able to offer competitive prices					
The quality of product determines the prices offered in the market and hence encouraging the production of quality products					

The origin of a product determines the price of the product in the market					
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How else is fair prices manifested in the market

.....

d) Capacity Building for Farmers

Statement	5	4	3	2	1
Our organization provides necessary infrastructure to farmers					
We equip producers with the necessary technical know-how					
We offer necessary capital to producers					
We offer loans to purchase new equipment					
We offer quality control training to producers					
We offer pre-harvest finances to our clients					

How else is capacity building for farmers achieved

.....

e) Environmental Conservation Practices

Statement	5	4	3	2	1
Our producers concern virgin forest bodies during their production process					
Natural water resources are always conserved					
The production waste is recycled and used in the production process					
The farmers balance between their agricultural needs and the need to conserve the environment					
Minimal use of agro-chemicals is used during the production process					
Carbon emission standards is always adhered to					

How else is environmental conservation during production process achieved

.....

SECTION C: PERFORMANCE OF FAIR-TRADE MEMBERS

5. Indicate the extent of influence to which the fair-trade practices have influenced the organization export performance

Where, 5 = Greatly; 4 = Considerately; 3 = Moderately; 2 = Remotely; 1= Not at all

Statement					
Export quantity has continually increased with certification					
Export barriers have decreased with fair trade certification					
The firm foreign market share did increase significantly					
The prices of our products have increased as compared to the last period					
New market opportunities have arisen in the foreign market					
There has been direct export and thus by-passing the local auction					
Increased foreign market turnover					

APPENDIX III: FAIR TRADE ORGANIZATIONS

1. Straight Line Enterprises Ltd
2. Basecamp Maasai
3. Bawa la Tumaini
4. Bombolulu Workshops
5. Crafts Caravan
6. Heavenly Treasures
7. Nyabigena Soapstone Carvers Organization
8. Ten Senses Africa Limited
9. Jedando Modern Handicrafts
10. Kick Trading
11. Machakos Cooperative Union Ltd (MCU)
12. Kiboko Leisure Wear
13. Kazuri 2000 Limited
14. Undugu Fair Trade Limited
15. Smolart Self-Group and
16. Trinity Jewellery Crafts
17. KEFAT Ltd