

**PSYCHIC DISTANCE, FIRM SIZE, PERCEIVED RISK AND EXPORT MARKET  
CHOICE OF EXPORTING FIRMS IN UGANDA**

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## **ABSTRACT**

The study sought to investigate the relationship between psychic distance, firm size, perceived risk and the market choice for Uganda exports. The problem of the study was that there is a notable shift of Uganda's firms from exporting to markets that are geographically distance to nearer regional markets, a situation that could be attributed to psychic distance that leads to higher levels of perceived risk of which the smaller Sized Ugandan firms cannot wedge against due to limited resources.

The study reviewed literature that was related to the study variables. It used a cross sectional research design and collected quantitative data using a structured question from a sample of 80 exporting firms of which only 72 questionnaires were used for analysis.

Data analysis was done using SPSS 17.0, the analysis indicated psychic distance is positively correlated with the perceived risk in the export market of choice, it also established that psychic distance was negatively related to export market choice. Psychic distance and perceived risk were found to be having significant effect on export market choice.

The study made conclusion and recommended that firms can invest in psychic distance reducing activities such as trade exhibitions, recruit multicultural employees to be able to reduce on the perceived risk in the export markets they would want to choose. Trade promotion organizations should intensify negotiations for trade arrangements that harmonize conditions in the domestic and export market and reduce on the unfamiliarity of export markets. They can also sponsor trade missions of exporters to have them understand these foreign markets.

There were limitations in terms of scarce literature on some variables and lack of response from some exporting firms. The study suggested that future studies should focus on the later performance of firms in either psychically close or distant market and also studies on more specific sectors should be conducted.