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College of Business and Economics, Department of Accounting and Finance

Challenges of International Trade in Banking Operations in Ethiopia: The Case of Bole Lemi Industrial Park.

By

Yoseph Mulatu

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Advisor: Dr. Takele Fufa (Assistant Professor of Finance and Accounting)

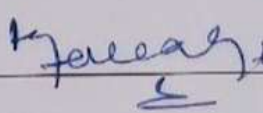
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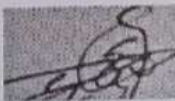
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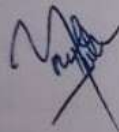
Examiner: Dr. Dejene M Signature  Date 08/02 2024

Examiner Dr. Alem H Signature  Date 08-02-24

Advisor: Takele Fufa, PhD Signature:  Date August 22,2023

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Abstract

Banks in Ethiopia face challenges in their day-to-day operations. The challenges can be either of a market or operational nature, or regulatory or reform-related. This study examined the challenges faced by international companies in banking operations in Ethiopia in the case of Bole Lemi Industrial Park. The research adopted a descriptive study design, using mean and standard deviation as a statistical tool to analyze the collected data. Stratified random and purposive sampling were used to reach a predetermined number of employees and to identify interviewees within the departments of the selected companies. The survey achieved a response rate of 86% and was analyzed using Microsoft Excel. The results show that the effectiveness of banking operations is challenged by factors such as political influence, exchange rate volatility, ethical issues, corruption, technological barriers and regulatory compliance. However, the challenges posed by cultural differences were found to be minimal. On the other hand, international companies face strict NBE regulations and lengthy approval processes. Political influence, currency fluctuations and technological challenges were also identified as the most significant factors affecting banking operations. The study highlights those international companies operating in the industrial park face difficulties in banking operations due to the studied variables and the strict regulations and lengthy approval procedures of the NBE. This is an indication that businesses are experiencing difficulties and dissatisfaction with the banking sector. However, by addressing these issues, Ethiopian banks can increase the scope and quality of their services while improving operational efficiency. The study recommends that policymakers and the NBE improve banking regulations and that banks develop their capacity to improve banking operations. Researchers should also conduct further studies on improving banking operations.

Keywords: *International companies, Industrial Park, Banking Operations, Challenges, NBE, Ethiopia*

Table of Contents

Contents

Acknowledgements.....	iii
Table of Contents	v
List of Tables	vii
CHAPTER ONE: INTRODUCTION	1
1.1 Chapter Introduction.....	1
1.2 Background of the Study	1
1.3. Background of the Organization.....	3
1.4. Statement of the Problem.....	4
1.5. Research Questions	6
1.6. Objectives of the Study	6
1.6.1. General Objective.....	6
1.6.2. Specific Objectives	6
1.7. Significance of the Study.....	6
1.8. Scope of the Study	7
1.9. Limitations of the Study.....	7
1.10. Organization of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1. Chapter Introduction.....	8
2.2. Theoretical Reviews.....	8
2.2.2. International Trade Challenges Management.....	9
2.2.3. Role of Banks in International Trade.....	10
2.2.4. Customer Relationship Management and Organizational Performance.....	11
2.2.6.2. Cultural Differences	13
2.2.6.3. Exchange Rate Volatility	14
2.2.6.4. Impact of Corruption.....	14
2.2.6.5. Ethical Challenges	15
2.2.6.6. Technological Challenges.....	15

2.2.6.7. Regulatory Compliance.....	16
2.4. Justification for the Research Project.....	17
CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY	19
3.1. Chapter Introduction	19
3.2. Research Design.....	19
3.3. Research Approach.....	19
3.4. Data Source	19
3.6. Sampling Technique.....	20
3.7. Target Population and Sample Size Determination	20
3.8. Data Collection Methods.....	20
3.9. Data processing & Analysis	21
3.10. Reliability & Validity Test.....	21
3.11. Ethical Considerations	21
CHAPTER FOUR: RESULTS AND DISCUSSION.....	22
4.1. Chapter Introduction	22
4.2. Response Rate	22
4.3. Demographic Profile of the Respondents	22
4.4. Descriptive Statistics of the Study Variables.....	23
4.4.1. Political Influence	23
4.4.2. Cultural Differences	24
4.4.3. Exchange Rate Volatility	25
4.4.4. Ethical Challenges.....	26
4.4.5. Corruption Impacts	27
4.4.6. Technology Challenge.....	28
4.4.7. Regulatory Compliance	29
4.5. Descriptions of Interview Results.....	30
Table 4.5. Organized Interview Data	31
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS	34
5.1. Chapter Introduction	34
5.2. Summary of Findings	34
5.3. Conclusion.....	34
5.5. Recommendations for Future Study	35
References	36

List of Tables

Table 4.4.1. Summary of the Data Analyzed on Political Influence	23
Table 4.4.2 Summary of the Data Analyzed on Cultural Differences	24
Table 4.4.3 Summary of the Data Analyzed on Exchange Rate Volatility.....	25
Table 4.4.4 Summary of the data analyzed on Ethical Challenges.....	26
Table 4.4.5. Summary of the Data on Corruption Impacts.....	27
Table 4.4.6 Summary of the Data Analyzed on Technology Challenges.....	28
Table 4.4.7. Summary of the Data on Regulatory Compliance.....	29
Table 4.5. Organized Interview Data	31

Abbreviations/Acronyms

ATM	Automated Teller Machine
CPI	Corruption Perception Index
CRM	Customer Relationship Management
EODB	Ease of Doing Business
GDP	Growth Domestic Product
GTPII	Second Growth and Transformation Plan
ICT	Information and Communications Technology
IP	Industrial Parks
IPDC	Industrial Parks Development Corporation
IT	Information Technology
LOC	Letter of Credit
MB	Mobile Banking
MNC	Multinational Corporations
NBE	National Bank of Ethiopia
POS	Point of Sale
PPP	Public Private Partnership
SEZ	Special Economic Zone
SOE	State Owned Enterprise
UNIDO	United Nation Industrial Development Organization
US	United States
USD	United States Dollar

CHAPTER ONE: INTRODUCTION

1.1 Chapter Introduction

This chapter provides a detailed explanation of the background to the study and the area of study, the statement of the problem, the research questions and objectives, the significance of the study, the scope and limitations of the study, and finally the organization of the study.

1.2 Background of the Study

International trade plays a vital role in the economic development of a country and the development of exporting and importing companies. International trade involves the trade of goods, services, technology, capital and knowledge across borders and requires advanced skills for effective management across different nationalities (Isuru, 2021). Furthermore, international trade provides all the goods and resources that a country cannot effectively produce itself. Therefore, any nation seeking economic development and prosperity must maintain a strong financial system and effectively manage financial flows between exporting and importing nations.

Banks are one of the most important intermediaries in the financial market, ensuring the mobilization of available funds from the surplus sector to the deficit sector and assisting the government in implementing monetary policy through the issuance of treasury bills and government bonds (Ibrahim, 2018). They also act as a link between savers and borrowers, lending to borrowers using funds deposited by customers. According to Joseph (2016), Without commercial banks, there would be no financial sector and no international imports and exports. Commercial banks enable the reliable transfer of funds and the translation of business practices between different countries and different customs around the world.

International and domestic banking market conditions influence the operations of banks (Iskandar, 2008). As reported by Mike (2017) the G20 Eminent Person Group (EPG) has identified challenges to ensuring financial stability, including volatile capital flows and the transmission of shocks, and has called for an international framework and a resilient global financial safety net. The world is a big place, and when it comes to trade, everyone is

connected to everyone else. Whether you produce and sell goods internationally or not: Global trade affects every organization. Factors affecting international trade include government restrictions, infrastructure development and changing consumer behavior. Governments allow products and services to cross borders, while countries develop infrastructure to attract foreign investment. In most literature reviews, the main challenges facing international trades are political influence, cultural differences, exchange rate volatility, ethical challenges and the impact of corruption, technological challenges and regulatory compliance.

According to Barner et al (2014) multinational companies have to consider a variety of elements that affect the way they do business. Each country has its own culture, including holidays, art, traditions, food and social norms. Understanding these cultures is crucial when managing teams, selling products or running overseas production facilities. It is therefore important to consider the languages spoken and the culture of the target countries to ensure smooth business operations.

A country's exchange rate volatility and inflation rates are critical to the success or failure of companies operating in different countries. Exchange rates represent the relative value of two countries' currencies, while inflation rates represent the annual increase in the general price level. Understanding these rates can provide valuable information about the value of a company's product in different locations over time. Politics, policies, laws and relations between countries affect business. Decisions made by political leaders can affect taxes, labor laws, raw material costs, transport infrastructure and education systems. Therefore, staying informed and making strategic decisions is critical in today's complex world.

Ethiopia has a rich history of banking and financial institutions, having started banking in 1906 by the name of Abyssinia Bank (National Bank of Ethiopia, 2012). The Commercial Bank of Ethiopia (CBE) was established in 1942, and it is the first bank to introduce modern banking in Ethiopia. Currently, there are 29 commercial banks and one development bank, 18 insurance companies, one reinsurance company, 40 microfinance institutions, six capital goods leasing and financing companies, and eight payment system issuers and operators operating in Ethiopia. The government is now preparing reform agendas to strengthen the banking and financial sector by addressing challenges and

implementing best practices. In addition, the current banking liberalization process aims to increase foreign exchange inflows and reverse banking policies that prevent foreign banks from operating in the country. However, Ethiopia relies on common monetary pressure mechanisms to manage its currency and exchange rate policy. Ethiopia's banking sector is governed by the National Bank of Ethiopia (NBE) and controlled by three public banks: the NBE, the Commercial Bank of Ethiopia and the Development Bank of Ethiopia. However, to compete in a complex environment, the financial industry must provide the latest and most attractive services that customers demand. This study examined the challenges faced by international companies in banking operations in Ethiopia in the case of Bole Lemi Industrial Park.

1.3. Background of the Organization

Since the Second World War, the expansion of industrial parks has been a key theme in development theory. Many studies show that industrial parks have boosted local and national economies by creating jobs, taxing income, attracting capital investment, reducing import dependence, transferring technology and promoting cultural integration. In developing countries, the need for industrial parks (IPs) is more important and beneficial than in developed countries (Mayis, 2014).

Ethiopia has recently focused on developing industrial parks as a sustainable strategy to increase foreign exchange earnings and economic growth. Indeed, as seen in developed countries, industrial parks stimulate local and national economies by creating jobs, opening income tax bases, attracting capital investment, reducing import dependence through technology transfer and promoting cultural linkages. Bole Lemi Industrial Park is the first and pioneer public investment park built and operating under the Development Initiative among the 13 industrial parks established in the country. Bole Lemi Industrial Park is a modern industrial park located in the southeastern part of Addis Ababa and is mainly engaged in leather textiles and leather products. The park is in two phases, and in the first phase, on 172 hectares, about 20 factory sheds have been built and handed over to mainly Indian, Chinese and South Korean investors and are in operation. In the second phase, 181 hectares of undeveloped land will be prepared and handed over to investors, who will build factories at their own cost. This is being developed with the support of the World Bank Group, and the Ethiopian Industrial Parks Development Corporation (IPDC) is closely

supervising the construction of the buildings. The service yard also has two completed mock-up factory warehouses. The adjacent residential and recreational areas will be used for future development, as will some of the foreign companies operating in the garment and other industries in the park. Both districts are in prime locations for investment, close to major economic arteries such as universities, airports, railways and dry ports.

There are 14 investors in Bole Lemi Industrial Park, of which 13 are foreign investors and one is a local investor. As of March 2023, 20,649 citizens are employed as operators and 2,732 as administrative staff. In total, 23,381 citizens are employed in the Industrial Park, including citizens employed in security and cleaning services. According to the agreement with the investors, about 95% of the goods are sold on foreign markets, which increases the country's capacity to generate foreign exchange. In terms of foreign exchange, 2.69 million US dollars were received in March and 55.65 million US dollars in the first nine months (July to March). In addition, two companies engaged in import substitution by offering their products on the local market, generating 3.09 billion Birr in the nine months presented, which is equivalent to 56.2 million US dollars in current dollar terms. On the other hand, the companies located in the park were able to establish business relations with about 2000 local organizations during the nine months, which will amount to 2.82 billion Birr in monetary terms. The Industrial Park has a budget of 41.66 million Birr for the fiscal year (regular budget) and the budget used in nine months is 32.34 million Birr.

1.4. Statement of the Problem

Banking is crucial to the success of global trade and a country's economic growth. Nevertheless, the financial industry in Ethiopia is underdeveloped and tightly controlled by the government, which imposes restrictions on foreign ownership and financial services (Negalign and Lisanwok, 2016). Similarly, Minyahil (2013), found in his study that the performance of Ethiopian commercial banks during the study period differed mainly according to the NBE guidelines, and the instructions implemented at different times had a negative or positive impact on the banks' operational performance. This supervisory approach still appears to be compliance-based, an approach that seems counterproductive in terms of bringing about the desired change in behavior. On the other hand, the US International Trade Administration Business Guide (2022) and the World Bank EODB 2016/17 report stated that the shortage of foreign exchange due to poor export performance,

bureaucracy and inefficiency in many government agencies would continue to affect the country's international business. Francis (2021) found that corruption has a well-established impact on banking operations.

These issues threaten the long-term viability of the industry and discourage future investment. According to Mirgüç-Kunt and Detragiache (1998), when the banking sector of a given country faces a financial crisis, there is a high probability that it will lead to a general economic crisis.

Kasahun (2016) revealed that the absence of state-of-the-art network infrastructure in Ethiopia has a detrimental impact on banking operations. In addition, a study undertaken by Mehireteab (2016) on the hindrances to electronic banking adoption at Nib International Bank S. C. discovered that technological challenges, including system failures, processing errors, software defects, operational errors, and insufficient recovery capabilities, create obstacles for banking operations. Birhanu, et al (2021) findings on customer satisfaction management and service quality assessment of Ethiopian commercial banks in East Zone of Addis Ababa show that the service level of Ethiopian commercial banks is low. This suggests that banks must address problems and build strong ties with companies. If not, in the absence of quality service, foreign investors may go elsewhere or leave the country. On the other hand, Oliyad (2019) substantiated in his study that political instability in Ethiopia has an impact on the operational efficiency of banks. Additionally, political conflict and instability in a nation can adversely affect the banking systems of neighboring countries.

Banks significantly influence the productivity of industrial parks around the nation, therefore, it is crucial to look at the current restrictions in order to understand their difficulties and find a solution. Using various procedures and factors, several studies have looked at how banks operate. The studies cited above had limitations in terms of the factors they examined and the volume of data they gathered to be able to make inferences about the major problems that hinder banking operations. The distinctiveness of this study is that it concentrates on the numerous banking operations difficulties experienced by foreign businesses at Bole Lemi Industrial Park in Ethiopia. Thus, the primary goal of this study is to close this gap.

1.5. Research Questions

In line with the above research problem statement, this study aimed to fill the gap by answering the following research questions;

- What are the common banking challenges and problems faced by foreign companies operating in the Bole Lemi Industry Park?
- How do foreign companies operating in the Bole Lemi Industrial Park solve banking challenges and problems?
- What are the most challenging issues to foreign companies operating in Bole Lemi Industrial Park?

1.6. Objectives of the Study

1.6.1. General Objective

The general objective of this study is to assess the challenges faced by international companies in getting banking services in the Bole Lemi Industrial Park in Ethiopia.

1.6.2. Specific Objectives

Specifically, the objectives of the study are to:

- To explore the banking challenges faced by foreign companies in the Bole Lemi Industrial Park
- To Evaluate how international trade companies operating in Bole Lemi Industrial Park solve the challenges and problems they face in their banking operations
- To identify the most influential challenges facing banking operations in the area of the study.

1.7. Significance of the Study

This study examined challenges of banking operations in Ethiopia, with a focus on international companies operating in the Bole Lemi Industrial Park. It aims to fill a gap in a comprehensive assessment of the challenges that will help improve the effective delivery of banking services and design appropriate strategies for transformational operations.

The findings of this study can be useful to the industrial park, foreign investors and bank managers in developing and improving the banking sector, as well as to policymakers in assessing existing barriers and regulations. The study can also serve as a starting point for other scholars who wish to conduct further research in this area or discipline.

1.8. Scope of the Study

The study was conducted from March 2023 to June 30, 2023, at the Bole Lemi Industrial Park in three foreign companies in the finance, logistics, and administration departments. These departments are mainly responsible for overseeing the management of financial issues and processes for the investors. The researcher has therefore limited the study to employees and managers of these departments due to time limits.

1.9. Limitations of the Study

The limitation of this study is that it was carried out in only three selected departments of foreign companies, where the researcher may not have access to all the necessary types of data. In addition, it did not cover the banks serving the industrial park. Therefore, it will not be possible to generalize the results to the industrial park.

1.10. Organization of the Study

The structure of the study is divided into five main chapters. The first chapter explains the background to the study, the organizational background, and the statement of the problem, the research questions, and the objectives of the study, the significance of the study, the limitations of the study and the scope of the study. In the second chapter, the literature review focuses primarily on theoretical and empirical research related to the topic. The third chapter deals with the research methodology, describing the research design, research approach, sample design, sampling technique, data sources and collection methods, and data analysis and presentation methods. Chapters 4 and 5 describe the presentation and discussion of the findings and the summary, conclusions and proposed recommendations.

country is experiencing geopolitical or economic turmoil, this can have a significant impact on the international trade environment.

A global trade strategy is a balance between global and local responsiveness. The benefit of increased income from international trade growth, so as business grows, the number of customers in different countries increases and so do profits. Multinational corporations (MNCs) are more exposed to consumers in their home countries, and their companies sell their products globally to increase company revenues (Vaishak, 2021). Today, international trade is important for all countries. No country can produce enough goods and services on its own. Therefore, the private sector and almost all countries are now involved in international trade, and international markets are becoming more globalized.

2.2.2. International Trade Challenges Management

The world is moving towards greater economic, cultural, political and technological interdependence and integration of national institutions and economies. Likewise, international trade management is a growing field that deals with companies and trade that operate on a large scale in many countries. The role of the international business manager is therefore to understand the local market in order to formulate an appropriate sourcing strategy and, above all, to strengthen the presence of the company's products and services in a wider geographical area. In addition, international trade people should be friendly, professional and courteous, and have a thorough knowledge of the cultural customs and political and economic trends of the countries with which they do trade. International trade management, on the other hand, is the management of an organization that serves markets and operates in multiple countries. In addition, international trade management deals with transactions involving financial resources, such as the production of liquid assets, the use of human capital and the ability to create financial security for banking operations. Each country has its own culture, politics, laws, currency and time zone, so doing trade in different countries requires dealing with different factors that hinder its movement. Globalization has created new opportunities and threats for international trade. Since world markets are now linked through globalization, it is important for international companies to develop a good marketing mix. There is also competition with foreign companies, although domestic companies are not interested in expanding their markets to the global level (Naghi and Para, 2013). Globalization has been beneficial in many ways, but it has

CHAPTER TWO: LITERATURE REVIEW

2.1. Chapter Introduction

This chapter provides a critical review of the literature relating to the challenges faced by international companies in the banking operations. It includes a review of various theories, empirical studies and the role of banking industry from different sources that are discussed and provide more insight into this study. In addition, this chapter aims to gain the understanding and relevant knowledge of other researchers on the subject under study and identify differences that will help in developing the conceptual framework of the study.

2.2. Theoretical Reviews

2.2.1. What Is International Trade?

International trade includes all commercial activities that involve the transfer of goods, services, resources, knowledge, labor, ideas and technology, capital and more across national borders (Vesna & Nikolche, 2017). International trade is not limited to global trade in goods and services, but also includes foreign investment. International trade is highly dependent on the factors that harmonize global relations between different countries. The opportunities that facilitate the growth and sustainability of international trade can be viewed from a social, economic, physical and infrastructural perspective. All factors that attempt to harmonize the equilibrium of the global market serve as opportunities to facilitate the growth and sustainability of international trade (Diamond, 1995).

Today, every country in the world imports and exports goods, services, intellectual property, labor and capital, requiring more skills than domestic trade and an understanding of different cultures, customs, business practices and laws. It is therefore important to increase organizational effectiveness in order to compete in the global marketplace.

The international exchange of goods and services takes place across borders in different countries and can be leveraged due to differences in currency values. This makes trade more profitable and the country's economy stronger. For example, a country's currency tends to appreciate when its economy is strong or when demand for its products is high. As well as the advantages, there are some disadvantages to doing trade across borders. If a

also led to economic collapse and a widening of the gap between rich and poor countries (Sharma, 2004). Developing and successfully managing teams at an international level is a difficult task. When doing business internationally, a company may be faced with the challenge of managing global teams. The complexities of international trade such as different labor laws, payroll laws, compliance, tax laws, employee rights and different access to technology increase the challenges of global team management. In general, the current foreign policies adopted by a significant number of countries are not conducive to the sustainability and growth of international trade (Moore & Harris, 2010).

2.2.3. Role of Banks in International Trade

The banking industry is a key driver of global economic growth. It determines the economic growth and long-term sustainability of countries by providing various services such as facilitating cross-border financial transactions and bringing savers and borrowers together in a structured framework (Samuel & Lynette, 2017). Moreover, the mobilization of national savings into productive sectors is only possible with the help of commercial banks, which increases the economic growth rate of a country.

As explained by Joseph (2016) commercial banks carry out transactions between companies and customers based in other countries by issuing LOCs, which means that the customer has fully paid for the order with a company based in another country. When the company ships the goods to the foreign customer, the seller can be sure that it will be paid. A company can use an LOC to secure manufacturing loans to pay for the production of goods. Commercial banks exchange and trade foreign currencies to facilitate international trade and development. Companies always need to borrow money to buy raw materials, machine parts, inventory and/or wages. Banks with overseas branches or subsidiaries can streamline financial processes across a company's organization by unifying transaction reporting and record keeping procedures. Your international commercial bank can also provide referrals to professional services firms in other countries, as well as introductions to other suitable companies as clients or for strategic partnerships. The commercial bank can also provide currency-specific corporate credit card accounts and lockboxes to facilitate the company's foreign trade.

On the other hand, international trade exposes exporters and importers to considerable risks. Especially when the counterparty is far away or in a country where it is difficult to

enforce the contract. Trades can mitigate this risk through specialized trade finance products offered by financial intermediaries. International trade exposes exporters and importers to significant risks. Especially when the counterparty is far away or in a country where it is difficult to enforce the contract. However, companies can mitigate this risk through specialized trade finance products offered by financial intermediaries.

Foreign banks are prominent in most financial centers in the developed world. The international bank has almost become a cliché. However, despite the facilitation of cross-border banking in recent years, there are still significant barriers to banks' efforts to serve customers in foreign markets. Trade in banking services has arisen mainly because of the uniqueness of banking services and the importance of each country in banking regulation. Each national banking industry is subject to specific rules and restrictions. The purpose of these rules and restrictions is usually to ensure the stability of national banking systems and to provide national authorities with effective tools for economic management or, more generally, for the promotion of savings and other social values. These policies sometimes prevent the establishment of foreign banking operations or limit the scope of such operations once established.

2.2.4. Customer Relationship Management and Organizational Performance

Customer Relationship Management (CRM) is a cross-functional, customer-centric and business-integrated strategy for improving customer relationships and business processes (Chen & Popovich, 2003). Accordingly, Wisskirchen (2006) cited by Tejeswini (2020) agreed that banks see six critical imperatives for attracting new customers and strengthening relationships with existing ones: engaging marketing messages, targeting prospects, managing the experience, adding value along with basic services, being different, letting customers lead the conversation, and creating the foundation for customer-driven growth.

Customers are at the heart of any successful business, so companies need to focus on them more than ever. It is therefore important for companies to respond quickly to customer queries and provide highly interactive and personalized experiences. However, a company's culture will fail if it does not focus specifically on customer satisfaction. According to Kamakura et al. 2005, CRM is the process of collecting and analyzing a company's knowledge about customer interactions in order to increase customer value to

the company. Parvatiyar & Sheth (2001) also stated that the main purpose of CRM is to improve overall productivity and increase shared value for the organization and customers. An important condition for an organization to be customer-centric is how it delivers value to customers (Mohamad et al, 2014). Developing good CRM skills is critical for effective performance in a competitive environment that focuses on customer-centric approaches within global companies.

2.2.5. Ethics and Ethical Practices in Banks

Ethical behavior by employees ensures that they carry out their work with honesty and integrity. Ethics and ethical practices in the banking sector are becoming increasingly important as the economy of any country depends on this sector. It outlines appropriate behavior in general and what people and organizations should expect. Banks must therefore act in a way that promotes public trust, confidence and good reputation by embodying values such as integrity, trust, responsibility, accountability, respect and fairness in all their dealings. Accordingly, many studies have confirmed that ethical values and practices in banking lead to greater customer satisfaction. However, many banks are associated with accepting bribes in return for loans, lending to influential parties and cheating customers. Fraudulent financial practices seem to be part of their culture, which believes in bending the rules for personal gain.

Safakali (2005) pointed out that the factors that lead to serious ethical problems in financial crises are lending related to debt management bias, misuse of funds without sufficient collateral, political interference and lack of accountability in dealing with the non-financial sector, and the use of illegal funds is a high-risk investment with lack of transparency and low returns. High ethical standards are expected to guide banking activities. Otherwise, when banks fail to meet ethical standards, the interests of all parties are at risk. The mission of ethics is to reduce the abuse of power in decision-making and the negative impact on the economy as a whole (Bellás, 2013).

2.2.6. Factors of Banking Challenges for International Trade in Bole Lemi Industrial Park in Ethiopia

2.2.6.1. Political Influence

A political system is a country's politics and system of government that governs the overall set of rules, regulations and attitudes. Politics, as the art of governance, is also important in promoting business and ensuring that local firms gain or maintain dominance in certain market sectors (Gordon, 2011). However, it dictates fundamental economic issues under their control and is a common source of concern for international companies operating in overseas markets. According to Rugman and Verbeke (2004) the political system typically creates the infrastructure within which the economic system operates through policies and regulations.

Governments become involved in business for a variety of reasons, including political, economic, social and cultural, by controlling and restricting the activities of businesses through influencing or encouraging their support. Finger et al (2018) state that international trade is problematic due to government policies, tax rates and political stability or instability in the country where the business is located. In addition, the lack of political stability in the country disrupts the activities of large and small businesses. (Vanclay & Hanna, 2019) furthermore an unstable political system discourages direct investment. Tax laws and trade restrictions are some of the major political issues that directly or indirectly affect trade. Trade agreements are also one of the major political issues that affect international trade activities. In addition, policies implemented because of political decisions, such as changes in the regulatory and legal environment, pose significant challenges to banking operations.

2.2.6.2. Cultural Differences

Understanding the role of culture in international trade is a key to international business success. Members of global or multicultural teams will each have a distinctive and varied cultural identity that will affect everything from their understanding and interpretation to their responses and problem-solving methods in different contexts. Organizational success comes from the dynamic capabilities offered by cultural differences, which provide opportunities to seize cognitively distant opportunities and achieve competitive advantage (Szymanski, et al., 2018).

The basic elements of culture are social structure, language and religion. Social structure has a great influence on the beliefs and behavior of partners in international trade cooperation; they cannot cooperate, interact or do business if they cannot communicate in

the same language. For this reason, many international companies look for employees who are fluent in at least one foreign language. Religion also has a significant impact on how international groups cooperate in international trade; failure can occur if different religious beliefs and specific employee demands are not met (Erich, 2016). Furthermore, conflicts and contradictions arising from different cultural backgrounds make the negotiation environment more complex and dynamic.

2.2.6.3. Exchange Rate Volatility

Exchange rate volatility affects banking operations, aggregate demand, and supply chain processes. Uncertainty about volatility thus poses risks to trade as it affects the two-way flow of export and import transactions.

Devaluation makes imports more expensive, increasing competitiveness and demand for exports (Pettinger, 2017). On the other hand, inflation affects the cost of living in a country, as well as businesses, government bond yields, borrowing, mortgages and many other aspects of an economy. As a result, companies face many economic and commercial risks when trading internationally. Increased exchange rate volatility can reduce the appetite for international trade, making import and export activity unstable and unpredictable. Banks are also unable to determine the validity and reliability of payment methods. The other aspect of the relationship between exchange rates and international trade is the impact of exchange rate misalignment on trade policy. Exchange rates can indirectly influence government decisions on international trade policy. Moreover, exchange rate policy disputes between international traders add to domestic political pressures.

2.2.6.4. Impact of Corruption

Corruption, a term with a variety of theoretical definitions, is the misuse of public office for personal gain. Farooq et al. (2013) show that corruption is an impediment to economic growth by constructing a time series model. In the context of international trade, corruption has three key characteristics. The first is that the individual or firm is involved in some form of criminal activity. The second is that the individual or firm abuses its position of authority, breaks laws or otherwise acts beyond its legal rights. The third characteristic is that the individual or company uses its influence for personal gain rather than for the good of the country or its shareholders. Corruption hinders development, contributes to the depletion of state resources, distorts the market and discourages local and foreign direct

investment. According to the 2019 CPI report, Ethiopia ranks 96th (37%) out of 180 countries surveyed, higher than the average sub-Saharan score of 32%. This situation hinders business transactions, including contracts, licenses and legal actions.

2.2.6.5. Ethical Challenges

Ethical challenges refer to theoretical considerations of moral beliefs about right and wrong. In most societies, lying, stealing, cheating, and hurting others are considered immoral and unethical, while helping others, keeping promises, and respecting the rights of others are considered moral and morally desirable behaviors (Lawrence, 2014). The issue of ethics in trade is no different. Azai (2011) states that companies are expected to demonstrate a high level of ethical performance at all times. Failure to do so means that they will be disrespected, criticized and punished with undue consequences. He further argues that companies should be relatively ethical in order to meet public expectations. Cateora and Graham (2005) argue that the problem of business ethics is infinitely more complex in the international marketplace because value judgments differ widely among culturally diverse groups. What is generally accepted as right in one country may be completely unacceptable in another. Nevertheless, ethical behavior is a hallmark of all business leaders, both domestically and internationally.

2.2.6.6. Technological Challenges

To survive and thrive in today's marketplace, financial institutions must adopt customer-centric strategies in all areas of their business. Therefore, the application of information and communication technology concepts, techniques, policies and implementation strategies to banking services has become an issue of fundamental importance and concern to all banks, and indeed a prerequisite for local and global competitiveness in the banking industry. Due to this technological improvement, the business environment in the financial sector is extremely dynamic and experiencing rapid changes and demands that banks have to serve their customers electronically. It should be noted, however, that there is no more reliable and powerful form of competition in the banking sector than the potential of human resources. Moreover, only human resources can provide the credibility, originality and ideas needed to build lasting relationships with customers. Management must therefore invest sufficiently in human resources, in addition to technological advances.

2.2.6.7. Regulatory Compliance

Since the global financial crisis of 2008, the management of the financial sector has been the subject of a series of new laws enacted by the governments of many countries. Government regulation is designed to protect public savings, control the supply of money and credit, ensure equal opportunity, promote public confidence in the financial system, protect banks from failure and encourage banks to become a stabilizing force in the economy. However, compliance with these regulations continues to affect the management and operations of banks and other financial institutions. To meet the challenges of regulatory compliance, banks need to develop a culture of compliance within their organizations and establish formal compliance structures and systems.

In Ethiopia, the National Bank regulates the country's banking sector by issuing regulations from time to time. Many of these regulations have a negative impact on the banking sector and could increase the risk of failure. Bank examiners review loans, investments and capital, and owners must obtain explicit approval from the government agency that issues each bank's charter. Among these regulations, the restrictions on determining the amount of money circulating in the market and controlling the ever-increasing foreign exchange are the main challenges to the stability of the domestic and foreign markets.

The country has no international bank to protect its economy from globalization. On the other hand, investment in microcredit and trade savings is reserved for Ethiopians only. Foreign nationals or groups wholly or partly owned by a foreign country are not allowed to participate in open banking to receive services from Ethiopian banks or to establish foreign bank branches in Ethiopia.

2.3. Empirical Studies

Few studies deal with the assessment of banking challenges to international trade in Ethiopia. However, the following studies were considered to highlight the findings of this case study.

Benyam (2020) in his study on the challenges and successes of mobile banking, found that the case study organization faced internal and external challenges in implementing its mobile banking service in the city, including marketing practices, management commitment, technological innovations, ICT infrastructure, security concerns, strict NBE policies and government restrictions.

Francis (2021) study on 126 commercial banks found that increased corruption negatively impacts a bank's efficiency, emphasizing the need to assess employees' perceptions of corruption's influence on banking operations

Ranjeeta (2021) using multiple regression and stepwise regression models to study the impact of different levels of regulation on bank performance, the bank's risk management efforts for permitted activities and strict regulations on external regulatory capital requirements affect the performance of different banking systems.

Nafiseh et al. (2020) investigated the effect of exchange rate volatility as a determinant of bank performance using panel data methodology and two parameters: liquidity and profitability for 14 Iranian banks during 2007-2017 and found that exchange rate volatility has a negative effect. In addition, it has a statistically significant effect on the bank's return on capital. Exchange rate volatility is also a factor in a bank's loan-to-deposit ratio. This is because it increases the funding gap and creates credit risk.

Zbigniew et al. (2022) found that cultural differences have a significant impact on bank operation, particularly in terms of power distance, personality, uncertainty avoidance and masculinity. This highlights the need to manage the impact of multiculturalism in Ethiopia in the context of international trade.

Kumar Rajesh (2009) as cited by Tejaswini (2020) revealed that any bank that wants to either grow its banking business or improve its profitability must address the challenge that affects its customer relationships.

2.4. Justification for the Research Project

As part of the major financial institutions, banks play an important role in the development of the country's economy by receiving and transferring funds from depositors, donors, investors, borrowers and traders, and by generating foreign exchange. Therefore, it is necessary to continuously improve the bank's operational strategy and customer service efficiency. As industrial parks are among the institutions that are vital for economic growth, it is important to look at the factors that affect their performance. Banks are closely linked to their functioning, providing loans, foreign exchange and support for day-to-day activities.

The study examined the challenges faced by international firms in banking operations in Bole Lemi Industrial Park, suggested improvements in operational strategies, and paved the way for further research.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1. Chapter Introduction

This chapter describes the research methodology used in this study, specifically the research design, data source, sampling technique and determination, data collection methods, data processing and analysis, reliability and validity testing, ethical considerations and study variables.

3.2. Research Design

A research design is an outline, plan or strategy used to arrive at findings in response to a research question (Johnson & Christensen, 2004). In order to achieve the research objectives, this study used a descriptive research design. Descriptive methods can use either qualitative or quantitative data, or both, which gives the researcher a wide range of options in choosing the data collection tool and includes organizing and sorting graphs and charts that show and describe the data collection. To identify the challenges faced by foreign investors in banking operations in Bole Lemi Industrial Park, I undertook a descriptive quantitative and qualitative study design to have a deeper understanding of the insights from the employees' perspective on the challenges faced in their operations.

3.3. Research Approach

The research approach used primary data collection from the three companies in three main departments. The study involved 63 employees and three selected managers using a questionnaire and an in-depth interview approach, the data were analyzed using Microsoft Excel and descriptive analysis was used. Demographic data, the nature of specific responses and the summary of interview responses were presented in tabular form.

3.4. Data Source

The selected study area was the main source of primary data, and the Industrial Parks Development Corporation (IPDC) at the park was used to supplement the data. The target population of the study was divided into two groups: the department managers and employees of the three companies, over 18 years of age, male or female, with at least a primary education.

3.5. Sampling Frame

The sampling frame for the research was the employees of the 3 randomly selected companies in the Bole Lemi Industrial Park. The employees work in the administrative, financial and logistic departments of the companies.

3.6. Sampling Technique

Stratified random and purposive sampling was used to separate the interviewees and reach a determined number of employees in the selected departments of the companies in the industrial park. Dichotomous and Likert scale questions were included in the survey based on descriptive statistics.

3.7. Target Population and Sample Size Determination

The target population of the study from the three companies in the industrial park consists of 90 employees, including managers from the three departments relevant to the chosen research topic: finance, logistics and administration. This means that the study included those with experience of international companies using banking services.

Sample size to ensure reasonable accuracy of results is a concern for any quantitative researcher. Therefore, the sample size for respondents to the questionnaire is determined using Taro Yamane's (1967) simplified formula. The sample has a reliability of 95% of the population and a sampling error of 5%. Accordingly, the sample size for the study was determined as follows, taking into account the variables included in the formula, including the actual population size, the required precision level and the confidence level: $n = N/(1+N*e^2)$, where n = sample size, N = total population and e = error tolerance at a 95% confidence level and $\pm 5\%$ precision. Therefore, $n = 90 / (1+90*0.05*0.05) = 73$.

3.8. Data Collection Methods

As a mechanism, the researcher used two methods of data collection. The first method was interviews with the heads of the three focused departments within the selected companies, and the second method was self-administered questionnaires to the employees of these departments. Self-administered questionnaires were the main instruments used to collect the targeted data from the selected sample of respondents. The use of a self-administered questionnaire gave the respondents the opportunity to rate the appropriate response on the listed scales. The scaling approach used is a five-point Likert scale with response categories

(strongly agree, agree, neutral, disagree and strongly disagree) as this is the most widely used approach.

Based on the pre-test results, the questionnaire was modified and a brief explanation of the data was given to the representatives before they started collecting data. As the study covers foreign nationalities, both data collection methods were conducted in English.

3.9. Data processing & Analysis

After data collection, each dataset was checked for completeness based on the code given during data collection. The coding of each questionnaire was checked prior to data entry into the selected software. Further data cleaning was carried out to check for outliers, missing values and any inconsistencies before the data were analyzed. In order to measure the average opinion of the respondents on the topic provided by the questioner, the mean and standard deviation were used to show how the value obtained by the opinion of the participants differed from the mean, and descriptive statistics were used to describe the variables.

3.10. Reliability & Validity Test

Reliability refers to the ability of a measurement instrument to produce consistent results each time it is used; therefore, the researcher began the data analysis by examining the reliability and validity of the sample data. In this regard, the researcher believed that this study was reliable as the respondents were selected based on their experience.

In addition, the questionnaires were pre-tested to see if the designed instrument could fully assess the research topic before distributing the questionnaires and some of them were modified accordingly.

3.11. Ethical Considerations

The proposal was submitted to the Faculty of Economics, Department of Accounting and Finance, Addis Ababa University for approval. In addition, the researcher took the ethical aspect of the work very seriously, as respondents were clearly informed of the purpose of the study before being asked for their opinion. Furthermore, respondents were not asked for their name, race or religion, and the questionnaire was distributed after obtaining the consent of the industrial park.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1. Chapter Introduction

This chapter presents the data analysis and the results of the variables that were predicted for the challenges faced by international companies in banking in Ethiopia in the case of the Bole Lemi Industrial Park. It also provides a discussion of each of the findings of the study.

4.2. Response Rate

The researcher distributed the prepared questionnaires to 73 potential respondents. However, upon return, the answers of 10 respondents were found to be invalid. Thus, 63 (86.3%) of the returned questionnaires were analyzed, while 10 (13.7%) of the questionnaires were rejected.

4.3. Demographic Profile of the Respondents

Table 4.3. below provides a demographic profile of the respondents in terms of gender, age, marital status, educational status, and community involvement.

Table 4.3. Summarized results of demographic profile of the respondents

Profile	Variables									
	Gender		Age			Marital status		Educational status		
	Male	Female	18-29	30-39	40-49	Single	Married	Diploma	Degree	Master's degree
Percentage	52%	48%	40%	55%	5%	35%	65%	3%	65%	30%

Source: Researcher's field survey, (2023)

The data analyzed above for each demographic profile shows that in the first category of gender ratio, 52% of the 63 respondents were male and the remaining 48% were female. This indicates that the participation of the sexes is almost equal. In the second category,

age, 40% of the respondents were between 18 and 29 years old, 55% between 30 and 39 years old and 5% between 40 and 49 years old. The marital status of the respondents showed that 35% were single and 65% were married. There were no cases of divorce. The educational level of the respondents also showed that 5% had a diploma, 65% a first degree and 30% a master's degree.

4.4. Descriptive Statistics of the Study Variables

The descriptive statistics of the quantitative and qualitative data collected through the administration of the questionnaire are summarized in the following subsections. To fit the tables, the rating scales are abbreviated as Strongly Agree (SA) for 5, Agree (A) for 4, Neutral (N) for 3, Disagree (D) for 2, and Strongly Disagree (SD) for 1.

4.4.1. Political Influence

Table 4.4.1. Summary of the Data Analyzed on Political Influence

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Interference of politics distorts banking operations	41	6		16		63	4.14	1.29
2	Fairness of political systems on banking operations	16	29	15		3	63	3.87	0.98
3	Effect of Politics on international business	38	16		6	3	63	4.27	1.17
4	Actions taken on banking transactions influence the bank's operation	23	19	16	5		63	3.95	0.97
**	Overall mean	30	18	8	7		63	4.13	1.02

Source: Researcher's field survey, (2023)

Table 4.4.1 shows the results of the four questions on the prospects of political influence on banking operations in the study area. For example, the respondents' answer to the first question, with a mean of 4.14 and a standard deviation of 1.29, is consistent with the question of political influence on banking operations. The result of the answer to the second question, with a mean of 3.87 and a standard deviation of 0.98, shows that there is fairness in the political system with regard to banking operations. The answer to the third question

shows with a mean of 4.27 and a standard deviation of 1.17 that there is an effect of politics on international business. Finally, respondents to question 4 agree that measures taken on banking operations have changed the way banks operate, which has an impact on banking operations. In general, the overall result of the responses, with a mean of 4.13 and a standard deviation of 1.02, shows that political influence has an impact on banking operations.

This finding is consistent with research by Ali, et al. (2020), which found that conflict and political instability are indeed associated with an increased likelihood of banking crises. Political interference can lead to trade barriers, exchange rate volatility, and economic sanctions that affect banks' international trade operations. These barriers disrupt the flow of goods and services across borders, affecting financial transactions and requiring banks to adapt processes, documentation, and compliance procedures. Failure to comply with sanctions can result in financial penalties and reputational damage. Geopolitical risks, such as trade disputes and diplomatic tensions, can also affect banking operations. Banks may also face challenges in assessing and managing the creditworthiness and political risk of international trade counterparties, which can affect lending decisions and the availability of trade finance. Policy changes and regulatory uncertainty can also disrupt banks' trade finance operations, requiring them to invest in additional resources to stay current and ensure compliance.

4.4.2. Cultural Differences

Table 4.4.2 Summary of the Data Analyzed on Cultural Differences

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Impact of cultural differences on banking operations.	13	13	9	3	25	63	2.78	1.63
2	Influence of cultural differences on banking operation	13	16	19		15	63	3.19	1.42
3	Effect of religion difference on banking operations	10	16	9	3	25	63	2.73	1.58
4	Impact of geographical differences on banking operations	6	16	13	12	16	63	2.75	1.34
**	Overall mean	10	15	13	5	20	63	2.84	1.49

Source: Researcher's field survey, (2023)

The results in table 4.4.2 show that the answer to question 1 disagrees with a mean of 2.78 and a standard deviation of 1.63, but is neutral with question 2 with a mean of 3.19 and a standard deviation of 1.42. On the other hand, the answers to questions 3 and 4 disagree with a mean of 2.73 and a standard deviation of 1.58 and a mean of 2.75 and a standard deviation of 1.34 respectively. In general, the overall results for the impact of cultural differences on banking operations are inconsistent, with a mean of 2.84 and a standard deviation of 1.49.

Kuroiwa (2006) found that cultural issues have a significant impact on each bank's strategy. The different strategies of banks have evolved from the different ways of thinking, feeling and doing, which are based on deeply rooted cultural values or assumptions in each country. Language and religious issues can pose challenges in international trade banking. Language barriers, legal and contractual issues, cultural sensitivities, compliance with local regulations, cross-cultural communication and time zone differences can hinder effective communication and understanding between banks and customers. Misinterpretations can lead to errors, delays and misunderstandings, potentially impacting efficiency and accuracy. Banks need to address these issues through translation services or by employing multilingual staff. Cultural sensitivity, compliance with local regulations and cross-cultural communication are also essential to maintaining positive customer relationships and expanding into diverse markets. To meet these challenges, banks need to foster cultural awareness among employees and develop cross-cultural communication skills.

4.4.3. Exchange Rate Volatility

Table 4.4.3 Summary of the Data Analyzed on Exchange Rate Volatility

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Impact of exchange rate volatility on trade stability	54		3	6		63	4.62	0.96
2	Shortage of foreign exchange	50	13				63	4.79	0.41
3	Lack of foreign banks on foreign exchange fluctuations	16	22	13	3	9	63	3.52	1.32

**	Overall mean	40	12	5	3	3	63	4.32	1.12
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Source: Researcher's field survey, (2023)

The overall results in Table 4.4.3 show that all respondents agree that exchange rate volatility has a high impact on banking operations in Ethiopia, with an overall mean of 4.32, as in the case of Bole Lemi. The scarcity of foreign exchange hampers the country's entire economy, and runaway inflation is becoming a cause of the rising cost of living. On the other hand, the expansion of the black market would complicate business operations, discourage foreign investors and force them to leave the country, which would have a detrimental effect on the country's economy. Therefore, allowing foreign banks can be beneficial in increasing the availability of external finance for international trade and stabilizing the fears of foreign investors.

4.4.4. Ethical Challenges

Table 4.4.4 Summary of the data analyzed on Ethical Challenges

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Lack of diligence and efficiency of bank employees	25	22	10	6		63	4.05	0.97
2	Lack of well-coordinated communication and cooperation among bank employees	13	22	16	12		63	3.57	1.03
3	lack of reliable exchange of information between employees and management	13	22	10	9	9	63	3.33	1.34
4	Impact of bank employees on customer needs and services	19	25	7	6	6	63	3.71	1.26
**	Overall mean	17	23	11	8	4	63	3.65	1.19

Source: Researcher's field survey, (2023)

Table 4.4.4 shows that the respondents' answer to the first question - that there is a lack of diligence and efficiency among bank employees - has an impact with a mean of 4.05 and a standard deviation of 0.97. The result of the answer to the second question shows that there

is a lack of well-coordinated communication and cooperation among bank employees, with a mean of 3.57 and a standard deviation of 1.03. The response to the third question shows that there is an impact of politics on international trade with a mean of 3.33 and a standard deviation of 1.34, and the respondents agree with question number 4 with a mean of 3.71 and a standard deviation of 1.26. However, the overall result of the responses shows that ethical challenges do have an impact on banking operations.

This result is consistent with the findings of the study by Solomon, A. (2016), who identified weaknesses in the structure of banks' internal compliance functions, such as lack of trained and adequate staff and insufficient cooperation from and among relevant authorities and organizational factors, as well as lack of awareness of policies and their use. Similarly, Alemu (2019) found that except for responsiveness, all aspects of service quality significantly and positively affect customer satisfaction. Therefore, in order to properly serve their customers and for the economic growth of the country, all banks need to review their operating systems by updating the current management. Ethiopia has a growing financial sector, and banks are striving to attract and retain skilled professionals to meet the demands of the industry. Many banks are investing in training programmers, professional development and talent acquisition strategies to ensure that they have qualified staff who can effectively carry out their roles and responsibilities.

4.4.5. Corruption Impacts

Table 4.4.5. Summary of the Data on Corruption Impacts

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Challenges with trade licensing, inspection, and tax procedure	22	22	10	9		63	3.90	1.04
2	Difficulty to access currency exchange and banking services.	19	25	13	6		63	3.90	0.95
3	Free movement of import and export goods	9	13	35	3	3	63	3.35	0.95
4	Challenges of bureaucracy for time-saving and banking operations efficiency	22	25	13	3		63	4.05	0.87

**	Overall mean	18	21	18	5	1	63	3.79	1.00
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Source: Researcher's field survey, (2023)

Table 4.4.5 above shows that the response to the first question – challenges with trade licensing, inspection and tax procedures - is a problem with a mean of 3.90 and a standard deviation of 1.04. The response to the second question shows that there are difficulties in accessing exchange and banking services, with a mean of 3.90 and a standard deviation of 0.95. The response to the third question also shows that there is no free movement of import and export goods, with a mean of 3.35 and a standard deviation of 0.95, and the respondents agree with question number 4, with a mean of 4.05 and a standard deviation of 0.87. The overall result of the responses shows that corruption has an impact on banking operations, with a mean of 3.79 and a standard deviation of 1.00.

Many studies have found that most corruption in banks is caused by employee dissatisfaction, collusion with employees, customers and suppliers, information technology and poor database management. This practice leads to misconduct on the part of employees and officials, as well as investors, which affects the normal operation of banks.

4.4.6. Technology Challenge

Table 4.4.6 Summary of the Data Analyzed on Technology Challenges

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Impact of network technologies on banking operations	41	13	3		6	63	4.32	1.22
2	Lack of adequate e-banking services	32	19	9	3		63	4.27	0.88
3	Simple Internet banking for the transaction	35	16	6		6	63	4.17	1.23
4	Easy and automatic to obtaining reports and bank documents	25	13	19	6		63	3.9	1.04
**	Overall mean	34	15	9	2	3	63	4.19	0.97

Source: Researcher's field survey, (2023)

Table 4.4.6 shows that respondents agreed that there is an impact of network technologies on banking operations, with a mean of 4.32 and a standard deviation of 1.22. Similarly, they agreed that there is a lack of adequate e-banking services, with a mean of 4.27 and a standard deviation of 0.88. The answers to questions 3 and 4 are also consistent, with a mean of 4.17 and a standard deviation of 1.23, and a mean of 3.9 and a standard deviation of 1.04. In general, all respondents agree that the technology challenge has a great impact on banking operations, with a mean of 4.19 and a standard deviation of 0.97.

According to the study conclusions of Henok (2021) banks are putting more emphasis on IT governance in order to strengthen IT governance processes. The role of the NBE in this process needs to be explored, and the commercial bank should serve as a role model for commercial banks and adhere to standard IT processes that are compliant with IT governance. Similarly, Yonas (2021) identified poor mobile networks, incompatibility between systems, and lack of convenience and fear of use as the main technological challenges. However, the ongoing modernization of banking operations, the adoption of secure technology, the implementation of digital services and modern core systems, and the introduction of online and mobile banking platforms for remote transactions and account management should be encouraged.

4.4.7. Regulatory Compliance

Table 4.4.7. Summary of the Data on Regulatory Compliance

S.no	Informative questions	Rating scales					Total	Mean	Standard deviation
		SA	A	N	D	SD			
1	Difficulty of NBE rules for banking operations	32	9	13	9		63	4.02	1.14
2	Fairness of NBE rules for all bank customers	16	9	32	6		63	3.56	0.98
3	Challenges with regulations enacted to govern banking liability	28	16	19			63	4.14	0.86
4	Tight foreign currency regulation	28	19	16			63	4.19	0.82
5	Impact of cross-country legal and regulatory differences;	16	16	25	6		63	3.67	0.97
**	Overall mean	24	14	21	4	0	63	3.92	0.94

Source: Researcher's field survey, (2023)

Table 4.4.7 shows that respondents agree that there are difficulties in applying NBE rules to banking operations, with a mean of 4.02 and a standard deviation of 1.14. Similarly, they are neutral about the fairness of NBE rules for all bank customers, with a mean of 3.56 and a standard deviation of 0.98. The answers to questions 3 and 4 are also consistent, with a mean of 4.14 and a standard deviation of 0.86, and a mean of 4.19 and a standard deviation of 0.82 respectively. In general, all respondents agree that regulatory compliance has a significant impact on banking operations, with a mean of 3.92 and a standard deviation of 0.94.

Simeneh (2021) revealed that monetary regulation hurts the operation and performance of banks. Thus, in general, any banking regulation, whether weak or strong, hurts banks in one or more countries around the world. The tension between business objectives and compliance in financial institutions drives behavior and accumulates violations, resulting in changing compliance cultures and periodic erosion of compliance. These points highlight the need for careful formulation and timely revision of the often-complex rules of the NBE.

Banking regulations such as capital adequacy, liquidity management, risk management, reporting and customer protection require additional resources, staff and time for banks. These regulations can improve risk management practices, stability and operational performance. They also shape innovation and flexibility, ensuring that banks can adapt to evolving customer needs and market dynamics. Striking the right balance between regulatory oversight and innovation is critical to maintaining efficiency. Regulation also protects consumer rights, promotes fair practices and enhances transparency, thereby fostering long-term customer relationships and trust.

4.5. Descriptions of Interview Results

In order to gain a deeper understanding of the common perceptions of the challenges faced by international companies in banking in the case of Bole Lemi Industrial Park, eight interview questions were used to complement the semi-structured questionnaire. The interview questions were developed based on the common variables to be studied, and the interviewees were selected based on their extensive knowledge of banking and having

worked with or in the sector. The way in which the interview was conducted was primarily determined by their preferences, and all interviewees were asked the same questions.

Table 4.5. Organized Interview Data

S.No.	Questions	Interviewees and their responses		
		Mrs. Samrawit Eredi	Mr. Shankar	Mr. Samson
1	Can you explain me the influence of political interference in international trade on banking operations?	Political influence has an impact on customer losses, on the Bank's strategy, and on economic fluctuations, particularly as policies change.	Political interference in international trade can disrupt trade, increase regulatory compliance, introduce currency volatility, and pose geopolitical risks to banks involved in international trade finance.	Yes, the government is spending more money and creating a shortage of money, and it is forcing the banks to hand over their customer data.
2	Could you please give me an overview of the difficulties with linguistic and religious issues in banking operations with regard to international commercial operations?	Religious issues are not a problem, but the language does have a certain impact.	Language and religious issues can create complexities and challenges in banking operations related to international trade	Linguistic and religious difficulties can affect the banking industry in ways that neglect the customer.
3	Do you think there is a shortage of foreign currency delivery?	Yes	Yes	Oh yes
4	Do you believe the banks have dedicated and skilled employees?	Yes	Ethiopian banks' staff availability varies based on individual banks, recruitment and training processes, and the overall talent pool in the country.	I do not think so. I always see bank employees who do not care about their customers.
5	Do you think there are corrupters in getting foreign currency?	Yes	Corruption can undermine the fairness, transparency and efficiency of foreign exchange allocation processes. In some countries, corruption can take different forms, such as bribery, embezzlement or favoritism, which can affect the acquisition of foreign exchange.	Perhaps, but most foreign currency comes through the black market as there is no currency in the country.
6	Do banks have modern & secure technologies to improve their operations?	Yes	While there have been positive developments in the adoption of modern and secure technology, it is important to note that the level of technology implementation and security measures can vary between banks. Larger, more established banks in Ethiopia	They may have some applications, but mostly they do not have a network. So it is not positive to have modern, secure

			may have more extensive technology infrastructure and cybersecurity measures than smaller or rural banks.	technology without a secure network.
7	Do you think that the regulations issued by the National Bank of Ethiopia to control money transfers and currency fluctuations affect banking operations?	Yes	The National Bank of Ethiopia's regulations on banking operations can enhance stability, protect customers, and maintain financial system integrity, but may also introduce compliance burdens and hinder operational efficiency..	Yes, most of the regulations conflict with each other.
8	What is your opinion on the current directive of NBE retention and utilization of export earnings and how do you think that it will affect the foreign investors in the country?	It is not fair. Yes, it affects them and creates a shortage of dollars. We have to pay suppliers, buy goods, and park the freight charges we get and the shortages.	The impact of these rules on foreign investors may vary depending on the specific details and requirements of the directive. Permitted uses of retained earnings and any related restrictions or incentives for foreign investors.	I am neutral.

The first interviewee in Table 9 above was Mrs Samrawit Eredi and the interview was conducted by telephone. She is the Chief Accountant of the Jay Jay Textile Division. As can be seen from her response, Mrs Samrawit agreed that political influence, exchange rate volatility, corruption and regulatory challenges affect banking operations, while cultural differences, ethical challenges and technological issues do not affect banking operations. She also suggested, in relation to the current directive on retention of NBE and use of export earnings, that disruptions in the supply chain create financial bottlenecks that affect suppliers, goods and freight costs. The second interviewee was Mr Shankar and the interview was conducted by email. He is the Finance Director of Ashton Apparel. As can be seen from his response, Mr Shankar agreed that all the variables selected for this study have a negative impact on banking operations and the directive issued by the NBE on the permissible use of retained earnings and any related restrictions or incentives for foreign investors. The third and final interviewee was Mr Samson and the interview was conducted in person. Mr Samson is a departmental manager for logistics at Shints. He agreed that all of the challenges selected for investigation have a negative impact on banking operations, while he is neutral towards the policies of the NBE.

In summary, the three interviewees agreed in principle that all the challenges and issues examined in this study affect banking operations in Ethiopia and that foreign investors operating in the study area are dissatisfied.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1. Chapter Introduction

This chapter presents a summary of the findings, conclusions drawn from the findings, recommendations based on the findings and the conduct of further research.

5.2. Summary of Findings

The profile of the respondents from the 3 main departments of the selected companies in the Industrial Park was 52% male and 48% female. Regarding the results of the study variables, political interference is a challenge to the free conduct of banking business with an overall mean of 4.13 and a standard deviation of 1.02. The influence of cultural differences on banking operations was found minimal with an overall mean of 2.84 and a standard deviation of 1.02. On the other hand, responses on the impact of ethical issues and corruption showed that they affect banking operations with an overall mean of 3.65 and a standard deviation of 1.19 and an overall mean of 3.79 and a standard deviation of 1.0 respectively. The majority of respondents also agreed that unstable technology and regulatory compliance affect banking operations, with an overall mean of 4.19 and a standard deviation of 0.97 and an overall mean of 3.92 and a standard deviation of 0.94 respectively. Interviewees also agreed that the National Bank's guidelines have an impact on foreign investors, as they focus on supplier issues, material and freight costs, and potential restrictions.

5.3. Conclusion

Ethiopian banks face challenges in their day-to-day operations. The challenges can be either of a market or operational nature, or regulatory or reform-related. In addition, the country's financial sector is underdeveloped and tightly controlled by the government, which is not conducive to the long-term viability of industry and investment. The findings of the study revealed that banking operations are a challenge for foreign companies running international trade in the park. Political influence, exchange rate volatility, ethical challenges, corruption, technology barriers and regulatory compliance were all identified

as challenges of banking operation. However, the challenges posed by cultural differences were found to be minimal. International companies also face difficulties due to the strict regulations and time-consuming approval procedures of the NBE. Political influence, exchange rate volatility and technological challenges were also identified as important issues for banking. These could affect the interests of these investors and the contribution of the industrial parks to the expected development of the country's economy.

5.4. Recommendations

Based on the findings, the researcher made the following recommendations to improve the problems encountered in banking operations and customer satisfaction:

1. Banks need to monitor policy developments closely and adapt their operations to changing trade policies and regulations.
2. Addressing the challenges of exchange rate volatility and international trade issues should be the main focus of government and NBE work.
3. Banks should provide opportunities for the development of their staff so that they have the skills, ethics of trust and ability to perform to the best of their ability.
4. Strengthen corruption prevention measures and raise awareness
5. Banks must continually develop improved delivery channels such as the Internet, document automation and speed to meet customer demands.
6. Strict NBE policies and government-imposed restrictions must be improved to allow all banks to serve their customers freely and confidently.

5.5. Recommendations for Future Study

The researcher also advises researchers interested in this topic to conduct further research on these and using different variables affecting banking operations in Ethiopia.

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Appendices

Appendix 1. Questionnaires prepared to collect the necessary information for the research entitled "The common challenges and problems that international business face in Ethiopian in banking operations: the case study of Bole Lemi Industrial Park"

Date _____

Dear respondent

Subject: Requesting your opinion

First of all, with my respectful greetings, I would like to ask for your opinion on the questionnaire that I have prepared to collect information on the research topic "The common challenges and problems that international companies face in banking operations in Ethiopia: the case of Bole Lemi Industrial Park". Your thorough assessment will be of great help to me in the identification of the situation and the achievement of the right result.

This information is for educational purposes only. Therefore, it is not necessary to include your name.

Thanks very much for your co-operation. I am sure that I will receive your feedback in the near future.

Sincerely,

Yoseph Mulatu

I. General Information

- 1.1. Questionnaires are widely used to collect the opinions and attitudes of respondents to investigate research questions
- 1.2. Please tick the choice that appropriately represents your appraisal for each of the questions/suggestions.
- 1.3. All your responses will be treated as confidential and will not be disclosed to anyone.

II. Demographic Information

2.1. Gender

- Male
- Female

2.2. Age

- 18 - 29
- 30 - 39
- 40 - 49
- 50 - 59
- > 60

2.3. Marital status

- Single
- Married
- Divorce

2.4. Educational status

- Elementary
- High school
- Diploma
- Degree
- Master's degree and above

III. Please indicate the extent you agree or disagree with the questions listed under each variable

3.1. Political influence

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Interference from politics distorts banking operations					
2	Fairness of the political system on banking operations					
3	Effect of Politics on international business					
4	Actions taken on banking transactions have changed the way banks operate					

3.2. Cultural Differences

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Impact of cultural differences on banking operations' efficiency.					
2	Influence of cultural discrimination on banking operations					
3	Effect of religious differences on the timing of banking operations					
4	impact of geographical differences on banking operations					

3.3. Exchange Rate Volatility

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Impact of exchange rate fluctuations on business stability					
2	Shortage of foreign exchange					
3	Lack of foreign banks for the country's foreign exchange fluctuations					

3.4. Ethical Challenges

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Lack of diligence and efficiency of bank employees					
2	Lack of well-coordinated communication and cooperation among bank employees					
3	lack of reliable exchange of information between employees and management					
4	Impact of bank employees on customer needs and services					

3.5. Corruption Impacts

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Problems with business licensing, inspection, and tax procedure					
2	Difficulty to access currency exchange and banking services.					

3	Free movement of import and export goods					
4	Problems of bureaucracy for time-saving and banking operations efficiency					

3.6. Technology Impact

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Impact of limited banking network technologies on banking operations					
2	Lack of adequate e-banking services					
3	Internet disruptions for banking operations					
4	Easy and automatic to obtaining reports and bank documents					

3.7. Regulatory challenges

S.no	Informative questions	Rating scales				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Difficulty of NBE rules for banking operations					
2	Fairness of NBE rules for all bank customers					
3	Problems with regulations enacted to govern banking liability					
4	Tight foreign currency regulation					
5	Impact of cross-country legal and regulatory differences;					

Appendix 2. Interview Questions for Management Staff and Investors

1. Can you explain me the influence of political interference in international trade on banking operations? (Political)
2. Could you please give me an overview of the difficulties with linguistic and religious issues in banking operations with regard to international commercial operations? (Culture)
3. Do you think there is a shortage of foreign currency delivery? (Currency exchange)
4. Do you believe the banks have dedicated and skilled employees? (Ethics)
5. Do you think there are corrupters in getting foreign currency? (Corruption)
6. Do banks have modern & secure technologies to improve their operations? (Technology)
7. Do you think that the regulations issued by the National Bank of Ethiopia to control money transfers and currency fluctuations affect banking operations? (Regulations)
8. What is your opinion on the current directive of NBE retention and utilization of export earning and how do you think that it will affect the foreign investors in the country? (Regulation)