



**College of Business & Economics**

**Department of Management**

**MSC in Total Quality Management and Organizational Excellence**

**Assessment of international trade service practice, the case of  
private banks in Ethiopia**

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**January, 2022  
Addis Ababa, Ethiopia**

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**A Thesis Submitted to Addis Ababa University College of Business & Economics Program of MSC Management in Partial fulfillment of the requirements for the award of the Master of Science (MSC) in Total Quality Management and Organizational Excellence**

**Addis Ababa University**  
**College of Business & Economics**  
**Program of MSC Management**

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## DECLARATION

I declare that this thesis is my original work, prepared under the guidance of my advisor Yohannes W. (PhD). All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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## ENDORSEMENT

This thesis has been submitted to Addis Ababa University College of Business & Economics for Examination with my approval as a university advisor.

Yohannes W. (PhD)

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January, 2022

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## **ABSTRACT**

*International trade service operation has high impact in shaping of every one life in the history of mankind. But little has been studied in Ethiopian private banks context.*

*The goal of this paper is to assess the international trade service practices of Ethiopian private banks. To form the research base line, four selected private banks such as Addis International, Debub Global bank, Bank of Abysinya and Awash Bank's practice has been taken.*

*To select these banks officers and management of the selected banks as a sample, purposive sampling technique was used*

*The data for the study had been collected through self-administered standard questionnaire. Descriptive statistics, like frequency, mean and standard deviation were used to analyze the data with the aid of SPSS version 26. The research conducted to analyze the risk in practicing international trade, the familiarity and information gap and the expected prospect due to the International trade adoption.*

*Key word: Trade Service process, international and local standard, Challenges, Risks*

## Table of Contents

Contents	Page
DECLARATION .....	i
ENDORSEMENT.....	ii
ACKNOWLEDGMENT.....	iii
ABSTRACT.....	iv
CHAPTER ONE.....	1
1. Introduction.....	1
1.1 Background of the study.....	1
1.2 Statement of the problem.....	2
1.3 Research Questions.....	3
1.4 Objective of the study.....	3
1.4.1 General objectives of the study.....	3
1.4.2 Specific objectives of the study.....	4
1.5 Significance of the study.....	4
1.6 Scope of the study.....	5
1.7 Definition of term.....	5
1.8 Organizations of the Paper.....	5
CHAPTER TWO.....	7
2. Related Literature Review.....	7
2.1 Concepts.....	7
2.2 International Trade Theories.....	7
2.3 Risks of Banks' in financing international trade Service.....	9
2.4 The common challenge for International trade and management:.....	10
2.5 Compliance of directive and international standards.....	12
2.5.1 Foreign exchange policies and directives of Ethiopia.....	12
2.5.2 Payment Contracts in International Trade.....	13
2.5.3 International Trade and international regulatory practices.....	13
2.6 Prospects of Private Banks on practicing trade service operation:.....	15
CHAPTER THREE.....	17
3. Research methodology.....	17

3.1 Study design .....	17
3.2 Study population and sampling technique.....	188
3.3 Data collection instruments and procedures .....	19
3.3.1 Sources of data .....	19
3.3.2 Data collection instruments.....	19
3.4. Validity and Reliability .....	20
3.5 Methods of Data Analysis .....	21
3.6 Ethical considerations.....	21
CHAPTER FOUR.....	22
4. Data presentation, analysis, and interpretation .....	22
4.1. Introduction .....	22
4.2. Review of Respondents Profile .....	22
4.3. Compliance level of International Trade Finance Service .....	25
4.4. Major risk areas of International Trade service.....	28
4.5. Knowledge gap of staffs on trade service areas .....	30
4.6. Prospects from trade service practice .....	31
CHAPTER FIVE .....	33
5. Summary, Conclusion and Recommendation.....	33
5.1. Summary of Major Findings.....	33
5.2 Conclusion.....	35
5.3 Recommendation .....	36
References.....	38

# CHAPTER ONE

## 1. Introduction

### 1.1 Background of the study

International trade is the exchange of goods and services across national boundaries. It is the most traditional form of international business activity and has played a major role in shaping world history. It is also the first type of foreign business operation undertaken by most companies because importing or exporting requires the least commitment of, and risk to, the company's resources (Seyoum, 2009).

International trade transactions expose the parties involved to various difficulties and risks due to the physical distance between parties, different time zones, and different legal rules applicable to transactions as well as the fact that usually the parties do not know each other.

While International Trade service operation has is examined broadly, but there is few study on International trade service's challenge and prospect on the case of Ethiopian private banks. Apparently, the previous studies focus is on commercial bank of Ethiopia, which is a government owned bank.

Although problems of the sector have been discussed in the literature, little is done so far to explain the prospect of international trade service in our country. Consequently, there is a scanty of knowledge on how to improve the country's trade. To fill this gap and contribute for knowledge, this research is dedicated.

Some of the risks sellers may experience are a risk of Buyer's insolvency or credit risk (the inability of the buyer to honor full payment for goods or services rendered on due date). Besides, the sellers may encounter buyer's non-acceptance of goods delivered or services rendered.

Buyers too have a risk of Sellers Performance Risk. A seller may fail to carry out his obligations in a sales contract due to various reasons. Seller non-performance, choice of delivery term, Political unrest, legal imposition by the government,

Banks play a crucial role in facilitating international trade by providing a wide range of trade service products like letter of credits, documentary collections, consignment, advance payment, suppliers credit to name a few (Niepmann,2014).

Private Banks may ensure safety, and transparency in the flow of documents and foreign currency payments in their practice of trade service.

Trade Service is one of the core processes of the bank entrusted with the task of international banking services by providing facilitation of payment associated with import, export and guarantee transactions. It also generates the highest income to the banking sector in Ethiopia.<sup>1</sup>

## **1.2 Statement of the problem**

Private Banks are major players in financial institutions that facilitate the country's international trade. They facilitate payment for merchandise shipped and services rendered layouts funds for buyer and seller, and give professional advices to traders (Niepmann, 2014).

From interview and observation on trade service of banks, it is characterized as late transfer of LC documents, improperly handling and improper filling documents, lack of knowledgeable staffs, payment delay on in import and export bills, frequent change of foreign directives and issue of compliance becomes some of the sources of customer dissatisfaction

Foreign exchange shortages due to weak export performance and high demand for foreign currency will continue to present significant market challenges, particularly for potential Ethiopian buyers of foreign goods and services. Private sector actors widely complain about the shortage of foreign exchange and point out the adverse implications on their businesses. (<https://www.privacyshield.gov/article> retrieved on January 05, 2022)

Little evidence is available on deep policy reform in line with the available and utilization of scarce foreign currency. Despite the county has long experience in international trade.

Firms that would like to venture into international market should be aware of the risks as well the opportunities available to facilitate their business transaction (Challenges Facing Bank in Financing International Trade: From an Islamic Perspective) - Conference Paper · October 2008

The new indigenous banks have to compete vigorously for both deposits (including foreign currency) and creditworthy borrowers. This provides Ethiopia best chance of improvement in the quality of bank services, the creation of new financial services, and lower costs. A second potential advantage, from the point of view of the national economy, is that the indigenous banks have to seek borrowers from among small and medium scale businesses. (T. F. I. Nwanne, 2019)

Little research was conducted on trade service practice of the bank, but it was only focused on Commercial Bank of Ethiopia, so in order to assess the trade service practice of private banks, the research is necessary. Therefore this research expected to full fill the gap between the previous research and the current international trade service practice of private banks.

### **1.3 Research Questions**

The following questions were developed to guide the study:

1. What are the common challenges that the Ethiopian private banks undertake with practicing of trade service operation?
2. In what extent compliance level, the Ethiopian private banks undertake with practicing of international trade finance service?
3. What are major risk areas that the international trade service facing?
4. What knowledge gap exists on trade service areas?
5. What prospects expected from Ethiopian private banks in practicing of international trade service?

### **1.4 Objective of the study**

#### **1.4.1 General objectives of the study**

The overall objective of this study is to assess the international trade service practices of private Banks in Ethiopia,

#### **1.4.2 Specific objectives of the study**

1. To assess the common challenges that the Ethiopian private banks undertake with practicing of trade service operation
2. To assess the extent of compliance level, the Ethiopian private banks undertake with practicing of international trade finance service
3. To assess major risks areas international trade service facing
4. To assess the knowledge gap exists on trade service areas
5. To assess prospects expected from Ethiopian private banks in practicing of international trade service

#### **1.5 Significance of the study**

The trade service operation has been identified as the catalyst for the economic growth of the country. It is the major source of country's foreign currency income and employment. The research paper assesses International trade service practice of private banking in Ethiopia. Knowing and tackling the challenges is the winning strategy. For financial sector it generates financial strength, quality service, and finally leads to profitability.

The study provides relevant information about international trade performance for practitioners, Stakeholders, managers and government, it:

- Briefs international rules, procedures and NBE directives. And it may serve as a basis for those who will be interested to conduct further study of the similar issues.
- Discuss current challenges of trade service operation and help policy makers work on the gaps found from ideas emanated from recommendations of the study.
- Adds to the very few literatures available and body of knowledge in the topic area in Ethiopian case in particular.
- Gives other researchers a good insight to investigate the issue in a deeper perspective.

In broader sense, it contributes for the government policy considerations to benefit of all, employee, public and the societies at large.

## **1.6 Scope of the study**

The study is limited with in the private Bank of Ethiopia and its employees in International Trade Service processes. The methodological scope use both quantitative and qualitative methods. The quantitative method is used to capture numerical values using questionnaires. Unlike the qualitative methods, which use both interviews and open ended question.

## **1.7 Definition of term**

**UCP 600** is a Uniform Customs and Practice for Documentary Credits which are rules that apply to any documentary credit

**URR 725-** Uniform Rules for Bank to Bank Reimbursement

**URC522** –Uniform Rules for Documentary Collection

**Letter of Credit means** a definite undertaking of the issuing bank to honors a complying presentation.

**Advising Bank** is the bank that advises the credit at the request of the issuing bank

**Issuing bank** is the bank that issues a credit at the request of an applicant or on its own behalf (UCP600).

**Nominated bank** is the bank with which the credit is available or any bank in the case of a credit available with any bank (UCP600)

## **1.8 Organizations of the Paper**

This thesis is organized in to five chapters, the first chapter consist of background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study and the outcome of the research are included. In the second Chapter relevant review of the related literature is incorporated. The third Chapter presents methodology which includes design of the study, data sources, sample population and sampling technique,

instruments of data collection, procedures of data collection, and data analysis. The fourth Chapter deals with presentation, analysis, and interpretation of data. The last Chapter incorporates the summary of major findings, conclusions, and recommendations.

## **CHAPTER TWO**

### **2. Related Literature Review**

#### **2.1 Concepts**

International trade based on the free exchange of goods started as early as 2500 BC. Archaeological discoveries indicate that the Sumerians of Northern Mesopotamia enjoyed great prosperity based on trade by sea in textiles and metals. The Greeks profited by the exchange of olive oil and wine for grain and metal somewhere before 2000 BC (Seyoum, 2009)

International trade theories are simply different theories to explain international trade. Trade is the concept of exchanging goods and services between two people or entities. International trade is then the concept of this exchange between people or entities in two different countries.

To better understand how modern global trade has evolved, it's important to understand how countries traded with one another historically. Over time, economists have developed theories to explain the mechanisms of global trade.

#### **2.2 International Trade Theories**

##### **Mercantilism**

Mercantilism was the economic system of the major trading nations during the 16th, 17th, and 18th century, based on the premise that national wealth and power were best served by increasing exports and collecting precious metals in return. The mercantilists maintained that the way for a nation to become rich and powerful was to export more than it imported. The resulting export surplus would then be settled by an inflow of bullion, or precious metals, primarily gold and silver. The more gold and silver a nation had the richer and more powerful it was. Thus, the government had to do all in its power to stimulate the nation's exports and discourage and restrict imports particularly the import of luxury consumption goods (Salvatore, 2013).

## **Absolute Advantage**

According to Christian Bjornskov (2005), Adam Smith argued that countries have an absolute advantage in producing certain goods. For example, Ethiopia has an advantage in producing coffee, Chile has an advantage in producing copper as it has about a third of all known copper resources, and Denmark has for historical reasons an advantage in producing bacon and other pork products

## **Comparative Advantage**

The challenge to the absolute advantage theory was that some countries may be better at producing both goods and, therefore, have an advantage in many areas. In contrast, another country may not have any useful absolute advantages. Trade between two countries can benefit both countries if each country exports the goods in which it has a comparative advantage. A country has a comparative advantage in producing a good if the opportunity cost of producing that good in terms of other goods is lower in that country than it is in other countries (Krugman, 2003)

## **Heckscher-Ohlin Theory (Factor Proportions Theory)**

The H–O model is often referred to as the factor-proportions or factor-endowment theory. That is, each nation specializes in the production and export of the commodity intensive in its relatively abundant and cheap factor and imports the commodity intensive in its relatively scarce and expensive factor. (D.Salvatore, 2013)

## **Product Life Cycle Theory**

According to (W. Pustay, 2002) product life cycle theory is originated in the marketing field to describe the evolution of marketing strategies as a product matures. The theory traces the roles of innovation, market expansion, comparative advantage, and strategic responses of global rivals in international production, trade, and investment decisions

### **2.3 Risks of Banks' in financing international trade Service**

Uncertainties in many aspects of commercial transaction have made it synonymous with risk. According to Baldwin (2002), risk is uncertainty about matters that affect the welfare of people. Commercial transactions normally occur at two different levels, namely; (i) domestic and (ii) international, whereby domestic transactions they do not entail much risk compared with internationals. However, the reward that comes with doing business abroad is very high; hence, it is worth the risk that comes with it.

Nevertheless, firms that would like to venture into international market should be aware of the risks as well the opportunities and facilities available to facilitate their business transaction (Challenges Facing Bank in Financing International Trade: From an Islamic Perspective)- Conference Paper · October 2008

Risk has always existed in business and it is even predominant when business transactions are done across borders. With the intensification of industrialization, it has resulted in risks that are unknown before. In the competitive business environment today, for business firms to compete, they must not only be able to minimize their risks in doing business, but also be able to take advantage of the growth opportunities presented by doing business in other countries. Hence understanding what risk is and what the perception of business firm towards risk is very important to any bank.

**Foreign Currency Risk:** It refers to the loss that resulted from exchange rates fluctuations. It relates to the potential losses that can result when the exchange rate of a currency to be received falls in value against home currency or a foreign currency in which a payment is to be made appreciates against home currency. Hence, both importer and exporter are vulnerable to foreign currency risk. Fluctuation in exchange rates can affect all aspects of international business.

**Transactional Risk:** It occurs in cross border trade and where there are hazards and uncertainties created by fluctuating foreign exchange rate.

**Competitive Risk:** Whether, a business undertakes transaction only in domestic market, or are buying and selling internationally but in Malaysian currency, the exchange movements will directly have an impact on their relative competitiveness.

**Indirect Risk:** In addition to these types of exposures or risks that may arise directly from having undertaken a transaction, one could also face indirect risks. For example, a bank with solely domestic activities may not have direct foreign exchange exposure but could have extensive indirect foreign exchange exposure through its clients.

**Market Risk:** Market/price risk, which refers to changes in returns caused by changes in market prices of the asset. Market risk (arises from a change in commodity prices, in the mark-up price of deferred sale and the lease-based transactions).

**Credit Risk:** Credit risk or default risk arises when a debtor is unable to meet its obligations timely. It is related to the risk involve in financing the credit term. What is the impact if buyer delays payment or do not pay at all.

**Political Risk:** War or civil war and insurrection, contract cancellation, and or restriction of export and import license, Cancellation or non-renewal of an insured's export license after a contract has been entered into War and other such disturbances in the purchaser's country of domicile which affect the fulfillment of the contract. Transfer risks, where one country can freeze the assets and bank accounts of another country held locally. Any action of a foreign government which hinders the enactment of the contract; including, import and export restrictions, the confiscation or expropriation of goods, and the nationalization of corporations and industries.

**Natural Risk:** This risk involve natural disaster and calamities that cannot be avoided, however, they still have an impact on Islamic Banks if customers or suppliers in that country are not able to fulfill their obligations. This will delay payment (Challenges Facing Bank in Financing International Trade: From an Islamic Perspective)- Conference Paper · October 2008

#### **2.4 The common challenge for International trade and management:**

With globalization requiring free movement of trade, services and people coupled with the liberalization process which eliminates barriers and create a borderless world, has not only made each country dependent upon each other for goods and services, but also made us dependent on each other for foreign exchange earnings. This has further increase the business transactions across borders, hence demand for goods and services increases and this further increase the needs of financing resources to facilitate production activities. Hence the role of banks not only in the form of an intermediation but also as a partner in the business venture has increase

(Challenges Facing Bank in Financing International Trade: From an Islamic Perspective)-  
Conference Paper · October 2008.

### **Administrative challenge for trade**

Experience shows that trade facilitation is highly dependent on infrastructural developments. However, trade facilitation is not only about the physical infrastructure for trade. Studies indicate now that, “only about a quarter of the [trade] delays is due to poor road or port infrastructure. “Seventy five percent is due to administrative hurdles - numerous customs procedures, tax procedures, clearances and cargo inspections - often before the containers reach the port.”

Accordingly, while undertaking the necessary infrastructural changes to implement deep trade facilitation is still important, most other measures seem to depend on strong political will. Development of this political will requires a clear understanding of the needs and benefits of trade facilitation in an economy (Trade Facilitation in Ethiopia: The Role of WTO Accession in Domestic Reform) - Tilahun Esmael Kassahun-September 2014

### **The challenge to avail foreign currency**

Foreign Exchange reserves maintained by the government of Ethiopia remain at low-levels, a longstanding challenge for those seeking to source from abroad. The decrease in foreign exchange reserves has been exacerbated by international debt obligations contracted to fund previously built infrastructure projects.

All payments abroad require permits and all transactions in foreign exchange must be carried out through authorized dealers supervised by the NBE. Imports must be funded through accounts held in Ethiopia. The NBE has delegated most of the foreign exchange transaction functions to the commercial banks but maintains authority to approve large foreign exchange allocations. Importers and exporters can obtain import/export permits through the commercial banks. In addition, exporters can retain some portion of their foreign exchange proceeds and foreign investors may repatriate all of their profits abroad.

Foreign exchange shortages due to weak export performance and high demand for foreign currency will continue to present significant market challenges, particularly for potential Ethiopian buyers of foreign goods and services. Private sector actors widely complain about the

shortage of foreign exchange and point out the adverse implications on their businesses. As a result of the critical shortage of foreign currency, NBE regulations require commercial banks to allocate foreign currency to importers based on GTP II priorities, and debt obligations. State owned enterprises and government sponsored infrastructure projects usually are given priority over the private sector when competing for access to foreign exchange.

Given the poor performance of exports in past years and growing demand for import of capital goods, foreign exchange availability will continue to be a challenge for businesses in the future. Local sourcing of inputs and partnering with export-oriented partners are strategies employed by the private sector to address the foreign exchange shortage. ([https:// www. Privacy shield. gov/article](https://www.Privacy shield.gov/article) retrieved on January 05, 2022)

## **2.5 Compliance of directive and international standards**

### **2.5.1 Foreign exchange policies and directives of Ethiopia**

After a decade of double digit economic growth, the Ethiopian economy is at an important point in its transition to a middle-income economy. Rates of economic growth are now slowing and authorities are seeking to shift the engine of economic activity to the private sector, while the public sector consolidates. (IMF 2018) This necessitates a consideration of the constraints and opportunities facing businesses.

The National Bank of Ethiopia (NBE) is mandated to i) formulate and implement exchange rate policy, ii) manage international reserves, iii) set limits on foreign exchange assets which banks can hold and iv) set limits on the net foreign exchange position of banks. (FNG 2008: 4172) Under the Monetary Policy Framework (MPF), NBE seeks to preserve the purchasing power of the national currency to maintain price stability.

The foreign exchange regime has been liberalized only very gradually. One of the most important steps was the delegation of the management of foreign exchange operations to commercial banks under Directive FXD/07/1998. Since then fifty foreign exchange Directives have been issued. These are complemented by numerous letters and guidelines.

## **2.5.2 Payment Contracts in International Trade**

**Letters of credit:** it guarantees payment for exports or imports between the buyers or importers bank to the sellers or exporters bank. LC can be opened on a revocable and irrevocable basis.

LC can be either confirmed or unconfirmed. The processes for application by businesses is similar for each type of LC

**Cash against Documents:** CAD processes are the next frequently used process in Ethiopia. Businesses in Ethiopia are only advised to use CAD when they have a strong relationship with the supplier. Under this process a commercial contract is agreed between the buyer and the seller and goods are shipped. Documents are then delivered from the remitting (exporters) bank to the importers bank, and then the client

**Telegraphic transfer (TT);** It is available to businesses in Ethiopia. However, limits of US\$ 5,000 per transfer make this mechanism unsuitable for most large scale importing businesses. Telegraphic transfers are usually used to import small volumes of inputs or pay for consulting fees.

**Retention and non-resident accounts:** Retention and diaspora account holders are authorized to use the foreign currency held in these accounts for purposes restricted by foreign exchange Directives.

**The diaspora accounts:** Non-resident accounts were largely intended to be used by diaspora for the purpose of saving their money in their home country. However, this privilege is currently being used by businesses, especially traders, to import through diaspora accounts.

## **2.5.3 International Trade and international regulatory practices**

Good Regulatory Practices provide governments with tools, processes and strategic approaches that can help them identify and evaluate the trade impacts of their regulatory action (Robert Basedow and Celine Kauffmann, 2016)

As markets integrate across borders and trade frictions due to tariffs are becoming less of a concern, attention of trade policy makers is increasingly focusing on regulatory activities as potential barriers to economic integration and trade. Unnecessary regulatory divergence across

jurisdictions is perceived as potentially imposing trade costs and unduly inhibiting international trade in a context of global value chains.

Regulatory trade barriers may arise at the border as well as behind the border. At-the-border barriers such as diverging customs and clearing procedures have been subject of recent WTO work.

The Trade Facilitation Agreement was concluded at the Bali Ministerial meeting in 2013 and will enter into force once two-thirds of WTO members have signed the document. The Agreement will harmonize many aspects of customs procedures and thereby contribute to dismantling regulatory trade barriers arising at the border. Behind-the-border barriers emerge because of diverging domestic regulations. They are likely to trigger the bulk of trade costs and stand in the focus of current efforts to reduce regulatory trade barriers. Regulatory co-operation is a key tool to achieve more compatible regulations. Sharing information between regulators and considering each other's approaches and experiences can avoid or lower unnecessary barriers to trade without jeopardizing the objectives of regulation.

### **International standards**

**The Uniform Customs and Practice for Documentary Credits (UCP):** These are rules that apply to any documentary credit ("credit") (including, to the extent to which they may be applicable, any standby letter of credit) when the text of the credit expressly indicates that it is subject to these rules. They are binding on all parties thereto unless expressly modified or excluded by the credit (UCP 600).

**Uniform Rules for Demand Guarantees (URDG):** A set of rules developed by the International Chamber of Commerce (ICC) and adopted in 1992.

The Uniform Rules for Demand Guarantees ("URDG") apply to any demand guarantee or counter guarantee that expressly indicates it is subject to them. They are binding on all parties to the demand guarantee or counter-guarantee except so far as the demand guarantee or counter-guarantee modifies or excludes them(URDG 758).

**Incoterms 2010:** The incoterm rules explain a set of three-letter trade terms reflecting business to business practices in contracts for the sale of goods, the incoterms rules describe mainly the tasks, costs and risks involved in the delivery of goods from seller to buyer (crown agent training manual, 2017).

**International standard banking practiced (ISBP 745):** it first approved by the ICC banking commission in 2002 (publication 645) and Updated in 2007 (publication 681) has developed in to an invaluable aid to banks, corporate, logistics specialists and insurance companies alike on a global basis (crown agent training manual).

## **2.6 Prospects of Private Banks on practicing trade service operation:**

Financial sector reforms in Ethiopia do not allow private sector participation in existing government banks, nor do they allow the entry of foreign banks. Somewhat unexpectedly, however, new locally owned commercial banks can be licensed. The first began operating in 1995. By mid-1996, two further local banks had been licensed, with rumors that further applications were likely.

Although the new banks are bound to be small in relation to the existing large government banks for some years, their development potential is potentially much greater than their initial size. Whereas the existing banks are very unlikely to compete with each other significantly, the new indigenous banks have to compete vigorously for both deposits (including foreign currency) and creditworthy borrowers. This provides Ethiopia's best chance of improvement in the quality of bank services, the creation of new financial services, and lower costs. A second potential advantage, from the point of view of the national economy, is that the indigenous banks have to seek borrowers from among small and medium scale businesses. (T. F. I. Nwanne, 2019)

Foreign trade has increasingly become a keystone of economic prosperity. A country must import the required inputs, capital items and appropriate technologies to broaden its production base and foster export growth. It must still export something to fill its foreign exchange gap. Increased participation in world trade is consequently considered as the single most important tool for rapid economic growth (Rahman, 2009). Nonetheless, Ethiopia's trade performance remained negligible. For years, the external sector has been suffering from deficit Gebreyesus

Gebrehiwot (2011), Explaining Ethiopia's Foreign Trade potential: A Dynamics Gravity approach, Addis Ababa University, Addis Ababa.

## CHAPTER THREE

### 3. Research methodology

This chapter answer the questions of where the study focused on and what are the population and how the sample drawn from and what techniques of the data collections used and also what methods have been used to analyze and interpret the data's. And finally, the chapter discusses reliability and ethical issues to be followed to the quality standard of the research.

#### 3.1 Study design

A research design is simply the framework for the study. Based on the research techniques or methods, research designs are classified as exploratory, descriptive and causal. Research design stands for advance planning of the methods to be adopted for collecting the relevant data, the techniques to be used in their analysis, keeping in view the objective of the research and availability of resources like time and money (Kothari, 2007).

Research design facilitates the collection and analysis of data in a way that combines it with mathematics related to the purpose of the research. In fact, the research design is a conceptual framework for research. According to Robson (2002), the three natures of research in general is about finding new insights, looking around and asking questions or bringing certain events to new light. The purpose of explanatory research is to find an explanation for a particular situation or problem, generally in the form of logical relationships. Finally, descriptive research is primarily a type of research that describes the current situation in detail about the nature or situation and the degree. Creswell (2003) states that descriptive research methods are used to gather information about the current situation.

This study focuses on the current state of the problem and answers the -what research questions, assess the current practice of international trade service operation, the case of private banks in Ethiopia. Therefore, descriptive research is being used to achieve research objectives.

### 3.2 Study population and sampling technique

The researcher employed purposive sampling method while conducting the study Kothari (2007). Purposive sampling is to focus on particular characteristics of a population that are interest, which also known as judgmental, selective or subjective sampling, is a type of nonprobability sampling techniques focuses of sampling techniques the unit that are investigated based on the judgment of the researcher.

#### Population

The population of the study holds all employees who are assigned at international banking department of the private commercial banks. There are 19 active private banks in Ethiopia, these banks operating International trade service operation at head office and with their branches. Based on the attendance found from the private banks, there are 968 professional staffs are in operation. They are working in a position of Junior, officer, senior officer and managerial levels.

#### Sampling

The sample size of the study consists of all employees who are assigned in the selected four international banking work unites. To conduct this study, the researcher deliberately took four private banks: Bank of Abyssinia, Awash Bank S.C, Dehub Global Bank and Addis International Bank S.C. Because of the high market coverage, the researcher chose to take the sample from private banks. The sample sizes are 120 employees of the four banks. Questionnaires were distributed to the 120 employees as the table here below.

**Table 1: No of employees with Name of banks were Questionnaires distributed.**

No	Name of the banks	No of questionnaire Distributed
1	Bank of Abyssinia	42
2	Awash Bank S.C	38
3	Dehub Global Bank	22
4	Addis International Bank S.C	18
Total		120

### **3.3 Data collection instruments and procedures**

#### **3.3.1 Sources of data**

The study was conducted by collecting data from both primary and secondary sources. According to a structural design question, preliminary data was collected from the staff of the four private banks. It included both closed ended and open-ended questions, which allowed respondents to adequately express their views on the questions. Selected private banks response gathered from each bank's head office and existing branches. It helps to obtain reliable and representative information for the entire branch. Besides the questionnaire, the study used Secondary data source which gathered from books, journals, internet, manuals, and directives.

#### **3.3.2 Data collection instruments**

To gather sufficient information to answer the research questions, the researcher prepared a questionnaire to get the numerical results.

#### **Questionnaires**

According to Yin (2003), to collect primary data and be focus the researcher on a specific research topic structured questionnaires are an important methods. A questionnaire was used because respondents felt it was more convenient, as respondents collecting primary data and allow the researcher to focus on a specific research topic could answer at a convenient time. The questionnaire was developed by the researcher based on research questions and literature. The researcher used closed-ended type of questionnaires, giving respondents an opportunity to express their views on the questions. The questionnaire begins with an introductory statement and describes the purpose of the research only for academic knowledge. Respondents are encouraged to be realistic in their responses as they are confidential.

A questionnaire is floated to all 120 professional staff of the selected private bank headquarters and some active branches. Respondents are knowledgeable in area of international trade service operation. The study employed purposive sampling technique to select respondents from each of the four private banks.

The following five point Likert scale rating used to indicate respondent's level of agreement. (5) Strongly agree, (4) agree, (3) neutral, (2) disagree, and (1) strongly disagree. To generate data for quantitative analysis and to provide a feel of ordinal scale measurement the numbers were indicated in the questionnaires. For easy analysis and to elicit guided response the questionnaire was a close ended questionnaire.

### 3.4. Validity and Reliability

In order to ensure the quality of the research design, content and construct validity of the study was checked. The validity issues that might arise in qualitative methods research may relate whether one can draw meaningful and useful inferences from scores on the instruments. Moreover, the content validity was verified by the advisor of this research, who looked into the appropriateness of questions and the scales of measurement. The questionnaire involved the six dimensions to measure employee engagement based on the selected independent variable. The questionnaire consisted of 19 items in which five points rating scale was used.

Cronbach's alpha is one of the most commonly accepted measures of reliability. It indicates that the extent to which the items in a questionnaire are related to each other Fubara and Mguni, (2005). The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, George and Mallery (2003) provide the following rules of thumb while interpreting reliability coefficients:

Reliability coefficients	≥0.9	≥0.8	≥0.7	≥0.6	≥0.5	≤0.5
Value	Excellent	Good	Acceptable	Questionable	Poor	Unacceptable

**Table 3.2: Reliability of the research questionnaire**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.991	.992	21

Source: Own survey, 2022

In the study, the Cronbachs alpha coefficient was calculated for the questionnaire. Table 3.2 above shows the value of Cronbachs Alpha for the entire questionnaire equals 0.991 which indicates very good reliability. Therefore, it can be said that the above questionnaire is adequately reliable.

### **3.5 Methods of Data Analysis**

The choice of analysis procedures depended on how well the techniques acceptably matched the objectives of the study to the scale of measurement of the variables in question. Descriptive statistics like mean, frequency, and standard deviation is used. Data was then be coded and entered into Statistical Package for Social Sciences (SPSS) version 26.

SPSS was more users friendly and it is popular because many data sets were easily loaded into it and other programs were easily imported into files. The researcher uses frequencies tables for data presentation. This would ensure that the gathered information was clearly understood and make the presentation easier.

### **3.6 Ethical considerations**

Prior to starting data collection, the researcher has sought and gained formal permission to conduct the study by the request letter of permission from Addis Ababa university and made every effort in order to obtain a convenience data from the requested employees. A Participation of respondents was strictly on voluntary basis. Respondents have also been informed about confidentiality of the information they provide will not be disclosed to anyone. Each person agreed to participate was made to fully understand of the purpose of the study and why it is necessary. Moreover, before the research conducted, the researcher informed the participants of the study about the objectives of the study, and was consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents.

A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.

## **CHAPTER FOUR**

### **4. Data presentation, analysis, and interpretation**

Both primary and secondary source of data gathered for presentation, interpretation and analysis were dealt in this chapter.

#### **4.1. Introduction**

The analysis and interpretation of this study is based on the data collected from the employees of the four selected private commercial banks namely Bank of Abyssinia, Awash Bank, Debu Global Bank S.C and Addis International Bank S.C. The data was collected through structured questionnaire. All the distributed questionnaires were properly filled and well received from the above mentioned banks and this represents a response rate of 100%.

Therefore, the data gathered were organized and analyzed in a manner that enables to answer the basic research questions raised at the beginning of the study. This chapter is broadly categorized into five sections. The first section explores the respondents' profile. The second section deals with descriptive data analysis part which comprises the compliance level of the international trade services of the selected private commercial banks. The third part deal with the major risk areas with trade service practices. The fourth section explore on knowledge gaps among bank staffs and the final section deal with the expected prospects through practicing trade service by private banking in Ethiopia.

#### **4.2. Review of Respondents Profile**

The demographic characteristics include: gender, age, level of education, and working experiences. This aspect of the analysis mainly deals with the personal data which is briefly described through the charts and tables below.

**Table 4.1: Gender of Respondents**

		Sex	
		Frequency	Percent
Valid	Male	52	43.8
	Female	68	56.2
	Total	120	100
Total		120	100.0

The above table gives information on the composition of the respondents in terms of sex. The reason that the researcher included this part is for example, to make sure that whether respondents are in appropriate mix in terms of gender. In addition, the responses to the items in the instrument are also expected to be balanced.

The survey clearly showed that there were more females as compared to males. Female respondents represented 56.2%; on the other hand 43% were males. As a result, this might force to say there is an appropriate mix of gender in the study. The increasing number of female composition is highly encouraging and it strike there is a need to be studied as to why the female composition is getting higher on some business units.

**Table 4.2: Education Level of Respondents**

Education level			
		Frequency	Percent
Valid	Diploma	12	9.9
	1st Degree	83	68.6
	Masters & above	25	20.7
	Total	120	100
Total		120	100.0

Table 4.2 shows the demographic information of the respondents. Moreover, it summarizes the respondents' education level.

Information on level of education might give the researcher a clue about respondent understands level about the issues raised on the survey questionnaires. Accordingly from the total respondent's majority, 83 (68.6%) of the respondents were BA degree holders, 25 (20.7%) of the respondents are masters holder and small number of the respondents are diploma holders. Therefore, more than 80% of the respondents are first degree and above and this indicates that most of the respondents are in a better understand and evaluate banking service quality dimensions. While the diploma holders are categorized under the least group of respondents comprising 10% of the total respondents.

**Table 4.3: Age Profile of Respondents**

Age			
Age range		Frequency	Percent
Valid	18-30	47	38.8
	31-40	65	54.2
	Above 40	8	7
	Total	120	100

Likewise, table 4.3 shows the age demographic information of the respondents. Likely to the education level, the information on age might give the researcher a clue about respondents' understanding level about the issues raised on the designed structured questionnaires. Consequently, around 93% of the respondents are under the age of 40 and above which constitute 7% employees from the total sample size 120. The highest number of employees is categorized under the age range of 31-40 years which comprises 54.2% of the total sample size.

**Table: 4.4 Service Years**

		Frequency	Percent
service years	1-5	17	14.0
	5-10	53	43.8
	More than 10	50	41.3
	Total	120	99.2

### Designation of Respondent

		Frequency	Percent
<b>staffs</b> <b>position</b>	Managerial	17	14.0
	Senior officer	25	21.0
	Officer	58	48.0
	Junior Officer	20	17.0
	Total	120	100

As to the table 4.4 above, 86% of survey respondents indicated that they had more than five years of banking experience. The remaining 14% were settled serving the banking sector from one year up to five years set of banking experience. When we see the positions of the respondents in banking sector, the large group which amounts in aggregate 83% composed of international banking officers, senior officers and Managerial.

#### 4.3. Compliance level of International Trade Finance Service

The need for mediators and different legal rules applicable to the international trade finance service is highly required to proactively resolve different challenges that might occur due to the physical distance, different time zones and currencies between the importers and exporters. These governing rules are also designed for the best interest of both parties and to avoid the payment risks and to build trustworthiness on the involving banks and other institutions.

Thus, it is difficult to think of doing import and export business without the involvement of banks. And banks are governed and bound to abide by international rules such as, UCP, URC, ISBP, and locally by NBE directives.

In this section the researcher tried to discover the compliance level of the current international trade finance service of the selected private commercial banks. Five questions were designed to show the compliance level of the said banks with regard to international trade service.

**Table 4.4: Mean Score Range for Five-Scale Likerts Response**

Mean	Response
From 1.00 to less than 1.80	Strongly Disagree
From 1.81 to less than 2.60	Disagree
From 2.61 to less than 3.40	Neutral
From 3.41 to less than 4.20	Agree
From 4.21 to less than 5.00	Strongly Agree

**Source:** Source: Al-Sayaad et al. (2006)

**Table 4.5: Compliant level of international trade service**

Where (1-strongly dis-agree, 2-dis-agree, 3-neutral, 4-agree and 5-strongly agree)

No	Items	Score (1-5), in percent					Mean	St. D
		1	2	3	4	5		
1	The bank's procedure and manual is revised to with International trade laws.	28.1	47.9	9.1	8.3	5.8	2.15	1.105
2	There is instances that the bank is charged by foreign banks due to noncompliance	28.9	47.9	14	5.8	2.5	2.04	0.947
3	Collection documents are processed based on the instruction of the Remitting Bank.	16.5	57.9	16.5	4.1	4.1	2.21	0.916
4	There is variation between the banks trade service practice verses global standards	30.6	43	9.1	9.9	6.6	2.18	1.174
5	The staffs acquire sufficient training to expose to international practice.	21.5	35.5	24	10.7	7.4	2.47	1.166

As shown in Table 4.5. Above, composition of compliant level of international trade service was assessed by five measurement items. According to the mean score of the items that describes composition of compliant level of international trade service; the respondents reply that

- The banks internal procedure and manual is not revised in line with the international standards. Their response implies that the existing procedural manual is not timely amended parallel to a change in UCP, URC, ISBP and NBE Directive.
- Collection of documents is not processed based on the instruction given from remitting bank.
- Based on the response collected, the bankers ignored the instruction of the foreign bank. When the goods are shipped to the importing country, the accompanying documents are also sent to the collecting bank. In most times there is a covering letter, by which the foreign bank instruct the document receiving bank. Such as, detail of payments (The amount of transfer, swift address and the account no of the beneficiary) and the period of payment transfer. Sometimes, the calculated costs and interest due can be expressed. Ignorance of this instruction might entail unnecessary payment delay and charges.
- There is no variation between the banks trade service practice verses global standards & The bank is not charged for non-compliance. These responses can be assessed together.

The above items seem in paradox at face value. However, from interviews conducted, the researcher found that a number of errors with trials and charges for wrong doing have happed in the past. The managers, who in most cases know what the consequence of non-compliance, become alert and follow seriously the international practices, and are relived of foreign bank charges.

This implies the mangers have seriously follow-up the implementation of international Practices; however, there is no documented procedure for what to follow.

- The staffs do not acquire the required training which enables them to competency. The staffs that lack training would be low performer and result in low service quality.

In general, according to the mean score of the above items, the respondents **disagree** with the items presented to assess composition of compliant level of international trade service.

In fact on time revision of internal procedure and staff training is paramount important to enhance efficiency there by creating awareness on the necessity of the amended issues for each trade service operation areas. It is also important in instituting uniform and standard practice across the bank and guiding operators in their day to day activities while rendering trade service to customers.

#### 4.4. Major risk areas of International Trade service

Table 4.6 Employees Perception on major risk areas of trade service areas Where (1-strongly disagree, 2-dis-agree, 3-neutral, 4-agree and 5-strongly agree)

No	Items	Score (1-5), in %					Mean	Std. D
		1	2	3	4	5		
1	The bank checks terms and conditions of the contracts before the of the L/C is issued	20.7	44.6	18.2	14	1.7	2.31	1.011
2	The bank actively pay bills on time, when the document is released to the importer	14.9	57.9	9.9	13.2	3.3	2.32	0.996
3	The bank sends advice of non-acceptance to the remitting bank without delay	50.4	23.7	9.1	14.9	4.1	2.01	1.26
4	The bank is promptly informing customers on the arrival of shipping documents	0.8	21.5	10.7	43	23	3.67	1.087
5	Outstanding is checked before the bank issue a subsequent export permit.	2.5	19.8	12.4	47.1	17	3.58	1.074
6	Importers may pay immediately after receiving the goods	51.2	24	8.3	14	1.7	1.9	1.148

As it is shown in the Table 4.6 above, in this section of the questionnaire the mean result indicates employee's perception on Major risk areas of International Trade service.

The respondents highest agreement level was attached to the item stated as "Your bank is promptly informing customers on the arrival of shipping documents and Outstanding is checked before you issue a subsequent export permit." with (mean = 3.6 & standard deviation = 1.1).

This indicates that the majority of respondent that they are agree with only the two items presented to assess Major risk areas of International Trade service. However, the level of agreement in three of the items (Item 1, 2, 3 and 5) falls under "Disagree". The underline fact based on the questionnaire is discussed as follows.

- The bank do not checks terms and conditions of the contracts before the of the L/C is issued
- The bank do not actively pay bills on time, when the document is released to the importer
- The bank do not sends advice of non-acceptance to the remitting bank without delay
- The bank is promptly informing customers on the arrival of shipping documents
- Outstanding is checked before the bank issue a subsequent export permit.
- Importers may or may not pay immediately after receiving the goods

From the respondent, it is found that bankers do not make sufficient assessment about the creditworthiness of the issuing bank before advising the LC to the beneficiary which increase the risk of reimbursement and made difficult to collect the export proceed fully and timely. Besides, the letter of credit terms and conditions are not well assessed to their impact on the customer and the bank as well.

In addition in most cases the risk of presentation of discrepant document and related charges increases if the staff assigned have not been discussed whether the customer can make a complying presentation. This also reveals that customers have not obtained the proper advice which enables them to have adequate information about the different payment methods and their related risks and responsibilities attached to them.

#### 4.5. Knowledge gap of staffs on trade service areas

**Table 4.7 Employees response to knowledge gap among the bank staffs.**

Where (1-strongly dis-agree, 2-dis-agree, 3-neutral, 4-agree and 5-strongly agree)

Sq.	Items	Score (1-5), in percent					Mean	Std. D
		1	2	3	4	5		
1	The bankers have good communication skills with foreign banks.	5	65.3	5.8	17.4	5.8	2.53	1.028
2	Authorized Bankers checks fund before issue payment instruction to foreign banks.	28.9	39.7	22.3	5.8	2.5	2.12	0.984
3	The bankers knowledge is sufficient with regard to national and international laws	14.9	55.4	14	10.7	4.1	2.33	0.999
4	The bankers are capable to assist clients in Properly filling out the L/C application.	27.3	43.8	9.1	14	5	2.25	1.154

As per the above table, most of the respondents (71.2%) disagree with the view that TS personnel at the banks have good communication skills with foreign banks and its mean score is **2.53**. This is might be due to the bank only assign very few staff on correspondent relation, while the majority of staffs get intact.

In addition, around 70.3 % of the respondents disagree that the level of job knowledge of employees is sufficient with regard to national and international laws, which has a direct impact on quality of trade service operations.

Respondents also asked whether they confirm the availability of funds before giving authorization to correspondent banks, 68.6% respondents admitted that they never check the availability of fund before they give authorization to pay. This may entail additional charges by correspondent banks in relation to interest and also created bad image among correspondent banks.

Respondents also asked if they capable to assist the applicant in properly filling out the IBD application formats and clarify risks attached. The survey indicates 71.1% respondents admitted that they seldom or never do so. Similarly, the survey results appear to indicate customers have not obtained the proper advice which enables them to have adequate information about the different payment methods and their related risks and responsibilities attached to them.

As it is shown in the Table 4.7 above, in this section of the questionnaire the mean result indicates employee’s response on familiarity trade service and information gap among the bank staffs and the average (mean) level of agreement in all of the items falls under "Disagree".

#### 4.6. Prospects from trade service practice

**Table 4.8 Response on expected prospects through practicing international trade service**

Where (1-strongly dis-agree, 2-dis-agree, 3-neutral, 4-agree and 5-strongly agree)

Sq. No	Items	Score (1-5), in percent					Mean	Std. D
		1	2	3	4	5		
1	The bank is in a better position to collect the revenue generated from Trade service.	1.7	11.6	12.4	45.5	28	3.87	1.009
2	Trade service practice has an impact on the country’s overall earnings	3.3	18.2	10.7	47.9	19	3.62	1.094
3	The bank is coping up with continually changing of external environment.	19.8	23.1	16.5	24.8	15	2.92	1.376
4	There is a possibility of know-how sharing with the foreign banks working globally.	7.4	10.7	5	47.1	29	3.8	1.192

From the respondent response on expected prospects through practicing international trade service, it is found that all items except item no. 3, fall under “agree” response, however, the item no. 3 it is “neutral” state.

As per the table 4.8, more than 73.6% of respondents with mean score (mean=3.8) agree on the engagement of private banks to take the lion share of their revenue from trade service operations. The great amount of income is generated from processing letter of credit, cash against documents and telegraphic transfer. As the risk attached to trade service processing is higher so do the revenue generated will be higher.

Besides, private banks have a highest terms and tariffs applied on the import transaction which assist them to collect the planned highest income of all other departments of the banks.

Banks provide import term loan for the importers which constitute highest lending rate, and there are instances such private banks will provide foreign bank guarantee which will also bring great income to then banks.

Respondents also asked if trade service process has an impact on the country's overall earnings. 66.6% respondents perceived that there is greater impact on earnings. Since banks are highly concentrated on grasping their highest income from trade service. They have allocated a great number of employments. Besides, banks played the level ground in pooling of foreign currency, which increase the country's reserve.

39.7% respondents with mean score (mean=3.6) agree on the banks are frequently facing the continual changing of external environment. While it becomes the challenge for banks as they are not ready for settling of skilled manpower on this regard and to keep within the stiff global competition.

76.7% of respondents with mean score (mean=3.8) agree that there is a possibility of knowledge sharing with foreign banks. Indeed this is the era of globalization. Information and knowledge is availed with a single click anywhere and anytime. Though it is believed that there might be confidential information which might kept aside exceptionally, otherwise as long you desire with any aspect.

## CHAPTER FIVE

### 5. Summary, Conclusion and Recommendation

This chapter deals with the summary of major findings of the study and conclusions drawn from the analysis made. Furthermore, based on the findings of the study possible recommendations are made.

#### 5.1. Summary of Major Findings

Based on the finding of the compliance level of governing laws in international trade, the respondents point out that,

- Banks procedure and manual is not revised in time in line with the international trade rules.
- Collection of document is not made in accordance with instruction given from remitting bank.
- The banks staff don't have equipped with the required international trade training,
- In contrast, the respondent perceived that there is variation of international trade & local trade practice. And the bank is not charged by correspondent banks for non-compliance.

The existing procedure needs appropriate revision in line with the changing business environment, technology and associated risk therein. Besides, outdated procedure creates inflexibility as to external environment and lack of uniformity among staff and leads to failure to comply the governing laws

The finding on what would be the employees Perception on major risk areas of trade service. The respondents' replies that

- Banks do not checks terms and conditions of the contracts before they have issued the letter of credit.
- The bank do not actively pay bills to correspondent banks on time, right after the document is released to the importer.
- The document collecting bank do not sends advice of non-acceptance to the remitting bank without delay.

- Importers may or may not pay immediately after receiving the goods.
- The bank is promptly informing customers on the arrival of shipping documents
- Outstanding is checked before the bank issue a subsequent export permit.

The survey shows that there is no assessment is made about the credibility of the issuing bank, terms and conditions of the contract not checked before advising the LC. This implies that a strong effort has not been made to minimize the risk of presenting discrepant document and to make a complying presentation to avoid any foreign bank charges.

Unable to Settle bills on time resulted to conflict among banks, sellers and buyers and affects their future business relationship, besides foreign correspondent banks forces to question the good will of the bank and increases the risk of losing correspondent banks relation.

Based on the finding on the assessment if the bank employees have knowledge gap on international trade practice, it is found that

- Bankers do not have good communication skill
- Bankers authorize funds before they check the available balance at their account overseas.
- Bankers do not have sufficient knowledge of international trade areas.
- Bankers are unable support international trade service clients.

The survey shows that banks have weak communication skill on trade service area. It is occurred due to lack of sufficient training. This also may expose to the risk of forwarding wrong message resulted to ambiguity to foreign banks and lack of work clarity, in addition the customer also dissatisfied due to additional costs to incur due to different amendment charges.

Giving payment authorization to correspondent banks before confirming the availability of funds on foreign account will leads to charges by correspondent banks and creates bad image among correspondent banks. Thus, the bankers have to get training based on their gap and their need.

Lastly the finding on the expected prospect from banks engagement in international trade areas reveals that

- Banks collect the lion share of their income from international trade service

- The trade service has significant impact on the overall earning of the country.
- Banks are unable to cope up with changing external environment.
- The trade service has a lot contribution in know-how sharing.

The engagements of private banks on trade service area create opportunity to banks to collect the lion share of their revenue. They collect income from processing letter of credit, cash against documents and telegraphic transfer in the form of bank service charge and commissions.

Besides, the area plays in the contributions of employment and facilitate in pooling foreign currency, which increase the country's reserve.

However, banks have shown difficulty to align with changing external environment due to incompetent manpower. Therefore paving a road to the progress, banks are expected to train their staff and be aware that exposed to global trade becomes a must not a choice.

## **5.2. Conclusions**

### **The following conclusion are drawn by the researcher**

The study has identified as there are instances of noncompliance with international rules and regulations in relation to outdated procedure and manual, overseen instructions of foreign banks. Therefore the bank required to train staffs and to update their procedures in time, by this they can comply international rules.

Improving communication skill of staffs is a key in smoothing the relationship with correspondent banks, and updating the procedure manual in relation to external environment enhance flexibility and uniformity in staff.

Delay of payment to remitting banks after releasing the collection document, lack of proper knowledge about the buyers and sellers in case of advance payment and lack of follow up to collect payment form importers right after release the documents are the risk areas in which expose the parties involved in trade service areas. Delay payment to foreign supplier will expose

the bank to lose the good will with foreign correspondent banks. Therefore Banks has to work to resolve this at highest priority otherwise this will hinder their objectives.

On assessment of the trade service practice, the study reveals that it gives a highest benefit to the bank practicing it and benefit the country as well. It is the source of employment and foreign currency reserve to the macro economy at large.

### **5.3. Recommendation**

Taking into consideration all the findings obtained in the survey, the analysis and the conclusion drawn, the following points were made as recommendations

To overcome the incompliance with international rule and regulation in relation to payment, the bank should made payment to foreign banks that send complying document without delay. This should be done by keeping sufficient balance of foreign currencies at correspondent banks and give payment instruction after assuring the availably adequate foreign currency balance in the correspondent banks.

Customers should be informed before advising the LC about the terms and conditions of the LC to ascertain whether they can make a complying presentation to minimize the risk of presenting discrepant document and discrepancy charge, Therefore TS staff should have required knowledge and skill to clarify and support customers in relation to trade service operation.

Reviewing the international trade rules, such as URR, UCP and revise the internal procedure in accordance with these governing rules will be remedies to overcome the problem of incompliance with international rules and regulations in relation to payment.

To enhance the consistency of trade service operation and to keep uniformity of work among staffs and to increase the flexibility to the changing external environment, banks should revise its trade service procedure manual on reasonable interval.

Banks should support employee by training and development their trade service staffs with communication skill with foreign banks. This will provide development skills which enhance their writing skill to increase efficiency, understandability and clarity

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## Appendix I



## APPENDIX II

**Addis Ababa University**

**College of Business & Economics**

**Program of MSC Management**

**Questionnaire**

Dear Respondents,

I am a master's degree student in MSC Management from Addis Ababa University. I am carrying out a study on Assessment of international trade service practice, the case of private banks in Ethiopia. Hence, to gather information, I kindly request your assistance in responding to the questions listed below.

Any information you present will be kept absolutely confidential and will only be used for academic purpose. Your cooperation and prompt response will be highly appreciated. Thank you very much in advance for your significant contribution to the accomplishment of the research.

**Moges Belayneh**

## Part I: Respondents Background Information

1. Sex: Male  Female
2. What is your level of education? Diploma  1st Degree  Masters & Above
3. Age: 18-30  31-40  41- 60  >60
4. Work Experience (in years): 1-5  5-10  More than 10
5. Position: Managerial  Senior officers  officers  junior officers

**General Instructions:**

Please put ✓ mark in each of the five range of attitude that is close to your view of expectation. Where (1-strongly dis-agree, 2-dis-agree, 3-neutral, 4-agree and 5-strongly agree)

**Part II: Questions Designed to examine compliance level of international trade service**

No	Items	Score (1-5), in percent				
		1	2	3	4	5
1	The bank's procedure and manual is revised to with International trade laws.					
2	There is instances that the bank is charged by foreign banks due to noncompliance					
3	Collection documents are processed based on the instruction of the Remitting Bank.					
4	There is variation between the banks trade service practice verses global standards					
5	The staffs acquire sufficient training to expose to international practice.					

- What problems, malpractices and non-compliance with NBE directives and international standard practice do you observe pertaining to the handling of import & export documents
- What are the possible solutions?

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**Part III. Questions designed to identify major risk areas with respect to trade service areas**

No	Items	Score (1-5), in %				
		1	2	3	4	5
1	The bank checks terms and conditions of the contracts before the of the L/C is issued					
2	The bank actively pay bills on time, when the document is released to the importer					
3	The bank sends advice of non-acceptance to the remitting bank without delay					
4	The bank is promptly informing customers on the arrival of shipping documents					
5	Outstanding is checked before the bank issue a subsequent export permit.					
6	Importers may pay immediately after receiving the goods					

- What problems, malpractices and instances of risk area you observe pertaining to the handling of import & export documents

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- What are the possible solutions you may suggest:

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**Part IV. Questions designed to investigate familiarity and information gaps among the bank staff**

Sq.	Items	Score (1-5), in percent				
		1	2	3	4	5
1	The bankers have good communication skills with foreign banks.					
2	Authorized Bankers checks fund before issue payment instruction to foreign banks.					
3	The bankers knowledge is sufficient with regard to national and international laws					
4	The bankers are capable to assist clients in Properly filling out the L/C application.					

What you suggest on how these gaps can be filled with \_\_\_\_\_

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**Part V. questions designed to find out what prospects are expected through practicing trade services by private banking in Ethiopia.**

Sq. No	Items	Score (1-5), in percent				
		1	2	3	4	5
1	The bank is in a better position to collect the revenue generated from Trade service.					
2	Trade service practice has an impact on the country's overall earnings					
3	The bank is coping up with continually changing of external environment.					
4	There is a possibility of know-how sharing with the foreign banks working globally.					

What other prospects of practicing trade service in private banks you may come across:

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