



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**ASSESSMENT OF TRADE SERVICE OPERATION IN COMMERCIAL
BANK OF ETHIOPIA**

BY
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JUNE, 2015
ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Abebe Yitayew (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 St. Mary's University, School of Graduate Studies for Examination with my approval as a university advisor.

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Jun, 2015

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LIST OF ACRONYMS/ABBREVIATIONS

BPR	Business Process Reengineering
CBE	Commercial Bank of Ethiopia
ETB	Ethiopian Birr
FCY	Foreign Currency
MNC	Multinational Companies
NBE	National Bank of Ethiopia
SPSS	Statistical Package for Social Sciences
TS	Trade Service
TSA	Trade service Advisory
TSCPC	Trade Service Central Processing Center
TSSO	Trade Service Special Outlet
ICC	International Chamber of Commerce
URC	Uniform Rule for Collection
UCP	Uniform Customs Practice
URR	Uniform Rule for Reimbursement
URDG	Uniform Rule for Demand Guarantee
USA	United State of America

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ABSTRACT

Trade service operation is one of the main processes of commercial banks in Ethiopia. However, there is almost no previous research has been conducted on this big issue. This study assesses the trade service operation in Commercial Bank of Ethiopia and pointed out the challenges that are affecting the process. To achieve the objectives of the study, systematical assessment and measurement of trade service operation is crucial. The study employed both quantitative and qualitative approaches. The respondents were drawn from different organs of TS process. Ts customers are also included in the study. Data was collected through questionnaire from a sample of 86 TS customers and 92 TS employees. Data collected from the questionnaire were analyzed using SPSS version 20 statistical tools such as mean, standard deviation quantitatively, and followed by interpretation and qualitative analysis has made. The result of the study indicates that trade service operation is a major source of revenue for CBE. In addition, the study identifies bottlenecks that are affecting TS process at CBE. One of the obstacles is the absence of efficient TS personnel against international standard. Moreover, the directives of NBE and the country infant economical and infrastructure status are identified as the main obstacles to undertake this operation successfully. The shortage of foreign currency, informal flow of information in the process has also been identified as an obstacle. Therefore, in order to tackle the challenges, CBE required upgrading the efficiency of TS personnel. TS policy and procedure are also required to be updated with the change of external environment in consistent with the NBE's directive. Furthermore, there is a need of encouraging credit policy and procedure that support exporters and those engaged in agricultural and manufacturing sector. Besides, NBE has to revise its directive with the change of dynamic global trade. Moreover, benchmarking first class foreign banks and instituting experience and knowledge sharing with them will have significant role for the improvement of the service. In order to avoid ambiguity and to keep consistency, the flow of information under the operation has to be formal. Finally and most importantly the bank has to install technologically advanced system that could not interrupt easily.

Key word: Trade Service process, Revenue, Challenges, Risks, Export Promotion, Import Substitution

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

In today's dynamic environment many organizations ought to perform and utilize their competitive advantages in order to stay and survive in the market. Among these organization, banks are the financial institutions that provide a varieties of service to its customer with respect to the current situation of the world market.

A bank or banker is a business organization or a person engaged in the business of accepting money, valuable things and documents on deposit, lending the money it accepted on deposit to others, depositing and managing securities, buying and selling foreign exchange and gold and silver bullions and discounting commercial instruments and transferable securities having a future maturity date. (Teklemedhin, 2009)

Commercial Bank of Ethiopia is one of the service giving organizations in Ethiopia that commits to deliver quality service to its customers and endeavors to be the first choice in the banking sector.

CBE is the leading commercial bank in Ethiopia since it is established in 1942. It is pioneer to introduce modern banking to the country. It has, now, more than 900 branches throughout the country with assets of 242.72 billion birr. As it is financially strong bank, it plays a catalytic role in the progress and development of the country and financing huge government and private projects. It is the first bank in Ethiopia to introduce ATM service for local users. Currently the bank has more than 8.5 million account holders. CBE has strong correspondent relationships with more than 50 world class banks like CITI BANK, COMMERZ BANK, LLOYDS BANK, BARCLAYS BANK...and maintain SWIFT bilateral arrangement with more than 700 others banks across the world. There are more than 20,000 employees working in the bank. The bank known as first to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International, Xpress money...CBE has open foreign branch in South Sudan since 2009 and now processing to

open another foreign branches in USA, South Africa, and Middle East probably in well known commercial city Dubai. (<http://www.combank.eth.co>.)

CBE employs different strategies and apply latest banking technologies which makes it preferable from their competitors.

Following the implementation of Business Process Re-engineering (BPR), Commercial Bank of Ethiopia has adopted process-based organizational structure. The bank categorizes its process as core and support. The core processes of the bank are classified into three which are: Customers Account and Transaction Services (CATS), Trade Service (TS), and Credit.

Trade service is one of the core processes of the bank that deals with international banking operations by providing facilitation of payment associated with import, export, and guarantee transactions.

Trade service operation targets the international trading society of the country. It mainly focuses on facilitation of payments and mitigation of risks associated with international trade through a process that is compatible with customers' need and international standards (TS Training Manual, 2014).

Trade service operation is one of the potential processes for the commercial banks to generate revenue. The bank generate around ETB 5,451,739,931.32 revenue from this service for the last five years/ from year 2010 up to year 2014/ (MIS Report, 2014). The following table shows the bank's annual income for the last five years.

Table 1.1 Revenue generated for the last five years from trade service operation

Year	2010	2011	2012	2013	2014
Revenue in Birr	230,704,677.63	354,707,266.09	354,957,746.31	1,901,393,424.20	2,609,976,817.09

Source: Commercial bank Ethiopia 2014 MIS report

This study attempts assessments of trade service operation in commercial bank of Ethiopia. The researcher has been very interested to make this assessment on trade service operation, the

challenges that may affect the operation in CBE and pointing out recommended possible solutions.

CBE is working so tough for the achievement of its vision to be world class bank by 2025. In order to meet its vision, the researcher believes that there must be excellent service delivery and the bank should be stuffed with experienced, competent and satisfied workers all over its processes. Among its processes, trade service is the one that links the bank to internationally leading banks. Therefore, it is very easy for this process to procure and institute the international working culture and service excellence that can eradicate the challenges facing in the service delivery.

1.2. Statement of the problem

Trade service operation is one of the processes for the commercial banks that generate revenue. The process also serves local banks as a means to create links with the outside world and helps to establish correspondent relationship with the foreign banks abroad. In addition to earning revenue from the service, there is also a chance for local banks to learn from world class banks when they engaged in import and export transaction. Hence, the trade service has to be promoted in nationwide. Promoting trade service operation should be taken as engaging in export promotion and import substitution.

The prime purpose of this study is attempting assessment on trade service operation in Commercial Bank of Ethiopia. And, furthermore, pointing out the challenges that are harming the trade service operation and exploring the outcome of the process with an eye to forecast the fate of the banking industry in Ethiopia as whole and CBE fortune in particular. The ultimate goal of the research is not either to criticize or neglect the struggle of the bank to bring a change in the industry. Instead, the aim is to make an assessment on TS operation and to see the gap of CBE's practice versus international standard.

CBE is generating immense revenue from this process. Therefore, the process ought to be furnished with the necessary attention as it is big source of revenue for the bank and it increase CBE' role for promotion of international trade in the country as a whole. However, there are numerous bottlenecks that hinder the process to grow with change of the dynamic external

environment. Traders all over the world becoming more value conscious and they demand verities of standard banking service. Hence, there is a need to enhance trade service provision in CBE with respect to the change of the global trade. The respective policy, procedures, manuals, and directives have to go in line with the change of the current situation.

The researcher believes that, including other necessary factors, the bank is required to work mainly on human capital.

Human capital consists of the knowledge, skills and abilities of the people employed in an organization (Armstrong, 2009). As cited by (Armstrong, 2009) the term was originated by Schultz (1961) who elaborated his concept in 1981 as follows: ‘Consider all human abilities to be either innate or acquired. Attributes... which are valuable and can be augmented by appropriate investment will be human capital.’ A more detailed definition was put forward by Bontis *et al* (1999), as follows. Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization

For this reason, CBE need to be stuffed with knowledgeable and skillful staffs all over its processes. But, it seems CBE does not have as such competent manpower as required in the process. In addition, there must be updated procedures, policies with the change of external environment. Neglecting the dynamic change of the outside environment may lead not to incorporate the real business world situation in local rules and not to evaluate the real market situation in foreign countries.

According to (BADE, 2010) on many occasions, a company’s sole export sales business consists of responding to orders from customers located in foreign countries without any active sales efforts by the company. However, as a matter of successful exporting, it is imperative that the company adequately evaluate the various world markets where its product is likely to be marketable. This will include a review of macroeconomic factors such as the size of the population and the economic development level and buying power of the country, and more specific factors, such as the existence of competitive products in that country. Bade added some

of the worst experiences in exporting result from not having done adequate homework in selecting customers, sales agents, and distributors. It is far more efficient and profitable to spend significant amounts of time evaluating potential customers, sales agents, and distributors than to have to start over again because such customers, sales agents, or distributors turn out to be unable to pay, unable to perform, or difficult to work with.

In Ethiopia, many third party offices are required since the trade necessitates them to handle the matters related with the international and local trade. For instance notary offices are responsible to handle cases raised from the use of financial instruments and in case the foreign banks instruct the local banks to make a protest under the unpaid bill of exchange drawn under documentary acceptance. This is one example how local banks lags behind from international practice.

According to (Teklemedhin, 2009) protest is a written document drawn up by a notary public or by a court register evidencing non-acceptance or non-payment of commercial instrument. However, since the office of the notary public are not established as intended and registers of courts so not draw up protests, both because of lack of awareness of their functions in this respect and because commercial instruments, particularly bill of exchange and promissory notes are not commonly used, it is not possible at present to have protest drawn up by these officials.

Consequently, there is a need from time to time recheck CBE's practice to know how staffs, customers feel about the current TS practice. This helps CBE to effectively strategize it activity and give an appreciable excellent banking service and to keep on generating revenue from the process. This study aims to document the perception of TS customers, TS employees and managers about the current TS practice and to investigate the main sources the problem.

1.3. Research Questions

To provide a Basis on the above stated problems, the research tries to answer the following questions:

1. What are the bottlenecks affecting the effort of promoting revenue from this service?
2. How can the bank enhance trade service provision in the future?
3. What policy changes are required to promote this service in the future?

1.4. Objectives of the study

The study addressed the following general and specific objectives.

1.4.1. General Objectives

The general objective of this study to make assessment on trade service operation in commercial bank of Ethiopia, to identify challenges that is harming the processes and exploring the prospects that could be beneficiary to the banking industry.

1.4.2 Specific objective

- To determine if there is any bottle neck in the effort of promoting revenue from this service.
- To identify how the bank could enhance trade service provision in the future.
- To identify the policy changes required to promote this service in the future.

1.5. Definition of terms

Advising bank - means the bank that advises the credit at the request of the issuing bank. (UCP 600)

Applicant -means the party on whose request the credit is issued. (UCP 600)

Beneficiary -means the party in whose favour a credit is issued. (UCP 600)

Complying presentation- means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice. (UCP 600)

“A Customer” shall mean any legal entity (individual or corporate) with whom the Bank agrees to conduct business. (TS Procedure, 2012)

Letter of Credit or credit - means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation. (UCP 600)

Issuing bank- means the bank that issues a credit at the request of an applicant or on its own behalf. (UCP 600)

Negotiation- means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and/or documents under a complying presentation, by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank. (UCP 600)

Nominated bank -means the bank with which the credit is available or any bank in the case of a credit available with any bank. (UCP 600)

Presentation means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered. (UCP 600)

Presenter means a beneficiary, bank or other party that makes a presentation. (UCP 600)

Trade service operation means facilitation of payments and mitigation of risks associated with international trade through a process that is compatible with customers' need and international standards. (TS Training Manual, 2014)

1.6. Significance of the study

The purpose of this study is to assess trade service operation in Commercial Bank of Ethiopia, pointing out the challenges of the process and passing the possible remedies. The research has a significant role in promoting trade service operation in general and to increase revenue generated from the process for CBE in particular. Through, identification of the major parameters for standard trade service practice, the process can be revised, redesign or repackage its service and make it to meet the standard international requirements. Therefore, this study could serve as input for bank to improve trade service policy and procedure. Finally, the outcome of this study also serve as benchmark for the bank to improve other core processes and uses as a reference document for further researcher in trade service operation.

1.7. Delimitation/Scope of the study

The study tries to make assessment on trade service operation at CBE and to identify challenges harming the operation. The study cover opinions of selected staffs, managers and customers of banks on how well their banks meet their needs with the use of technical questions which brings out the appropriate responses. The area of the study is limited to the trade service organs that commence trade service operations. For that reason, the focus areas are Trade service central

processing center (TS-CPC), Trade Service Special Outlet (TSSO), Trade Service Advisory (TSA).

1.8. Limitation of the study

Commercial Bank of Ethiopia has many branches throughout the country, the data could not be collected from all these branches due to time and budget constraints. The other limitation is none response of questionnaire by some TS employees and TS customers. In addition to this there was lack of previous research regarding this study in our country.

1.9. Organization of the research

The study comprises five chapters. The first chapter attempts to present a general introduction of the study, views the problem statement and also objective, scope, significance as well as limitation of the study were presented. The second chapter reveals a brief theoretical review of trade, international trade, banks, and empirical studies undertaken by others. The third chapter contains the research methodology applied for gathering data in order to answer the research question for this study. And it includes: the research design, population, sample design, source of data, instruments of data collection, procedures of data collection, reliability test, methods of data analysis and finally ethical considerations. The fourth chapter deals with data presentation, interpretation and analysis of the study. The last chapter comprises three sections, which include summary of findings, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Review

2.1.1 International Trade theory

Trade refers to buying and selling of goods and services for money or money's worth. It involves transfer or exchange of goods and services for money or money's worth. The manufacturer or producer produces the goods, then moves on to the wholesaler, then to retailer and finally to the ultimate consumer.

Trade is the voluntary exchange of goods, service, assets, or money between one person or organization and another. Because it is voluntary, both parties to the transaction must believe they will gain from the exchange or else they would not complete it. (W.PUSTAY, 2002)

According to (Aaditya Mattoo, 2008) when we talk about “trade” in services, it is not just trade in the conventional sense—where a product is produced in one country and sold to consumers in another country—but we mean the whole range of international transactions, including foreign investment and international movement of people, as consumers or providers of services. Thus, services “trade” encompasses: cross border trade in road and air transport; consumption by foreigners of tourism services; foreign direct investment in banking, communication, and distribution; and the temporary migration of doctors, teachers, and construction workers. Put this way, it is obvious that trade in services matters, not just for the state of the services sector but for overall economic performance.

Trade is an important social activity because the society needs uninterrupted supply of goods forever increasing and ever changing but never ending human wants. Trade has taken birth with the beginning of human life and shall continue as long as human life exists on earth. It enhances the standard of living of consumers. Thus we can say that trade is a very important social activity.

International Trade has the sense that is not much different from the definition of trade in general. But international trade differs from domestic trade since it involves various currencies, the goods pass the territorial boundaries of one country to the other and it involves so many third parties. Thus, international trade is an activity of the exchange or trade done between individual to individual, the individual with the government, or government of a country with the governments of other countries.

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 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 is a trade between residents of two countries. The residents may be individuals, firms, nonprofit organizations, or other forms of associations. (W.PUSTAY, 2002)

The first theories of international trade developed with the rise of great European nation-states during the sixteenth century. Not surprisingly, these early theories focused on the individual country in examining patterns of exports and imports. (W.PUSTAY, 2002)

According to (NORMAN, 2006) there are two broad themes in the theory of international trade. One is qualitative, being concerned with the pattern of trade, i.e. which country will export which good. The standard theory relates this to comparative advantage, i.e. to international differences in relative opportunity costs, and then tries to explain comparative advantage in terms of differences in technologies, factor supplies, etc. The other theme is more quantitative, and seeks to explain the terms of trade, i.e. relative prices of exports and imports in a trading world. It also examines how they are affected by changes in data such as factor supplies or technology, and policies such as tariffs.

Trade will open up between two formerly autarkic economies if differences in production conditions warrant a profitable exchange of goods under the ruling terms of trade. In particular, a firm will decide to export its product x when the domestic price is lower than the international one (Horvat, 1999).

2.1.2 Product life cycle theory

According to (W.PUSTAY, 2002) product life cycle theory, which originate in the marketing field to describe the evolution of marketing strategies as a product matures, is a second firm based theory of international trade (and, as we will see, of international investments). As developed in 1960s by Raymond Vernon of the Harvard Business school, international product life cycle theory traces the roles of innovation, market expansion, comparative advantage, and strategic responses of global rivals in international production, trade, and investment decisions. According to Vernon's theory product life cycle theory consists of three stages called new product, maturing product, and standardized product.

In stage 1, the new product stage, a firm develops and introduces an innovative product, such as a photocopier or a personal computer, in response to perceived need in the domestic market. Because the market is new, the innovative firm is uncertain whether a profitable market for product exists.

In stage 2, the maturing product stage, demand for the product expands dramatically as consumers recognize its value. The innovative firm builds new factories to expand its capacity and satisfy domestic and foreign demand for the product. Domestic and foreign competitors begin to emerge, lured by the prospect of lucrative earnings.

In stage 3, the standardized product stage, the market for the product stabilizes, the product becomes more of a commodity, and firms are pressured to lower their manufacturing costs as much as possible by shifting production to facilitate in countries with low labor costs. As a result, the product begins to be imported into the innovative firm's home market (by either the firm or its competitors). In some cases imports may result in the complete elimination of domestic production.

2.1.3 What necessitates International Trade?

International trade enables traders to acquire goods that is not easily available or produced cheaply in home country. The trade also allows the traders to export what is available or produced cheaply in home country.

According to (Seyoum, 2009) international trade allows manufacturers and distributors to seek out products, services, and components produced in foreign countries. Companies acquire them because of cost advantages or in order to learn about advanced technical methods used abroad; for example, methods that help reduce the cost of production lower prices and in turn, induce more consumption thus producing increased profit. Trade also enables firms to acquire resources that are not available at home. Besides providing consumers with a variety of goods and services, international trade increases incomes and employment.

The followings could be stated as reason for entering to international trade:

1. The principle of comparative advantage: countries will benefit by concentrating on the production of those goods in which they have a relative advantage. For instance, France has the climate and the expertise to produce better wine than Brazil. Brazil is better able to produce coffee than France. Each country benefits by specializing in the good it is most suited to making. France then creates a surplus of wine which it can trade for surplus Brazilian coffee.

As cited by (Reuvid, 2008) the law of comparative advantage was first articulated by the 19th century economist David Ricardo who concluded that there is an economic benefit for a nation to specialize in producing those goods for which it had a relative advantage, and exchanging them for the products of the nations which had advantages in other kinds of product. They added the theory of comparative advantage can be extended on a macro-economic scale. Not only will trade take place to satisfy conditions of comparative advantage; in principle, the overall wealth of the world will increase if each country specializes in what it does best.

As cited by (W.PUSTAY, 2002) the theory of comparative advantages begs a broader question: what determines the products for which a country will have a comparative advantage? To answer this question, two Swedish economists, Eli Heckscher and Bertil Ohlin, developed the theory of

relative factor endowments, now often referred to as the Heckscher Ohlin theory. These economists made two basic observations:

1. Factor endowments (or types of resources) vary among countries. For example, Argentina has much fertile land, Saudi Arabia has large crude oil reserves, and China has a large pool of unskilled labor.
2. Goods differ according to the types of factors that are used to produce them. For example, wheat requires fertile land, oil production requires crude oil reserves, and clothing requires unskilled labor.

From these observations Heckscher and Ohlin developed their theory: A country will have a comparative advantage in producing products that intensively use resources (factors of production) it has in abundance. Thus Argentina has a comparative advantage in wheat growing because of its abundance of fertile land; Saudi Arabia has a comparative advantage of in oil production because of its abundance of crude oil reserves; and china has a comparative advantage in clothing manufacturing because of its abundance of unskilled labor.

A country has a comparative advantage in producing a good if the opportunity cost for producing the good is lower at home than in other country. Portugal has the lower opportunity cost in producing wine, while England has the lower opportunity cost in producing cloth. Thus, Portugal has a comparative advantage in producing wine and England has a comparative advantage in the production of cloth. (S.SHIVARAMU, 2004)

2. Uneven distribution of natural resources: Natural resources are unevenly distributed, While some countries are naturally blessed, others have little or no natural resources. This necessitates international trade.
3. Differences in climatic condition (especially when Agricultural goods are concerned): The climatic condition of the earth varies from one region to another. This variation gives rise to growth of different crops, hence the need for exchange.

If a foreign country can supply us with a commodity cheaper than we can make, better buy it of them with some part of the produce of our own industry. Thus, to take some simple examples, if countries with tropical climates can produce bananas or pineapples more cheaply than countries

with temperate climates, the latter should purchase these products from the former. Conversely, if countries with industrialized economies can produce hydro-electric generators or telephone systems more cheaply and of better quality than those that could be produced by countries that enjoy a cost advantage in producing tropical produce, the latter should buy these products from the former. (Howse, 2005)

4. Difference in prices is the basic cause of trade and reflects international differences in costs. But why should costs differ from country to country? How can a country produce cameras, sewing machines, and cotton shirts more cheaply than other country? Many people reply that a country has lower costs because it has lower wages and wages are important costs. (S.SHIVARAMU, 2004)

Success in international trade is determined by the range of products offered, prices of the products, and by the efficiency of processing payment transactions. The terms and conditions that involve in the flow of goods from seller to buyer in accordance with the contract of sale and the consequential flow of payment from buyer to seller are also essential. That is why banks play a part in financing the delivery of goods and guaranteeing payment obligations by offering a wide range of instruments designed to meet the differing needs of buyers and sellers. Trade service and trade finance have, therefore, become a strong bargaining point in the conduct of international trade.

Foreign trade is recognized as the most significant determinants of economic development of a country, all over the world. For providing, regulating and creating necessary environment for its orderly growth, several Acts have been put in place. The foreign trade of a country consists of inward and outward movement of goods and services, which results into outflow and inflow of foreign exchange. (Gobal, 2008)

2.1.4 Facilitators of international trade

In the international trade, various institutions play a vital role for smooth and successful undertaking of the operation. Among these banks, insurance companies, agents, and transporting companies have been mentioned.

1. Banks

To support the global interests of their customers, banks either have a multi-block presence or they have special arrangements with other banks operating in a region. These special arrangements are called correspondent relationships. A bank also facilitates payment, avails finance and gives professional advice for the importers and exporters.

Banks facilitate international trade by providing financing and guarantees to importers and exporters. (Stijin Claessens, 2014)

It is impossible to be in international trade without involving a bank for all the services they provide such as advice on financial issues and the potential risks involved. It is true that one critical hurdle is the lack of information on international trade processes, documentation and banking procedures necessary to carry on with business abroad. For result oriented and cost effective international trade, one very definitely need access to accurate and timely information and a sound knowledge of banking.

Without commercial banks, the international finance and import-export industry would not exist. Commercial banks make possible the reliable transfer of funds and translation of business practices between different countries and different customs all over the world.

Today's world economy is supported by different world class international bank that open their door to many worldwide international business and investments.

2. Insurance companies

Insurance companies give cover to different types of risks involved in the trade.

3. Transport Companies

Airlines, shipping lines, courier service, and postal office, and land and rail way transport companies that involve in the transportation of the goods and/or documents.

4. Agents

4.1 Commission Agent that identifies markets

4.2 Clearing and Forwarding Agents

2.1.5 Trade service practice

As a banker when dealing with import, export, and we may be familiar with trade service operation.

As we said before, trade service operation targets the international trading society of the country and it mainly focuses on facilitation of payments and mitigation of risks associated with international trade through a process that is compatible with customers' need and international standards.

As international trade offer some fantastic opportunities, but dealing with overseas partners has its own challenges. There is a range of risks for the exporter and importer to be considered before entering into a sales contract.

There are a number of solutions aiming to mitigate these risks and to help provide assurance and protection for exporters and importers. Based on a sales contract made, reaching a decision about the payment technique/ methods of payment / will be useful for both the buyer and seller, depends on the level of risk inherent in the transaction and the risk tolerance of each party. Hence as professional advisors, bankers should be familiarizing themselves with these issues, sales contracts, methods of payment, and be part of the solution as much as the need of the environment they are working with.

2.1.5.1 Sales contracts

Sales contracts concluded prior to engaging oneself in one of the international trade products. It is a legal undertaking between buyer and seller on its own and may be used outside of any trade instrument associated with it for exchange of goods, services or property between seller and buyer for an agreed upon value in money paid or promise to pay sum. As it is the initial step for trade agreement it should be unambiguous and clearly state the kind and quantity of goods, their value, pace/port of loading and discharge, delivery term, mode of payment, article to use and place of arbitration and required documents etc.

According to (Seyoum, 2009), Export sales contracts are central to international commercial transactions and around it revolves a series of connected, but distinct, relationships, including

cargo insurance, transportation, and payment arrangements. The rules and practices governing such contracts vary from one export transaction to another, based on the agreement of the parties as well as the legal system. National legal systems on contracts may differ, but the basic principles of contracts, such as good faith and consideration, are generally recognized and accepted in many countries

2.1.5.2 Methods of payment under import and export business

According to (Seyoum, 2009) the rapid growth and expansion in global trade cannot be sustained without efficient and timely payment arrangements. He added, the ideal payment method is one that protects the contending interests of both sellers and buyers.

As cited by Belay seyoum, as the majority of companies trading internationally are profit-making, or are at least attempting to be profit-making, it is fairly obvious that the receipt of payment is essential to that purpose. It is clearly the responsibility of the exporter to operate in a way which maximises, and ideally guarantees, the possibility of payment being received in full and on time. (Reuvid, 2008).

In international trade exporters need to get paid before shipment or have strong undertaking to be paid even after shipment. On the other hand importers need to delay payments until they secure shipment of the goods and even to the extent of receiving and checking the quality as per their contract.

Not all payment methods are favorable to both, importers and exporters at the same time. Some favor exporters and the others are favorable for the importers. It needs the parties' best understanding and decision to select the mode of payment or modes of payments for specific transaction

There are five types of modes of payments currently used in international trade. These are:

1.Documentary Credit /Letter of Credit: is a written undertaking of a bank on behalf of its customer (the applicant) in favor of a named beneficiary in which the bank obligates itself to pay up to a certain sum of money before a certain date upon the beneficiary presenting documents as requested in the credit. They are commonly used to reduce credit risk to sellers in both domestic

and international sales arrangements. By having a bank issue a letter of credit, in essence, one is substituting the bank's credit worthiness for that of the customer. Documentary credit is governed by ICC rules of Uniform Customs and Practice (UCP 600)

A letter of credit (L/C) is a document in which a bank or other financial institution assumes liability for payment of the purchase price to the seller on behalf of the buyer. The bank could deal directly or through the intervention of a bank in the seller's country. In all types of letters of credit, the buyer arranges with a bank to provide finance for the exporter in exchange for certain documents. (Seyoum, 2009)

The letter of credit guarantees that the issuing bank will pay the agreed contract amount when the exporter proves that it delivered the goods, typically by providing shipping documents confirming the arrival of the goods in the destination country. (Schmidt-Eisenlohr, 2014)

2.Documentary Collection/ CAD/: is a payment mechanism whereby an exporter uses the services of several agent banks to obtain payment from an importer in exchange for presentation of trade documents as pre-agreed in the commercial contract. A documentary collection is governed by ICC Rules for Documentary Collections (URC 522).

In contrast to a letter of credit, a documentary collection does not involve payment guarantees. Instead, the exporters bank forwards ownership documents to the importers bank; the documents, which transfer the legal ownership of the traded goods to the importer, are handed to the importer only upon payment for the goods (Schmidt-Eisenlohr, 2014)

The documentary collection or documentary draft is one of the most customary methods of making payments in international trade. To facilitate the transaction, two banks are usually involved, one in the exporter's country and one in the buyer's country. This method of payment falls between the open account, which favors the buyer, and letter of credit, which protects the exporter. Bank fees are less expensive, usually a specific sum for each service, as opposed to a percentage of the transaction amount, which is used for letters of credit. (Seyoum, 2009).

Banks are only agents of exporter in collections; they are bound to follow the instruction of who ever their principal is.

3. Advance Payment: It is a mode of payment whereby the buyer pays the seller cash in advance before shipment. The seller effects the shipment after receiving the payment. This mode of payment is favorable to the seller because the seller uses buyer's fund and goods will be shipped when convenient. But for the buyer, after having remitted the fund, seller may refuse or be unable to ship and there is no control over the goods.

According to (Seyoum, 2009), Sellers often require advance payment in cases in which the creditworthiness of the overseas customer is poor or unknown and/or the political/ economic conditions of the buyer's country are unstable. Cash in advance is sometimes used between related companies. It is also common to require money in advance for samples.

4. Consignment: is a payment method by which title to the goods remains with the seller until the goods sold.

Consignment Sales a method in which the exporter sends the product to an importer on a deferred payment basis; that is, the importer does not pay for the merchandise until it is sold to a third part (Seyoum, 2009)

As cited by (Seyoum, 2009), consignment sales It is best used in cases involving an increasing demand for a product for which a proportioned stock is required to meet such need (Tuller, 1994). It is also used when a seller wants to test-market new products, or test the market in a new country.

This term can be the most beneficial method of payment for the importer. In this method of purchase, importer makes the payment only once the goods or imported items are sold to the end user. In case of no selling, the same item is returned to the foreign supplier. Consignment purchase is considered the most risky and time taking method of payment for the exporter.

Under this arrangement, the goods are not sold outright to the importer (consignee). Rather the goods are entrusted to the consignee for sale to third parties (buyers). Therefore, the exporter need to know the creditworthiness of the consignee.

According to (Seyoum, 2009)A number of issues should be considered before goods are sold on consignment between independent exporters and importers. First, it is important to verify the creditworthiness of foreign importers, including data on how long particular companies take to

settle bills. Seyoum added, Information on credit worthiness should also include analysis of commercial or country risk factors such as economic and political stability as well as availability of foreign currency to purchase imports. U.S. banks and their overseas correspondents and some government agencies have credit information on foreign customers. It is also advisable to consider some form of credit insurance to protect against default by overseas customers. This method is frequently used by multinational companies to sell goods to their subsidiaries (Seyoum, 2009).

Upon realization of the proceeds, the consignee would need to account to the seller (consignor) in a form of statement, known as Account Sales, setting out the sales proceeds, the relevant expenses incurred, commission payable and the net proceeds to be paid by the consignee.

5. Open Account: An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60 or 90 days.

An open account is a contractual relationship between an exporter and importer in which a trade credit is extended by the former to the latter whereby payment is to be made to the exporter within an agreed period of time. Open-account financing is often used for trade between parent and subsidiary companies. It is also used for sales to well-established customers with good credit ratings. (Seyoum, 2009)

Open account is often used to increase sales by assisting foreign distributors to start new, or expand existing, product lines. It could also be used when a seller wants to test-market a new product or try a new market in a different country.

This arrangement gives the buyer/distributor enough time to resell the product to domestic customers and then pay the exporter, while generating business goodwill for future dealings. Many developing nations prohibit purchases on open account and consignment sales because of currency restrictions and lack of control over their balance of payments (Shapiro, 2006).

Obviously, this is one of the most advantageous options to the importer in terms of cash flow and cost, but it is consequently one of the highest risk options for an exporter. Because of intense competition in export markets, foreign buyers often press exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters

who are reluctant to extend credit may lose a sale to their competitors. Exporters can offer competitive open account terms while substantially mitigating the risk of non-payment by using one or more of the appropriate trade finance technique. When offering open account terms, the exporter can seek extra protection using export credit insurance.

This methods of payment widely used in the developed nations, westerns, since they are doing their business based on mutual trust between the buyer and the seller. Open account, consignment, and advance payment methods will help them to facilitate their business as it save their time and charge to be paid in opening a letter of credit and processing through documentary collection/CAD.

2.1.5.3 Demand Guarantee

It is rare that exporters/sellers and importers/buyers know each other and have personally met. In most of cases they might not have any dealings at all between them in the past. Therefore, both in local and international trade, a great risk, attaches to the seller and buyer, unless some sort of arrangement is made. The issuance of guarantees through banks enables them to mitigate respective risks and problems encountered.

Guarantee: Letter of guarantee issued by a Bank is a written promise by the bank to compensate (pay a sum of money) to the beneficiary (local or foreign) at first demand in the event that the obligor fails to honor his/her/its obligations in accordance with the terms and conditions of the agreement/contract.

Demand guarantee or Guarantee means any signed undertaking, however named or described, providing for payment on presentation of a complying demand. (URDG 758)

The existence of guarantee helps sellers in securing overseas contracts that are put out to tender. On the other hand, the buyer's risk will be mitigated by having/getting the Guarantee.

2.1.6 Best practice

Most foreign banks established a system and update it with the current dynamic change of the global trade. They frequently update their local rules with the change of the global environment

and work in line with international rules. Therefore, they have flexible rules allowing them to deal with all payment methods of trade service operation. For this reason, they are willing and capable to handle many of their customers request and go for its immediate application.

In addition, most banks have competent and professional bankers who are willing and capable of understanding the international rules, local rules, policies and procedure of their bank. Consequently, they become a winner in any debate that may arise in the banking transaction and favor both their customer and their banks.

Average international documentary examination period for any set of documents is two working days. Unlike CBE, Most banks examine the each document called under a letter of credit taking the standard time to learn vigilantly either the document is complying or not.

Most banks have the habit of purchasing documents with or without recourse and discount it in financial market. For documents purchased with recourse, they require indemnity from the exporter as they may come back to them, if the payment not paid at maturity. Unlike CBE, they do not require indemnity for a document purchased without recourse since they initially believed its compliance against the letter of credit and have already taken the necessary banking risk of non-payment at maturity.

2.1.7 CBE's gap Vs Best practice

Unlike most foreign banks, CBE and other private banks are allowed to make under the following methods of payment: Documentary Letter of Credit, documentary collection, advance payment, Consignment with some restriction imposed by NBE.

As per NBE's directive Payments for imports can be made by letter of credit, cash against documents, advance payment, etc. Similarly, exports of goods and services are allowed through letter of credit, cash against document, advance payment, consignment, etc., and payments for services associated with these exports are also permitted. Small items of limited value and quantity are also allowed to be exported without foreign exchange repatriation requirements. (NBE directives No. FXD/07/1998).

The fact that NBE has put restriction on other methods of payment considering the risk of other payment methods on the country's infant economy, this may pose a threat for multinational companies. As this MNC that are investing their capital using the option foreign direct investment (FDI) may need to use freely open account and consignment sales methods for the process of import and export against their parent companies abroad.

Commercial banks, according to local rules, are allowed to give export permit to selected items like flowers and perishable items under consignment payment methods. However, this payment method is not used only for perishable items. Conversely, the method of payment is applicable for other items and uses this MNC worldwide.

Consignment Sales a method in which the exporter sends the product to an importer on a deferred payment basis; that is, the importer does not pay for the merchandise until it is sold to a third party (Seyoum, 2009).

As cited by (Seyoum, 2009), consignment sales It is best used in cases involving an increasing demand for a product for which a proportioned stock is required to meet such need (Tuller, 1994). It is also used when a seller wants to test-market new products, or test the market in a new country.

Average international documentary examination period for any set of documents is two working days. Unlike Most foreign banks, CBE staffs are required to examine each document called under a letter of credit on average of one hour. Of course, this is the result of standard delivery time (SDT) implemented throughout the bank to minimize the service delivery time and to attract customers. For this reason, most documents are not being checked diligently and creating unnecessary arguments with foreign banks. This also causes inefficiency among staffs and the consequence is harming the banks reputation worldwide.

2.2. Empirical Evidence

Schmidt-Eisenlohr, Friederike Niepmann and Tim (2014), in their study; International Trade, Risk, and the Role of Banks: explains International trade exposes exporters and importers to substantial risks, especially when the trading partner is far away or in a country where contracts are hard to enforce. Firms can mitigate these risks through specialized trade finance products

offered by financial intermediaries. In 2012, banks in the United States provided these services – in the form of letters of credit and documentary collections – for about 10 percent, or about \$153 billion, of U.S. goods exports.

The study further state; despite the large interest in trade finance from policymakers, internationally active companies and financial market participants, knowledge of the business is still very limited. The researcher works this paper to shed light on the trade finance business of U.S. banks. The study has shown for the first time, the extent to which U.S. exporters employ letters of credit (LCs) and documentary collections (DCs), the two most important trade finance products for mitigating risk in international trade; the study document the variation in the extent of their use across destination countries and detail the characteristics of banks that offer them; and it also present a model that explains firms' choices regarding payment arrangements that is consistent with the patterns found in the data. (Schmidt-Eisenlohr, 2014)

Stijin Claessens, omar Hassib, and Neeltje van Horen (2014) the study: How Foreign Banks Facilitate Trade in Tranquil and Crisis Times: state Finance or Information Banks facilitate international trade by providing financing and guarantees to importers and exporters. He further states that while access to external funds is important for domestic production, it is especially important for exporting firms. This study shows how exporter needs to be financed in order to bring sustainable foreign currency income for one country. The study further explained that several papers indeed show that in countries with strong financial institutions firms tend to export relatively more, especially in financially vulnerable sectors (e.g., Beck, 2002).

As stated in the above study, (Stijin Claessens, 2014) also agree with the limitation of the study around import and export business. While banks can facilitate trade through finance, they can potentially also facilitate trade by overcoming information asymmetries and other agency issues between importers and exporters. However, no study so far has examined whether a more developed financial system facilitates trade solely through providing funds to (potential) exporters (a *finance channel*) or whether it (also) facilitates trade by helping overcome information asymmetries between (potential) exporters and importers (an *information channel*)

Robert E. Baldwin, Carl B. Hamilton and Andre Sapir (1988) in this study: Issues in US-EC Trade Relations state that the international or “tradable” nature of banking services (and of financial services more generally) has been well established. It is difficult to identify any class of services for which an international demand or a capacity for international supply has been more clearly demonstrated. Foreign banking institutions are prominent in most financial centers of the developed world. “International banking” has become almost a cliche. But despite the apparent ease with which banking operations have crossed national boundaries in recent years, there remain important obstacles to efforts by banks to serve customers in foreign markets. Increasingly, these obstacles are becoming a focus for international debate and dispute.

The study further states: Obstacles to international trade in banking services arise for the most part because of the special nature of banking services and the importance that all nations place on the regulation of banking operations. In every country, banking operations are subject to special regulations and restrictions. These regulations and restrictions are almost always intended to ensure the stability of national banking systems, to provide national authorities with effective instruments for economic management, or generally to encourage thrift and other social virtues. That these policies sometimes hinder the establishment of foreign banking operations or restrict the scope of such operations once they have been established is usually an unintended (although not always deeply regretted by domestic banking institutions) side effect (Robert E. Baldwin, 1988)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

A research design provides a framework for the collection and analysis of data. Research design defines the systematic and scientific procedures used to arrive at the results and findings for a study against which claims for knowledge are evaluated (Kotler P., 2002). The overall design of the research is descriptive since it allows the collection of data through questionnaires on the bases of sample, which helps to find out the perception of the population. This strategy is used to determine the frequency with which something occurs and investigates the relationship between two or more variables. It requires describing challenges affecting trade service operations across different organs of the operation. It is also a quantitative and qualitative study as it sought to make an assessment on different trade service operation organs numerically and qualitatively through open-ended questions.

3.2. Population

The target populations of this study are customers of trade service operations and employee that work in the selected organs of the operation. It is impossible to define the number of customers of trade service operations since these customers will appear in some period of time when it is convenient for them to deal with CBE and disappear when they feel better to work with other bank. However, the study will include the number of population actively working with the bank in Trade Service Special Outlet. The researcher purposively takes population from this special outlet since almost all CBE's TS customer appears in this outlet for one or another reason. For instance the government of Ethiopia allows all china shipment to be processed only through CBE's Trade Service Special Outlet. For this reason, CBE's TS customers working in another branch are also a customer of this special outlet. Other are also appeared in this outlet when they have a bit complicated transaction since the personnel working in this outlet are relatively knowledgeable as compared to other branches. The number of customer, population actively working with this special outlet is approximately about 640 and the number of total employee

working in the selected organs of trade service process is 120. Therefore, the total target population will be around 760.

3.3. Sample and Sampling Techniques

Sampling is the process by which a relatively small number of individuals are selected and analyzed in order to find out something about the population. The researcher uses a convenience sampling and stratified sampling techniques. The convenient sampling technique is chosen to take sample from customers because it is actually impossible to carry on a probability sampling because there is no point in time during which all the customers are around and difficult to access the selected customers to their address. A stratified sampling technique is chosen to take sample of employee as they are selected from different organs of trade service operations. The population divided into small groups called strata then simple random sampling methods is used to select from each stratum.

The researcher used the following sample size determination formula to determine the sample size of the population. The formula was developed by (Taro, 1967). It is calculated as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where n= is the sample size,

N = is the population size, and

e = is the level of precision or sampling error = (0.10). The precision taken for customer has widened to 10 pct since the sample is taken on the availability of customers and on the convenience of getting their response.

To determine sample from customer total population 640

$$n = \frac{640}{1 + 640(0.1)^2}$$
$$=86$$

To determine sample from the employee of different trade service organs

$$n = \frac{N}{1 + N (e)^2}$$

$$n = \frac{120}{1 + 120 (0.05)^2}$$

$$n=92$$

Table 3.1 Number of employees and proportion of samples taken from each department

Departments	Total number of Population	Total number of samples
TS-CPC	100	72
TSSO	15	15
TSA	5	5
Total	120	92

(Source: Own Survey, 2015)

3.4. Source of data

The researcher employed both primary and secondary data sources for the study. The primary data was collected through questionnaires. Questionnaires were administered to department customers, and managers and employees of each department of the bank. Secondary data was gathered from articles, published and unpublished journals, and various books written on issues related to the topic.

3.5. Instruments of data Collection

Questionnaire used as main tool of data collection for the study. The researcher select Questionnaire as a tool since it help to collect data through them by using its standard questions related to the operation. A questionnaire consists of a set of questions presented to respondents (Kotle, 2009). Questionnaire is also very appropriate instrument to access a primary data and since it save time and ensure respondents the confidentiality of their response. The questionnaire comprise of factors derived from the research questions and the specific objectives of the study and the various sources of literature. The questionnaire comprise of both closed ended questions and open-ended questions which will distributed for the employee via their departments during

the working hours and for customer upon their arrival at the counter of the special out let. The questionnaire prepared for CBE's TS staffs has two parts. These are: - Respondents profile and Questions related to trade service operation. The first part of the questionnaire measures the respondents through gender, work experience, educational level, current position, and place of assignment. The second part of the questionnaire measures the importance of trade service operation for CBE in generating revenue, challenges affecting trade service operation, and the importance of policy, procedures, and directives for trade service operation at CBE using a five-point Likert response scale which includes strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

The questionnaire prepared for CBE's customer has two parts. These are: - Respondents profile and Questions related to trade service operation. The first part of the questionnaire measures the how long the respondents have been a client of CBE and customer category. The second part of the questionnaire measures the challenges affecting trade service operation, and the importance of policy, procedures, and directives for trade service operation at CBE using a five-point Likert response scale which includes strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

Despite the fact that using questionnaire is very appropriate instrument, there might be drawbacks like low response rate from respondents, they may not able to answer all questions appropriately. Bias responses may also affect the study. Therefore, to ensure the appropriateness of the tool, the researcher distributed 15 questionnaires for TS staff to test and check whether the questionnaires are readable, understandable, unambiguous, and convenient. This has been done to check the validity of the questionnaires.

3.6. Procedures of Data Collection

Primary data is collected using a questionnaire. Initially, 15 questionnaires were distributed and the problems observed in the questionnaires are amended before the others are distributed. Then questionnaire were distributed to CBE' TS staffs and customers and follow up was made to the return of the feedback.

3.7. Methods of data analysis

Based on the type of the data collected through questionnaires, and documents, the following procedures and statistical tools were employed. Data was checked for consistency and completeness and then coded, checked, and entered to computer. Then, it was processed and analyzed by Statistical Package for Social Sciences (SPSS) version 20. To analyze the data, different kinds of statistical methods including descriptive statistics are used. Furthermore, descriptions were made based on the results of the tables and figures using mean value, percentage, rank order and standard deviation. The data collected through open ended questions and documents were analyzed qualitatively by descriptive statements.

3.8. Reliability test

Table 3.1 Reliability test

		N	%
Cases	Valid	15	100.0
	Excluded ^a	0	.0
	Total	15	100.0

For measure of the importance of trade service operation for CBE in generating revenue

Cronbach's Alpha	N of Items
.814	9

For measure of the challenges that may effects trade service operation

Cronbach's Alpha	N of Items
.897	14

For measure of the importance of TS policy, procedures and directives for trade service operation in the bank

Reliability Statistics

Cronbach's Alpha	N of Items
.735	7

Reliability is defined as be fundamentally concerned with issues of consistency of measures. (Bell.E, 2003). According to (Hair, 2006) , if α is greater than 0.7, it means that it has high reliability and if α is smaller than 0.3, then it implies that there is low reliability. To check the reliability of the tools, the questionnaire was distributed to 15 CBE staffs. The Cronbach's alpha was 0.814 for measure of the importance of trade service operation for CBE in generating revenue. The Cronbach's alpha was 0.897 for measure of challenges that may effects trade service operation and Cronbach's alpha was 0.735 for measure on the importance of TS policy, procedures and directives for trade service operation in the bank. Hence, all variables are above 0.7. Table 3.3 presents the consistency of measures based on statistics tool.

3.9. Ethical Consideration

Before the research was 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

DATA ANALYSIS AND INTERPRETATION

This chapter deals with data presentation, interpretation and analysis of the study. Analysis is also made based upon the findings in collaboration with the literature reviewed. The chapter has two parts. The first is background of the respondents; and the second part of analysis made on assessment of trade service operations through statistical methods of analysis including a descriptive statistics through SPSS version 20.

To answer those research questions and to meet the main objectives of the research 92 questionnaires were prepared and distributed to TS staffs at CBE. Likewise, 86 questionnaires were prepared and distributed to TS customer of CBE. Out of these 82 questionnaires from TS staffs and 77 questionnaires from TS customers were collected with a response rate of 90% and. However, only 78 responses of the staff and 70 of the customer's responses were valid with complete answers. Therefore, totally 148 questionnaires were used for further analysis.

4.1. Background of Respondents

The demographic characteristics include: Work experience, Educational level, Current position, Place of assignment. This aspect of the analysis deals with the personal data of respondents. The table below shows the details of background information of the respondents.

Table 4.1.1 Work experience of the respondents

Working experience in CBE

Work experience	Frequency	Percent	Valid Percent	Cumulative Percent
1-5 years	7	9.0	9.0	9.0
6-10 years	21	26.9	26.9	35.9
11-15 years	16	20.5	20.5	56.4
15-20 years	22	28.2	28.2	84.6
Above 20 years	12	15.4	15.4	100.0
Total	78	100.0	100.0	

(Source: Own Survey, 2015)

As indicated in the table 4.1.2, 21(26.9%) of the respondents are in the range of 10-15 years, followed by 16 (20.5%) of them who worked with the range of 10-15 years, and 22 (28.2%) of the respondents are in ranges 15.-20 years of experience. The rest 7(9%) and 12 (12%) respondents have an experience of 0-5 years and above 20 years respectively. Therefore, most of the respondents have 5- 20 years of work experience in the bank.

Table 4.1.2 Educational level of the respondents

Educational Level				
Educational Level	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	3	3.8	3.8	3.8
Valid Degree	70	89.7	89.7	93.6
Second Degree	5	6.4	6.4	100.0
Total	78	100.0	100.0	

(Source: Own Survey, 2015)

The distribution of educational level of the respondents has been presented in the above table 4.1.3. As shown in the table 70 respondents i.e. 89.7 pct achieved bachelor’s degree. The rest 3.8 pct and 6.4 pct of the respondents that participated in answering the questionnaires have diploma and masters degree respectively. The number of diploma holder was 3 and the number of second degree holder was 5. This indicates most of TS personnel have at least BA degree in business related fields.

Table 4.1.3 Current position of the respondents in the bank

Current position in the bank				
Current position in the bank	Frequency	Percent	Valid Percent	Cumulative Percent
Manager At TS process	6	7.7	7.7	7.7
TS Expert	19	24.4	24.4	32.1
TS Officer	29	37.2	37.2	69.2
Valid Customer Relation Officer	13	16.7	16.7	85.9
Associate TS Officer	7	9.0	9.0	94.9
TS Advisory	4	5.1	5.1	100.0
Total	78	100.0	100.0	

(Source: Own Survey, 2015)

The above distribution table shows the varied jobs titles of the respondents in Trade Service process at CBE. Most of the respondents have a position in the bank as TS export, TS officer,

and Customer Relation officer. They are account for 24.4 pct (19 in number), 37.2 pct (29 in number), and 16.7 pct (13 in number) of the total respondents respectively. This shows most of the trade service task has been performed by this employee and the quality of work may depend on the effort of TS Experts, TS Officer, and CRO. This does not mean that the rest represented by 6 managers (7.7 pct of the respondents), 7 Associate TS Officer 7 (9 pct of the respondents), and 4 TS Advisory (5.1 pct of the respondents) have no effects on the Trade Service operation. It is just to show where the total task of TS process is fallen.

Table 4.1.4 Place of Assignment of the respondents

Place of Assignment

Assignment	Frequency	Percent	Valid Percent	Cumulative Percent
TSCPC	58	74.4	74.4	74.4
Valid TSSO	15	19.2	19.2	93.6
TSA	5	6.4	6.4	100.0
Total	78	100.0	100.0	

(Source: Own Survey, 2015)

As shown in the above table 58 (74.4%) of the respondents are working in Trade service Central Processing Center. The rest 15(19.2) and 5 (6.4%) are working in Trade service Special Outlet and Trade Service Advisory department. As indicated in the table above, mostly the fate of Trade Service operation lies on professionals working in TS-CPC. The other organs have also their own contribution to the process. But, the total effort of trade service process may base on the efforts of the employee placed at Trade Service Central Processing Center.

Table 4.1.5 How long you have been a client of CBE

How long have you been the client of CBE

Year of being CBE client	Frequency	Percent	Valid Percent	Cumulative Percent
1-5years	26	37.1	37.1	37.1
6-10 years	17	24.3	24.3	61.4
Valid 11-15years	16	22.9	22.9	84.3
Above 15 years	11	15.7	15.7	100.0
Total	70	100.0	100.0	

(Source: Own Survey, 2015)

The above frequency distribution table shows 26 (37.10%) respondents have been a client of CBE for the last five years. The rest 17 (24.3 %) of respondents, 16 (22.9%) respondents, and 11

(15.7%) respondents have been a client of CBE for 5-10 years, 10-15 years, and above 15 years respectively. It may also mean CBE is not able to retain its TS customer for long period of time.

Table 4.1.7 Customer Category

Customer category				
Customer category	Frequency	Percent	Valid Percent	Cumulative Percent
Corporate Customer	37	52.9	52.9	52.9
Valid Non-Corporate Customer	33	47.1	47.1	100.0
Total	70	100.0	100.0	

(Source: Own Survey, 2015)

The study has account 37 (52.9%) respondents of corporate customer and 33 (47.1%) non-corporate customer. Therefore, both corporate and non-corporate customers have been reasonably represented by the sample.

4.2. The importance of trade service operation for generating revenue

This section deals with on the importance of trade service operation for Generating revenue for CBE, challenges that may effects trade service operation, and the importance of TS policy, TS procedure and NBE directives.

Table4.2.2 The mean value of employees' response for variables uses to measure the importance of Trade service operation for generating Revenue.

Descriptive Statistics			
Variables	N	Mean	Std. Deviation
CBE is in a better position to take a lion share of the revenue generated from the banking sector in Ethiopia.	78	4.51	.575
TS process is one of the main sources of revenue for CBE.	78	4.54	.551
TS process has an impact on the country's Export earnings.	78	4.55	.550
TS process at CBE take part an important role in export promotion.	78	4.18	.716
The current practice of TS process at CBE plays an important role for those involved in import substitutions sectors like manufacturing sector.	78	4.10	.891
Valid N (listwise)	78		

(Source: Own Survey, 2015)

As shown in table 4.5 above, the importance of trade service operation for revenue generation has been evaluated by different variables. The mean average of the above variables is above 4.10. As the above variables are positive measurements, it indicates as trade service operation is one of the best processes of the bank and it is a potential core process to generate revenue. The

mean value 4.18 indicates the TS process at CBE has an important role in generating foreign currency by encouraging export sales. The mean value 4.10 shows the role of TS process at CBE in promoting those involved in manufacturing sector. Promoting the manufacturing sector mean playing a significant role on import substitution. Therefore, TS process at CBE has important role in narrowing the widen gap between the country's export and import.

Table 4.2.3 the mean value of employees' response for variables use to measure the importance of Trade service operation for generating Revenue.

Descriptive Statistics

Variables	N	Mean	Std. Deviation
CBE usually penalized as discrepancy fee and received lesser amounts from its export proceed	78	3.74	.889
Waving huge banking charges for those involved in manufacturing sector will decrease CBE's revenue	78	4.05	.788
Valid N (listwise)	78		

(Source: Own Survey, 2015)

The averages mean 3.74 indicate as CBE is usually receiving lesser amount export proceed as result of discrepancy fee charged by foreign banks. This indicates most of CBE's export documents drawn under the documentary credits does not constituting a complying presentation.

A Complying presentation means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice (UCP 600). This has a negative impact on CBE's role of promoting export. The average mean 4.05 indicate as CBE's revenue generated from TS process is decreasing as the bank is waving huge charges for manufacturing sector. But, as shown in the above table, the decrease of the revenue is the effect of CBE's involvement in supporting those engaged in manufacturing sectors. This is because government banks including CBE are waving huge charge for manufacturers to support the sector.

Table 4.2.4 The mean value of employees’ response for variables use to measure the importance of Trade service operation for generating Revenue.

Descriptive Statistics

Variables	N	Mean	Std. Deviation
CBE is generating sustainable revenue from TS process as a result it implementation of a better policy with the change of external environment.	78	2.45	.962
CBE is keep on generating incremental revenue from TS process as most its customers are not as such sensitive when the bank not change its policy in accordance with the change of external environment	78	3.60	.795
Valid N (listwise)	78		

(Source: Own Survey, 2015)

The mean of the above first variable of 2.45 indicate that CBE is not generating sustainable revenue because it deploys a better policy with the change of the external environment. Conversely, as indicated in the above table, the mean value 3.60 prevail CBE does generating revenue as most of the banks customers are not sensitive of the bank’s embracing practice. Therefore, CBE is required to revise the current trade service policy and procedure and update it with the change of the global trade. Commercial Bank of Ethiopia has a vision to be world class bank by 2025. In order to meet its vision; there is a need to see the change of global trade and employ flexible policy and procedure with the change of the trade.

4.3. Bottlenecks that affecting trade service operation at CBE

Table 4.3.1. Mean value employee’s response for variable, TS process at CBE undertaken in compliance with both international local rules

Descriptive Statistics

Variable	N	Mean	Std. Deviation
TS process at CBE undertaken in compliance with both international and local rules	78	3.86	.990
Valid N (listwise)	78		

(Source: Own Survey, 2015)

Table 4.3.2 Mean value of customers' for variables, TS process at CBE undertaken in compliance with both international local rules

Descriptive Statistics

Variable	N	Mean	Std. Deviation
TS process at CBE undertaken in compliance with both international and local rules.	70	3.47	.896
Valid N (listwise)	70		

(Source: Own Survey, 2015)

The mean value of employees' response to the variables, TS process at CBE undertaken in compliance with both international local rules is 3.86. Likewise, the mean value of customer's perception for same variables is 3.47. This indicates most respondents agree as TS process at CBE is usually undertaken in compliance with both international and local rules.

The reason behind this is that relatively CBE tries to work in line with those rules than private banks. It seems relatively that the TS process do not violate and override local and international rules. This indicates that, if CBE work more on internalizing those rules, it could ensure service excellence.

Table 4.3.3 Employees' response for variables used to measure the capacity and communication skills of TS personnel

Descriptive Statistics

Varibales	N	Mean	Std. Deviation
TS personnel at CBE have no capacity problems in discharging their responsibility against international standard	78	2.23	.896
TS personnel at CBE have good communication skills with foreign banks	78	2.50	1.090
Valid N	78		

(Source: Own Survey, 2015)

Table 4.3.4 Customers response for variable used variables used to measure the capacity and communication skills of TS personnel

Descriptive Statistics

Variables	N	Mean	Std. Deviation
TS personnel at CBE have no capacity problems in discharging their responsibility against international standard	70	2.34	.946
TS personnel at CBE have good communication skills with foreign banks	70	2.67	1.018
Valid N	70		

(Source: Own Survey, 2015)

The mean value of employees' and customers' response for the variable, TS personnel at CBE have no capacity problems in discharging their responsibility against international standard is 2.23 and 2.34 respectively. This indicates that TS personnel gap with standard requirement. The fact that the bank is striving to work incompliance with international and local rules, its personnel at TS process require to be competent and their communication skills have to be maintained with the international standard requirement. Falling to maintain competent personnel may affect the trade service operation and may have a negative impact on the bank's role of promoting export and supporting those involved in import substitution sector. Consequently, inefficiency of TS personnel may also pose a threat on the banks predetermined vision to be world class bank by 2025.

Table 4.3.5 Employee's response to measure foreign banks complains on TS process at CBE.

Descriptive Statistics

Variables	N	Mean	Std. Deviation
Most Foreign banks complain on the Practice of TS process at CBE	78	3.47	.879
Foreign bank complain is due to the inefficiency of TS personnel against international standard	78	3.58	.814
Valid N	78		

(Source: Own Survey, 2015)

The mean value of the employees' response for variables that Most Foreign banks complain on the Practice of TS process at CBE and Foreign bank complain is due to the inefficiency of TS personnel against international standard is 3.47 and 3.58 respectively. This also indicates the relative inefficiency of TS personnel in discharging their responsibility against international

standard. The response indicates the need of capacity building for TS personnel. The inefficiency would be one obstacle to undertake trade service operation. Therefore, there should be continuous training and development program for TS employees' that help them to undertake their responsibility diligently and in accordance with international standard requirements.

Table 4.3.6 Customer response to measure their trading partner complain on TS process at CBE

Descriptive Statistics			
Variables	N	Mean	Std. Deviation
Most of your trading partner abroad have complains on the Practice of TS process at CBE	70	3.70	1.040.+
Your partner complains is due to the inefficiency of TS personnel against international standard	70	3.50	.929
Valid N	70		

(Source: Own Survey, 2015)

The mean values of the customers' response for the above variables are 3.7 and 3.5 respectively. This is the also another indicator of the relevance of staffs in TS operation at CBE with at most possible international standard competency level.

Since both the foreign banks and the partner of CBE' customer complain on the competency of TS staffs, the bank require to upgrade the employees' with the standard requirement of trade service operation.

Table 4.3.7 Employees' response for variable, there is continues capacity building programs undertaken in CBE to upgrade the TS staffs with international standard requirement.

Descriptive Statistics			
Variables	N	Mean	Std. Deviation
There is continuous capacity building programs undertaken in CBE to upgrade the TS staffs with international standard requirement	78	2.38	.943
Valid N	78		

(Source: Own Survey, 2015)

The mean value of the above variable is 2.38. This indicates as there is no continuous capacity building programs undertaken in the bank to upgrade the TS staffs with the international standard requirement.

The absence of the standard continuous capacity building can be a main cause for the staffs' inefficiency in discharging their responsibilities. Therefore, the inefficiency of the staff can be taken as a major cause for complain raised from foreign banks and the partner of CBE's customer abroad.

Table 4.3.8 Employees' response to measure the presence of inviting environment and the habit of knowledge sharing program available at the bank.

Descriptive Statistics

Variables	N	Mean	Std. Deviation
There is inviting environment for experienced staffs at CBE to share their knowledge	78	2.38	.901
There is the habit of knowledge sharing program in the bank	78	2.55	.935
Average mean	78	2.465	0.918

(Source: Own Survey, 2015)

As shown in Table 4.3.8 the average mean of the variables 2.465 indicates that there is no inviting environment for experienced staffs at CBE to share their knowledge and the habit of knowledge sharing program is not a such practiced at the bank. In addition to the absence of standard continuous capacity building program as required, the absence of experiential sharing, knowledge sharing has a negative effect on the competency of the staffs. Therefore, the staffs' inefficiency could be taken as one obstacle for TS operation.

Table 4.3.9 Employees' response to measure the quitting experienced staff and it effect on TS process at CBE

Descriptive Statistics

Variables	N	Mean	Std. Deviation
Most experienced staffs are quitting the bank to where they get more recognition	78	4.03	.644
The quitting of those experienced staffs is harming the TS process at CBE	78	3.78	.696
Valid N (listwise)	78		

(Source: Own Survey, 2015)

As shown in table 4.3.9 the mean value of the variable, most experienced staff are quitting the bank to where they get more recognition is 4.03. Likewise, the mean value 3.78 prevail that respondents believe the quitting of those experienced staff is harming the TS process at CBE.

Therefore, the quitting of those staffs remains one of obstacles that is affecting the trade service operation at CBE.

Table 4.3.10 Employees’ response if the bank undertake a preliminary risk assessment and if there is a continues update of the status of foreign banks

Descriptive Statistics

Variables	N	Mean	Std. Deviation
The bank undertaken a preliminary risk assessment prior to its involvement to international business	78	2.47	.817
There is continuous update in TS process at CBE for the current status of foreign banks to minimize the unforeseen trade risk	78	2.14	.908
Valid N (listwise)	78		

(Source: Own Survey, 2015)

As shown in table 4.3.10 the mean value of the first variable 2.47 indicates that the bank does not undertaken a preliminary risk assessment prior to its involvement to international business. The mean value of the second variable 2.14 also indicate as there is no continuous update in TS process at CBE for the current status of foreign banks to minimize the risk that may encountered. This could harm the fate of TS process in generating revenue for CBE in future. International trade is a trade cross frontiers. According to (Seyoum, 2009), International trade is the exchange of goods and services across national boundaries. He adds international trade is the most traditional form of international business activity and has played a major role in shaping world history.

According to (BADE, 2010) Engaging in international trade is a never-ending challenge for a host of reasons: political turmoil in one or another country, market uncertainties, compliance requirements, payment problems, shipping delays, and a lot of hanging procedures and documentation to contend with in every country, including our own. While there is a favorable trend toward global harmonization, we’re not there yet. And on top of all these issues, there is the global recession that started in late 2008, with plummeting consumer demand and shrinking trade finance. Only time will tell how long those conditions will persist. But make no mistake: Global trade with new and different opportunities will endure, as it always has. Most experienced exporters and importers confirm their belief that the overall rewards are still worth the risks and difficulties.

As international trade to be undertaken between two political and economically separated countries, risk assessment has to be undertaken to minimize its adverse effects. There are a lot of risks associated with import and export trade. For instance exchange rate risk, country risk, political risk, etc. According to (Seyoum, 2009) Businesses conducting export-import trade face a number of risks that may adversely impact their operations, such as the following:

- Actions of legitimate government authorities to confiscate cargo, war, revolution, terrorism, and strikes that impede the conduct of international business (political risk)
- Nonpayment or delays in payment for imports (foreign credit risk)
- Loss (partial/total) or damage to shipment during transit (transportation risk)
- Depreciation of overseas customer’s currency against the exporter’s currency before payment or the non availability of foreign currency for payment in the buyer’s country (foreign exchange/transfer risk)

While there is the benefit in the world than ever, there is a need to make a compliant risk assessment prior to engage in international business.

Table 4.3.11 Employee’s response to measure the availability of the necessary third party offices in Ethiopia

Descriptive Statistics			
Variable	N	Mean	Std. Deviation
There are many necessary third party offices in Ethiopia that supports the import and export business	78	2.42	.987
Valid N (listwise)	78		

(Source: Own Survey, 2015)

Table 4.3.12 customers’ response to measure the availability of the necessary third party offices in Ethiopia

Descriptive Statistics			
Variable	N	Mean	Std. Deviation
There are many necessary third party offices in Ethiopia that supports the import and export business	70	2.46	1.188
Valid N	70		

(Source: Own Survey, 2015)

As shown in table 4.3.11 and 4.3.13 the mean value of employees’ and customers’ response is 2.42 and 2.46 respectively. This indicates as there is no many necessary third party offices in Ethiopia that facilitate the trade service operation. The absence of these third party offices as required would be therefore one challenge for the import and export business.

Table 4.3.13 Employees’ response to measure the presence of knowledge management system in Ethiopia

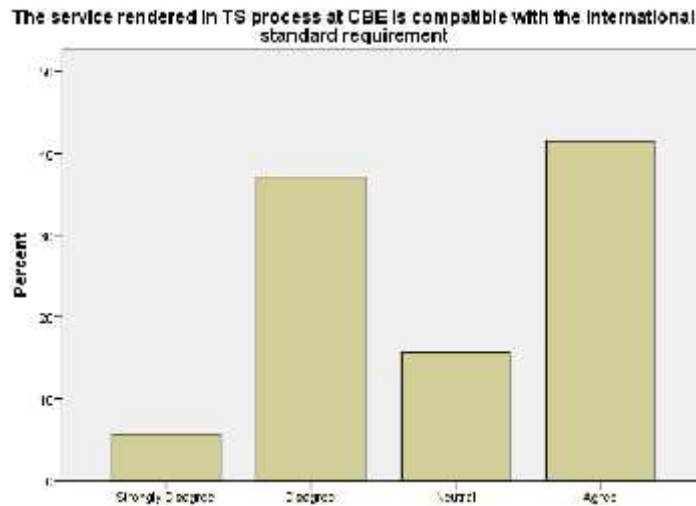
Descriptive Statistics

Variable	N	Mean	Std. Deviation
There is knowledge management system in the bank that can help to create, keep, transfer knowledge among TS staffs	78	1.44	.572
Valid N	78		

(Source: Own Survey, 2015)

The mean value of employee’s response for the above variable is 1.44. This indicates there is no knowledge management system in the bank that helps to create, keep, and transfer knowledge among TS staffs. This hinders the formal knowledge transfer among CBE staffs including TS operation. The absence of knowledge management system would create the atmosphere where CBE personnel get their job done informally. Consequently, if everyone gets done his/her job informally, there will not be similarity handling of banking activity and the overall operation will be affected. Therefore, this could be one of the bottlenecks that are affecting TS operation in generating revenue for CBE. This could also be one of the reasons for the inefficiency of TS personnel in discharging their responsibility against international standard.

Figure 4.3.1 Customers’ response to measure the service compatibility with international standard

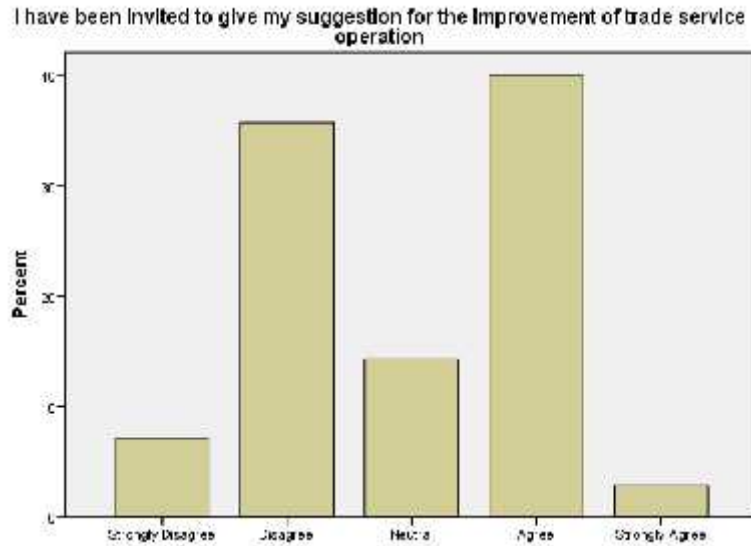


(Source: Own Survey, 2015)

As shown in Figure 4.3.1 equivalent percent of respondents agree and disagree for the compatibility of the service render in TS process at CBE. The rest 15 PCT are neutral and 5 pct are strongly disagree with the variable. This indicates trade service process undertaken in CBE is

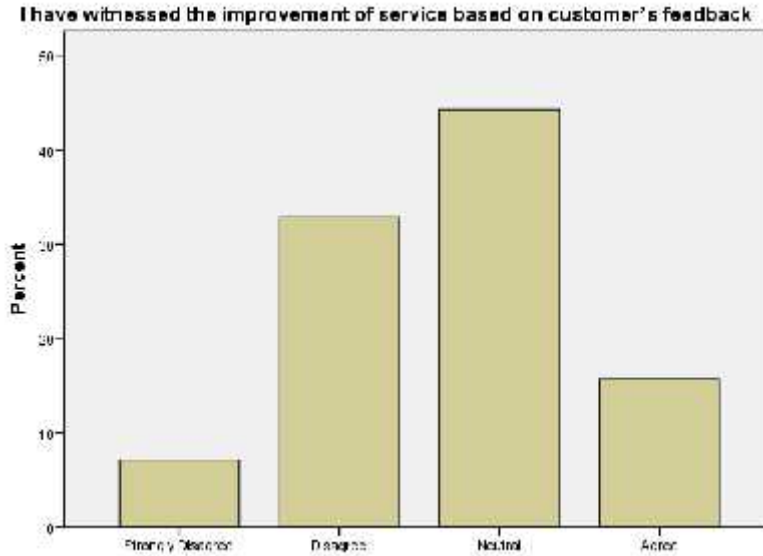
relatively compatible with the international standard. This should be seen with the exception of TS personnel inefficiency with the international standard requirement.

Figure 4.3.2 Customers response to measure if they are invited for suggestions.



(Source: Own Survey, 2015)

Figure 4.3.3 Customers response if they witnessed the improvement of the service

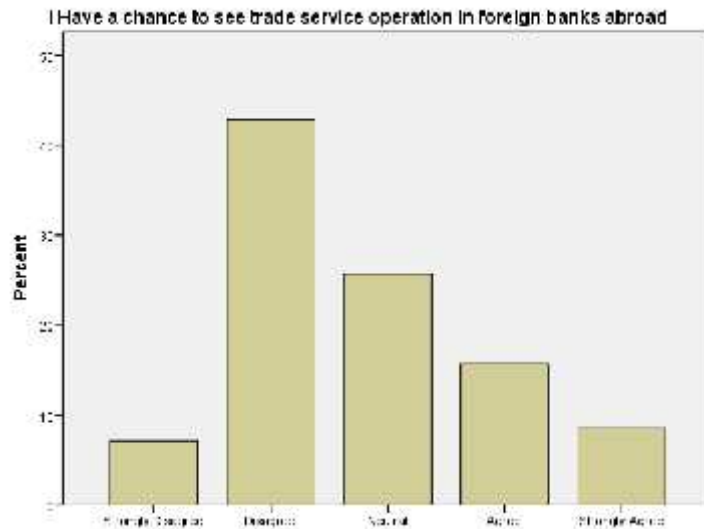


(Source: Own Survey, 2015)

The above figure 4.3.2 shows that around 40 pct of the respondents agree as they are invited to suggest for the improvement of trade service operation at CBE. About 35 pct disagree and are not invited for their suggestion. The rest around 15 pct are neutral and around 5 pct are strongly disagree for the variable. This indicates there is at least the habit of asking customers' comment

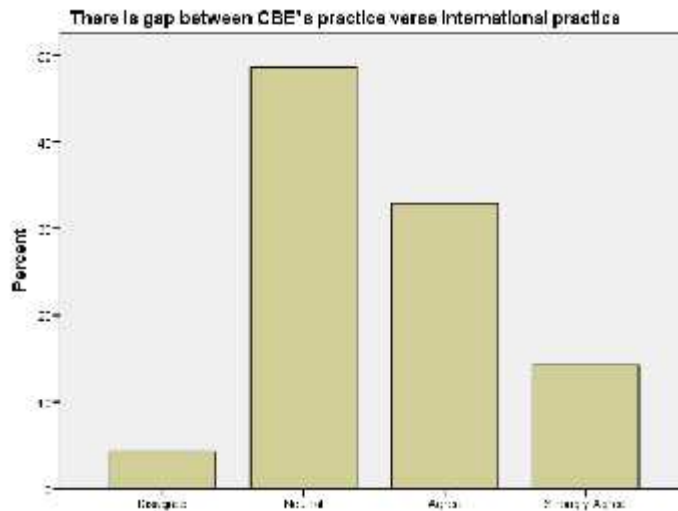
for the improvement of TS operation at the bank. Figure 4.3.3 indicates that only 15 pct agree the improvement of the service based on customers' feedback. 35 pct disagree and are not witnessed the improvement based on customers' feedback. Around 45 pct are neutral and the rest around 5 pct are strongly disagree for the variable. The results indicate that relatively there is the habit of requesting customers' suggestion for the improvement the service. But, it also indicates their suggestion is not used as input.

Figure 4.3.4 Customer response if they have a chance to see TS operations abroad



(Source: Own Survey, 2015)

Figure 4.3.5 Customers response if there is a gap between CBE's practice VS int'l



(Source: Own Survey, 2015)

The above figure 4.3.4 indicates that 15 pct of the respondents have a chance to see TS operation abroad. This was beyond the expectation of the researcher to find those who have experience of serving abroad. Though the numbers are fee, but it will have effect on the study. As shown in the

above figure 4.3.5 more than 30 pct agree for the presence of a gap between CBE’s practice verses international. Around 15 pct strongly agree. The rest more than 45 pct are neutral and around 5 pct disagree. Around 45 pct respondents believe that there is a gap between CBE’s practice verses international. Though, they have not served abroad, they may learn the practice of other banks through the feedback getting from their trading partner or with any other mechanism.

4.4. The importance of Trade Service policy, procedures, and directives for trade service operation at CBE.

This section deals with the importance of TS policy, procedure, and Directive on trade service operation at CBE. The section accompanied the response of the TS employee and TS customers.

Table 4.4.1 Employees’ response for variables related with the importance of policy, procedure, and directive.

Descriptive Statistics			
Variables	N	Mean	Std. Deviation
NBE’s directive is prepared in compatible with each and every activity of TS operations.	78	2.21	.931
NBE updates its directives with change of dynamic global trade and provides commercial banks with flexible subsequent amendments.	78	1.64	.624
There is policy and procedure in the bank prepared for TS process.	78	4.23	.508
At CBE, Procedures and policies are updated with change of the growth of trade to external environment.	78	2.22	.921
Policy changes are required to improve TS process at CBE.	78	4.36	.509
Valid N (listwise)	78		

(Source: Own Survey, 2015)

Table 4.4.2 Customers' response for variables related with the importance of policy, procedure, and directive.

Descriptive Statistics			
Variables	N	Mean	Std. Deviation
NBE's directive is prepared in compatible with each and every activity of TS operations.	70	2.73	1.076
NBE updates its directives with change of dynamic global trade and provides commercial banks with flexible subsequent amendments.	70	1.71	.568
There is policy and procedure in the bank prepared for TS process.	70	3.91	.531
At CBE, Procedures and policies are updated with change of the growth of trade to external environment.	70	1.91	.794
Policy changes are required to improve TS process at CBE	70	4.53	.503
Valid N (listwise)	70		

(Source: Own Survey, 2015)

As shown in the above table 4.4.1 and table 4.4.2 the mean value 2.21 and 2.73 indicates that the most TS employee and TS customers believe NBE directive are not prepared in compatible with the each and every activity of TS operation. NBE's directives are believed to give detailed information on the foreign exchange transaction rules and procedures of the country, and provide a better understanding of what the country's exchange regime is like. The directives are also expected to serve better the commercial banks, the business community, importers, exporters, foreign exchange sellers and buyers, economic agents and individuals who hold foreign currency accounts in domestic banks, those economic agents and individuals who require foreign exchange for various current international payments or transactions, etc. (NBE Directive No. FXD/07/1998).

As shown in the above tables the mean value of employees and customers response for the variables, NBE updates its directives with change of dynamic global trade and provides commercial banks with flexible subsequent amendments is 1.64 and 1.71 respectively. This indicates both the employee and customers believed that NBE directives are not updated with the change of the global trade. Therefore, the directives imposed by NBE are one obstacles of the trade service operation.

The mean value of employees' and customers' response for variable, there is policy and procedure in the bank prepared for TS process is 4.23 and 3.91 respectively. This indicates the awareness of employee and customer for the existence of TS policy and procedure at CBE. As indicated in the by the mean value in the above tables, both employees' and customers are believed that policy and procedure are not updated with the change of external environment.

The mean value of employees' and customers' response for variable, Policy changes are required to improve TS process at CBE, is 4.36 and 4.53 respectively. The high mean value of both responses indicates as policy changes are required TS process at CBE.

4.5. Discussion of trade service operation as respond by TS employee and TS customers qualitatively

This section is deals with the response obtained from TS employee and TS customer through open-ended questions

Tables 4.5.1 Employees' response to measure the presence of bottleneck that affects TS operation

1. In your opinion is there any bottleneck that effect TS operation and the effort of generating revenue from this process

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	70	89.7	89.7	89.7
Valid No	8	10.3	10.3	100.0
Total	78	100.0	100.0	

(Source: Own Survey, 2015)

Table 4.5.2 Customers' response to measure the presence of bottleneck that affects TS operation

1. In your opinion is there any bottleneck that effect TS operation and the effort of generating revenue from this process

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	66	94.3	94.3	94.3
Valid No	4	5.7	5.7	100.0
Total	70	100.0	100.0	

(Source: Own Survey, 2015)

As shown in table 4.4.2 and table 4.4.3 89.7 pct employee's and 94.30 pct customers believes as there is bottlenecks that is affecting TS operation at CBE.

4.5.1 Bottlenecks that are affecting the trade service operation at CBE.

The respondents state the possible bottlenecks and raise many issues related with the challenges of trade service operation. The challenges has been condensed and presented as follows:

The respondents state a lot of obstacles that are affecting the trade service operation at CBE. These are restricted NBE directives, mal-practice by private commercial banks, inefficiency TS personnel, shortage of foreign currency, system breakdowns (lack of dependable working system at TS), and informal communication, etc.

Commercial banks are working under the direct supervision of the National Bank of Ethiopia. Therefore, the National Bank of Ethiopia provides them directives that serve as local rules and regulations regarding to trade service operation and for other banking activity. Furthermore, NBE provides commercial banks with subsequent amendments for its directive.

NBE directives are believed to give detailed information on the foreign exchange transaction rules and procedures of the country, and provide a better understanding of what the country's exchange regime is like. The directives are also expected to serve better the commercial banks, the business community, importers, exporters, foreign exchange sellers and buyers, economic agents and individuals who hold foreign currency accounts in domestic banks, those economic agents and individuals who require foreign exchange for various current international payments or transactions, etc. (NBE directives No. FXD/07/1998).

As per NBE's directive Payments for imports can be made by letter of credit, cash against documents, advance payment, etc. Similarly, exports of goods and services are allowed through letter of credit, cash against document, advance payment, consignment, etc., and payments for services associated with these exports are also permitted. Small items of limited value and quantity are also allowed to be exported without foreign exchange repatriation requirements. (NBE directives No. FXD/07/1998).

For this reason, commercial banks are not allowed to work on other methods of payment without getting special approval from NBE. But, the study found out that many importers and exporters including TS employees' believed that the directives are not as such flexible with the change of the global trade. They claim the NBE's directive as an obstacle for import export business. Nowadays, foreign base companies are entered in Ethiopia and engaged in different sectors including the manufacturing sector. These companies state processing with other methods of

payment like open account, consignment, and documentary collection ease the test, finding of new markets and working with their parent companies abroad.

An open account is a contractual relationship between an exporter and importer in which a trade credit is extended by the former to the latter whereby payment is to be made to the exporter within an agreed period of time. Open-account financing is often used for trade between parent and subsidiary companies. It is also used for sales to well-established customers with good credit ratings (Seyoum, 2009).

As cited by Belay Seyoum, consignment sales It is best used in cases involving an increasing demand for a product for which a proportioned stock is required to meet such need (Tuller, 1994). It is also used when a seller wants to test-market new products, or tests the market in a new country.

Therefore, inflexible NBE's directive has been pointed out by the respondents as one obstacle since the directives allow these payment methods with restriction.

TS employee claimed that private banks does not strictly follow the national bank rules as CBE does. The employees' state that mal-practice by private banks has become their challenges to hold their customer for long. As per their statement, some private banks violate the rules of National Bank of Ethiopia to attract customers illegally. For instance, when it gets necessary, NBE may allow commercial banks to deal with exporter at selling rate. At some other time, NBE may prohibit them to negotiate by selling rate. Therefore, it will be assumed all banks will stop negotiating export document at selling rate until they get permission from NBE. But some private banks use another mechanism to attract exporters by paying them 2 or 3 pct commission in Birr for all export document negotiated through them yearly. This has been taking CBE's customers away and become a threat to the bank to hold them for long.

The other obstacle pointed-out by the respondents is the inefficiency of TS personnel and TS customer. TS customers believe that TS employees are not efficient as required to be. Also employees believe that most customers have not enough knowledge for the trade they involved as compared with their foreign partner. Respondents agree that some TS personnel strive to fulfill the demand of the customer. But, they also believe all employees need to be equipped with the necessary TS knowledge, skills, and discipline. They added that the employees' have to be updated with the change of local and international rules as timely as possible. The respondents

further state that managers are not skillful enough to solve many obstacles encountered in the operation. They state that managers always cascade the information, instruction, rules, procedures, etc received from their superior without further explaining or assisting the employee for its content and application.

Many respondents state the shortage of foreign currency as major obstacle in trade service operation. Some relate the shortage with the government's huge projects. Whatever the reason, the respondents urge the bank not to lose a trust by foreign bank due to the absence of sufficient currency for CBE to effect payment under its obligation. The customers are also bitterly complaining the shortage of the currency since they are not able to import raw-material as necessary due to shortage of foreign currency. When a foreign currency allowed for customers, the banks permit them to utilize it for 15 days. Otherwise it will expire. The customer has state that 15 days is a very short period time to prepare every eligibility criteria due to some reason. As per their statement the foreign currency is allowed like in every three months. When FCY permitted they got their proforma or credit facility expired. For this reason they will suffer to meet the deadline and sometimes the FCY approval expired without using it. Some customers and employees further recommend the task of trade service and credit operation has to be merged in one department as it is practiced in most foreign banks as trade finance. They marked that trade service and credit shouldn't have been seen as different process of the bank.

The other bottleneck raised in the trade service operation is the system interruption at the TS center and other branches. Of course, the breakdown could be due to telecommunication network failure overall the country. But, it will also consider as one obstacle to trade operation.

Finally, respondents raised the information flow in the process is not uniform and it create ambiguity among staffs and between employees' and customers. They further state there exist dissimilarity in handling trade service operation due to many irregularities of information flow. They also believe sometimes there are also unwritten rules forwarded to TS employees to relay on.

4.5.2 Customers and employees' suggestion to the challenges of trade service operation.

Respondents participated in providing their suggestion for the obstacles that is encountered in trade service operation.

Initially the respondents suggest if NBE is able to supervise the application of its directive by all commercial banks. This may eradicate irregularities of trade service operation among commercial banks. Specially, TS employees at CBE emphasis the NBE has to put tight control on commercial banks that practice trade service operation illegally.

On the other hand, almost all TS employees and TS customers suggest the National Bank of Ethiopia to revise its directive with the change of global foreign trade. Some multinational companies that are entered in Ethiopia by one or another means of international business would like to use this restricted methods of payment to export or import from their parent companies.

Most respondents suggest the bank has to work more human capital. They state there should be continuous capacity building program to be undertaken in order to have a manpower as competent as possible to the business required.

Passing all information, Rules and regulation in written form and has to sign by the appropriate authorized person and there should be follow-up for the application of same.

4.5.3 Is there a visible difference between CBE's trade service practice verses international standards?

Most Customer and employee respondents agree as there is a visible difference between CBE's trade service practice versus international. But, some also state CBE is striving to work with the international standard.

According to some respondents the difference emanate from the country's economical development as compared with other developed nations. But, they argue the difference should be within expected level. They took Ethiopian airlines as an example and further suggest if the government supports CBE, there is a chance to have a standard commercial bank as some African countries have. They also state some African banks as example Kenya commercial banks, Ecobank, Zenith bank, First Bank... etc.

One of the practice that differ TS operation at CBE, as respondents argue, CBE never take a financial risk. And the risk has always left for the performers. For instance, they state as CBE always require indemnity from the customer for every export document negotiated in its counter. But, the international practice is the banks require indemnity when they feel insecurity with the country risk they are dealing with or for some other reason. They negotiate export document with recourse and without. As per the respondent argument, here in CBE, documents negotiated only with recourse and this enable the bank to back to exporter for refund. This practice offends many exporter and they feel insecurity dealing with CBE.

The other difference raised by respondents the payment methods. As discussed in the above parts CBE can only offer a payment method allowed by NBE.

4.5.4 Employee and Customers response How far is CBE lagging behind from other international foreign banks in trade service operation.

Most respondents believe CBE lag behind from other international foreign banks in some measurements like technological advancement, infrastructure, System deployments, etc. these respondents argue the lagging is due to country's overall development. But they believe is should be with the expected range and the bank is not working with full of its capacity. Some argue CBE is not lagging far from other foreign banks with respect to the country's overall development.

4.5.5 How can the bank enhance trade service operation in the future?

Most respondents suggest the bank to consider human capital. According to respondents, the bank has to check the capacity of the existing staffs, their knowledge, their experience, their willingness, their discipline, etc. Having done that the bank could segregate those required intensive or moderate training and developments and prepare a continuous capacity building program as required. Thereafter, there must be follow-up to check the performance of the employee and award some to motivate others.

In order to smooth TS operation and to tackle the currency shortage, respondents suggest the bank to support exporter. Working more on deposit mobilization and providing them pre-shipment loan than ever. Supporting exporters preparing trainings and awareness program in

collaboration with other bodies like Chamber of Commerce than ever. In addition to promoting exporters, the bank should support the agricultural and manufacturing sector to minimize import.

Regarding with installing advanced technology to improve system problems, respondents suggest the bank to have its own telecommunication. They further state the bank has to detach itself from the influence of Ethio-telecom.

In order to achieve service excellence, some respondents suggest to the bank to benchmark exemplary foreign banks. They further advice to take African banks for benchmarking and to share their experience.

Respondents have also marked that higher officials of the bank and customers has to put pressure on National Bank Ethiopia to smoothen its directive.

Government of Ethiopia has to support Commercial bank of Ethiopia to be competitive in the world market as does Ethiopian Air lines is another suggestion forwarded by the respondents. This may help the bank to strengthen its performance when foreign banks entered in Ethiopia in the future.

4.5.6 What policy changes are required to promote this service in future?

All most all respondents agree the need of policy changes to promote the service. TS policy indicate while providing the service it is mandatory to comply with a. laws and regulations and conventions of the country applicable to banking business; b. directives of NBE; c. international rules and regulations issued by International chamber of commerce; d. internal control frame work ((TS Policy, 2013). This implies CBE should have TS policy in consideration of laws and regulations of the above bodies.

Some respondents relate the policy changes with regards to NBE directives. National Bank directives have been issued in the frame of foreign exchange policy of NBE. Some also suggest if NBE could allow commercial banks to negotiate export documents in selling price any time. This implies national bank has to revise its foreign exchange policy with the dynamic change of external trade.

Some respondents also suggest CBE to put pressure on National Bank of Ethiopia to revise its policy with the change of global trade. Thereafter, Commercial Banks of Ethiopia can change its TS policy within the above frame. Otherwise, what CBE could undertake is policy revision before three years. Because the policy revision undertaken in the bank in every three years (TS Policy, 2013). The other thing CBE can do change its policy by implementing different financial mechanisms and support exporters by instituting standard international practice. Credit policy of the bank need be consistent with TS policy and putting a tight control for the application the policy is required.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This part of the research attempted to summarize and conclude the key findings that rise out of the study and leave behind the possible recommendations as solution to improve the existing bottlenecks of trade service operation.

5.1. Summary of Findings

The study was intended to make assessment on trade service in Commercial Bank of Ethiopia. The study has been undertaken in three different organs of trade service process on questionnaire consisting of 80 TS customers and 92 TS staffs that has been selected systematically. The results of background information of respondents indicated that majority of the total respondents 75.6 % have 5- 20 years of work experience in the bank, 87.1% are degree holders, and 78.3 % of the respondents are Trade Service officers, Trade Service export, and Customer relation officers. 74.7 % respondents are working in Trade service Central processing Center.

Based on the findings, the study has identified major bottlenecks of trade service operation. One of the bottlenecks pointed-out by study is the inefficiency of TS personnel with the expected international standard. Though some TS personnel are efficient and are striving to fulfill the demand of the customer, most employees are not equipped with the necessary knowledge, skills, and experience in the process.

As seen in the findings, the directives imposed by NBE are being obstacle for trade service operation. The directives are not as such flexible with the change of dynamic global trade. This inflexible NBE's directives have been a challenge for Commercial banks and TS customers to involve in the trade as freely as possible.

From the finding, the shortage of foreign currency is being a major obstacle in trade service operation. This has a negative impact on CBE since some banks are losing their trust by foreign bank due to the absence of sufficient balance in CBE account abroad. The customers are also being a victim of the shortage of FCY. Their factories are stacked since they are not able to import the need raw-material due to shortage of foreign currency. When a foreign currency allowed for customers, the banks permit them to utilize within 15 days. Otherwise it will expire. Most of TS customers suffer to meet the dead line and to prepare every eligibility criteria within

fifteen days. For this reason they sometime not able to meet the deadline and the FCY approval expired without using it.

Based on the finding the country's infrastructural status and inefficiency of Ethio telecom is being obstacle to undertake trade service operation successfully. For this reason, the operation of CBE and it TS customers are interrupted by System breakdown. The absence of the necessary third party offices in Ethiopia is also identified as one challenge.

The finding indicates that there is policy and procedure of TS operation but they are not updated with the change of external environment.

Finally, the information flow in the process is not uniform and is creating ambiguity among staffs. The customers are dissatisfied due to irregularities. This has become an obstacle to TS customer and employees to undertake their task successfully.

5.2. Conclusion

Based on the overall findings in relation with the literature review in this study, the following conclusions are drawn by the researcher.

The study has identified the major bottlenecks of trade service operation. Although, CBE is striving to process TS operation in compliance with international and local rules, the study indicates most of TS personnel are inefficient and not equipped with the necessary knowledge, skills, experience of trade service operation. Competent personnel are required in the process against international standard requirements. Therefore, the bank needs to work on upgrading the capacity of the employee at trade service operation. In addition, accompanying knowledge management system in the entire system would help to create, store, and transfer knowledge among the staffs.

The other obstacle identified in the study is the absence of updated NBE directives with the change of dynamic global trade. Commercial banks and TS Customers are working under restrictive NBE directives and getting crippled to walk at most of their performance. In order to smooth the trade service operation, NBE has to revise its directive.

The shortage of foreign currency is being a major obstacle in trade service operation. Due to this and the decrease of the balance of CBE's account abroad gets foreign bank to be suspicious of CBE's capacity to pay for its outstanding. Consequently, the customers are also suffering from the shortage of FCY and they are unable to run their plant as raw-materials are not available. In addition the banks restrictive policy to use FCY within 15 days has become another challenge. Therefore, commercial banks including CBE have to work on supporting exporters and those engaged in agricultural and manufacturing sector to generate hard currency and to minimize the countries overall import.

The inefficiency of Ethio-telecom and inadequacy infrastructure as needed is also being obstacle to undertake trade service operation. The interruption is becoming a major challenge for CBE and TS customers to undertake their day to day activity. Therefore, the bank has to work hand in hand with Ethio-telecomm to overcome the obstacle. The study further indicates the necessity of third party offices in Ethiopia.

Finally, as the informal information creating confusion for the trade service operation, the bank has to deploy a formal communication mechanism. There must be accountability and transparency throughout its process.

5.3. Recommendation

Trade service operation has been effected by different obstacles. To overcome the bottlenecks and to enhance trade service operation in the future, the following remedies has been forwarded.

- ✓ Human resource is one of the major resources that use to provide a standard service in the bank. Therefore the bank should deploy a continuous capacity building program to upgrade TS personnel the international standard requirement. First, the bank has to check the competency of the existing staffs. Their knowledge, their experience, their willingness, their discipline, regarding TS operation has to be measured. Thereafter, performance measurement has to be implemented at the bank to assess the competency of the TS personnel. And further, awarding those competent will motivate others. Employing experiential sharing in the bank will have a vital role for the efficiency of TS personnel. In addition, accompanying knowledge management system in the entire system would help to create, store, and transfer knowledge among the staffs.

- ✓ NBE's directives are believed to give detailed information on the foreign exchange transaction rules and procedures of the country and are issued based on the foreign exchange policy of the country. But, the directives are imposed an obstacle on trade service process. Therefore, there is a need to update the national bank directives with the change of the dynamic global trade. If NBE employs the habit of continuous meeting with customers and international trade facilitators like banks, customs offices, insurance companies, carriers', agents; it will give input for NBE to update its foreign exchange policy.
- ✓ In consistent with the NBE's directive, CBE required updating it TS and Credit policy and procedure with the change of external trade. Therefore, in order to enhance trade service operation in the future, CBE has to promote exporters' by providing different types of loans. Policies have to be revised and fit for exporters and for those engaged at manufacturing and agricultural sector. In line with NBE's directive CBE may deploy a policy change and furnish loan at lower rate than previous. Once again, promoting Exporters and those engaged in manufacturing and agricultural sector for real has a significant role to overcome the shortage of hard currency and to earn more.
- ✓ In order to achieve service excellence and to enhance this service in the future, it is recommended if the bank could benchmark on one of competent international bank abroad. Moreover, undertaking an experiential and knowledge sharing program with exemplary foreign banks is crucial to bring service excellence. Benchmarking could be done on one of first-class African banks.
- ✓ The cascading of information throughout the bank has to be uniform and should not create confusion. In addition to this, it is better for the bank to institute knowledge management system in its entire system. This will have a significant impact to create, store, and transfer knowledge among the staffs.
- ✓ Finally, the bank should strive to install technologically advanced system and detach its self from Ethio-telecomm or work with them jointly to overcome the challenges. The necessary third party offices in Ethiopia have to be encouraged and able to handle the request of the customer. The infrastructural facility of the bank has to be developed with international standard requirement as CBE is also strived to be world class by 2025.

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Appendix

St. Mary University

School of Graduate Studies

MBA Program

Questionnaire prepared for CBE's customers

Researcher Name: Haile Getachew

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Office number +251-011-5572301

Email: hailaget1258@yahoo.com

Permanent Office: Commercial bank of Ethiopia, TS-CPC.

Dear Respondents,

This questionnaire is prepared to collect data's for thesis work on the topic of '**Assessment of Service operation in CBE**'. The study is to be undertaken for the partial fulfillment of the requirement for MBA program. For the successful accomplishment of the study, your response will be used as valuable input. I assure you that the information you will provide will be used only for academic purpose and will be kept confidential. Therefore, I request you to fill the questionnaire genuinely and without bias.

Thank you in advance for your co-operation!

Directions:-

- Writing your name is unnecessary.
- Put tick mark as per the questions required in the box and put your short and prices answer in the space provided.

Part One: Demographic Information

Instruction: -

Please tick in one of the following boxes below

1. How long have you been the client of CBE?

1-5 years 6-10 years 11-15 years 15 years and above

2. Customer category: corporate customer Non-corporate customer

Part Two: View of Respondents

I. Close ended Questions

A. Questions On the issues of Challenges that may affect trade service operation in the bank.

Please mark what you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

NO	Items	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	TS process at CBE undertaken in compliance with both international and local rules.					
2	TS personnel at CBE have no capacity problems in discharging their responsibilities against international standard.					
3	TS personnel at CBE have good communication skill with foreign banks					
4	The service rendered in TS process at CBE is compatible with the international standard requirement.					
5	I have been invited to give my suggestion for the improvement of trade service operation?					
6	I have witnessed the improvement of service based on customer's feedback?					
7	I Have a chance to see the service of trade service operation in foreign banks abroad.					
8	There is gap between CBE's practice verse international practice.					
9	Most of your trading partner abroad have complains on the Practice of TS process at CBE.					
10	Your partner complains is due to the inefficiency of TS personnel against international standard.					
11	There are many necessary third party offices in Ethiopia that supports our business.					

B. Questions On the importance of TS policy, procedures and directives for trade service operation in the bank.

Please mark what you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

NO.	Items	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	NBE's directive is prepared in compatible with each and every activity of TS operations and it supports your business.					
2	NBE updates its directives with change of dynamic global trade and provides commercial banks with flexible subsequent amendments.					
3	There is policy and procedure in the bank prepared for TS process.					
4	At CBE, Procedures and policies are updated with change of the growth of trade to external environment.					
5	Policy changes are required to improve TS process at CBE.					

II. Open ended questions

1. In your opinion is there any bottleneck in TS operation that affects your business?

A. Yes B. No.

If your answer is yes please specify them

2. If your answer for the above question is yes, what would you suggest as solution to minimize or eradicate the challenges that affect trade service operation?

3. Is there a visible difference between CBE's trade service practice verses international standards?

4. In your opinion how far is CBE lagging behind from those international foreign banks in trade service operation?

5. How can the bank enhance trade service operation in the future?

6. What policy changes are required to promote this service in the future?

If you have any additional idea and comment use to promote trade service operation in Ethiopia, please use free space to share:

St. Mary University

School of Graduate Studies

MBA Program

Questionnaire prepared for Trade service Staffs at CBE

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Office number +251-011-5572301

Email: hailaget1258@yahoo.com

Permanent Office: Commercial bank of Ethiopia, TS-CPC.

Dear Respondents,

This questionnaire is prepared to collect data's for thesis work on the topic of **'Assessment of Service operation in CBE**. The study is to be undertaken for the partial fulfillment of the requirement for MBA program. For the successful accomplishment of the study, your response will be used as a valuable input. I assure you that the information you will provide will be used only for academic purpose and will be kept confidential. Therefore, I request you to fill the questionnaire genuinely and without bias.

Thank you in advance for your co-operation!

Directions:-

- Writing your name is unnecessary.
- Put tick mark as per the questions required in the box and put your short and precise answer in the space provided.

Part One: Demographic Information

Instruction:-

Please tick in one of the boxes below:

1. Working experience in CBE:

1-5 years 6-10 years 11-15 years 16-20 years above 20 years

2. Educational Level:

Certificate, Diploma, Degree, Second Degree, PHD

3. Current position in the bank:

- Manger at TS Process, Trade Service Expert, Trade Service Officer
 Customer Relation Officer, Associate TS officer, Trade Service Advisory

4. Place of Assignment:

- Trade service central processing center (TS-CPC), Trade Service Special Outlet (TSSO),
 Trade Service Advisory (TSA)

Part Two: View of Respondents

I. Close ended Questions

A. Questions raised on the importance of trade service operation for CBE in generating revenue.

Please mark what you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

No.	Questions	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	CBE is in a better position to take a lion share of the revenue generated from the banking sector in Ethiopia.					
2	TS process is one of the main sources of revenue for CBE.					
3	TS process has an impact on the country's Export earnings.					
4	TS process at CBE is not playing an important role in export promotion					
5	CBE not usually penalized as discrepancy fee and received lesser amounts from its export proceed.					
6	The current practice of TS process at CBE plays an important role for those involved in import substitutions sectors like manufacturing sector.					
7	Waving huge banking charges for those					

	involved in manufacturing sector will decrease CBE's revenue.					
8	CBE is generating sustainable revenue from TS process as a result of its implementation of a better policy with the change of external environment.					
9	CBE is keep on generating incremental revenue from TS as most its customers are not as such sensitive, even if it does not change its policy with the change of external environment					

B. Questions raised on the challenges that may affect trade service operation in the bank.

Please mark what you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

NO.	Questions	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree(4)	Strongly Agree(5)
1	TS process at CBE undertaken in compliance with both international and local rules.					
2	TS personnel at CBE have no capacity problems in discharging their responsibility against international standard.					
3	TS personnel at CBE have good communication skills with foreign banks.					
4	Most Foreign banks does not complain on the Practice of TS process at CBE					
5	Foreign bank complain is not due to the inefficiency of TS personnel against international standard.					
6	There is continues capacity building programs undertaken in CBE to upgrade					

	the TS staffs with international standard requirement.					
7	There is inviting environment for experienced staffs at CBE to share their knowledge.					
8	Most experienced staffs are quitting the bank to where they get more recognition.					
9	The quitting of those experienced staffs is harming the TS process at CBE.					
10	There is the habit of knowledge sharing program in the bank.					
11	The bank undertaken a preliminary risk assessment prior to its involvement to international business.					
12	There is continuous update in TS process at CBE for the current status of foreign banks to minimize the unforeseen trade risk.					
13	There are many necessary third party offices in Ethiopia that supports the import and export business.					
14	There is knowledge management system in the bank that can help to create, keep, transfer knowledge among TS staffs.					

A. Questions raised On the importance of TS policy, procedures and directives for trade service operation in the bank.

Please mark what you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

No.	Questions	Strongly Disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly Agree(5)
3	NBE's directive is prepared in compatible with each and every activity of TS operations.					
4	NBE updates its directives with change of dynamic global trade and provides commercial banks with flexible subsequent amendments.					
5	There is policy and procedure in the bank prepared for TS process.					
6	At CBE, Procedures and policies are updated with change of the growth of trade to external environment.					
7	Policy changes are required to improve TS process at CBE.					

II. Open ended questions

1. In your opinion is there any bottleneck that effect TS operation and the effort of generating revenue from this process?

B. Yes B. No.

If your answer is yes please specify them:

2. If your answer is YES for the above questions, what would you suggest as solution to minimize or eradicate the challenges that affect trade service operation?

3. Is there a visible difference between CBE's trade service practice verses international standards?

4. In your opinion how far is CBE lagging behind from other international foreign banks in trade service operation?

5. How can the bank enhance trade service operation in the future?

6. What policy changes are required to promote this service in the future?

If you have any additional comment and idea that use to promote trade service operation in Ethiopia, please share:
