



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**MBA PROGRAM**

**ASSESEMENT OF PRACTICE AND CHALLENGES OF INTERNATIONAL  
TRADE FINANCE SERVICE OF SELECTED ETHIOPIAN PRIVATE  
COMMERCIAL BANKS.**

**BY**  
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**JUNE, 2018**  
**ADDIS ABABA, ETHIOPIA**

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## ABSTRACT

*The study is intended to examine the practice and challenges of international trade finance service of selected Ethiopian commercial bank. Banks play a crucial role in facilitating international trade by providing a wide range of trade service products. The major objectives of the study are to assess the practices and challenges of international trade finance service of selected Ethiopian private commercial banks. The study examines the compliance level of international trade operation against international rules and regulations, examine current practices of international trade operation and to find challenges encountered by selected banks. The study employed descriptive research design to examine the extent to which some selected banks facilitate international trade service operation in line with the rules and regulations. The researcher used questionnaire method to gather the primary data from the employee of banks who were currently working at international banking department in head office level. From the research it has been found out that non-compliance activities occurred on timely revision of the internal procedure, current job knowledge of employees are poor, rules and standards are also not sufficiently and timely available to operators for further reference. the nonpayment practice and non-examination of documents with the allowed period and lack of conducting rigorous assessment on creditworthiness and marketability of the consignment were considered as the challenges. In the study it is recommended that the existing operational manual is amended against the recently changed terms and conditions on the said international governing rules for efficient application of the required standards and creates reasonable awareness to the banking workers, It's highly recommended to sufficiently avail the operational trainings and awareness creation session on the international governing rules, current observed practices are changing over time, bank practitioners are advised to examine and evaluate their current practices and compliance level against the international governing rules, NBE Directives and other pertinent laws of the land and also Improvement service quality.*

**KEY WORDS:** *Trade Practice, compliance, Governing Rules, Modes of Payments, Trade service challenges.*

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

International trade is the exchange of goods and services across national boundaries. (Belay, 2009). It's notably argued that "international trade" should be regarded as a special case within the general concept of international economics (Ohlin, 1933). Furthermore its argued that nations engaged in trading for the same reasons for which individuals or groups within the country trade with each other instead of each one producing his own requirement. Because of that country, individual and groups are enabled to exploit the substantial advantages of division of labor to their mutual advantage.

Banking instruments and techniques, which have been developed over hundreds of years, are made available with worldwide branch networks, affiliates and correspondents. The importance of the role played by banks in trade finance cannot be over-stressed. They provide a multitude of services to every operator in the trade chain and for every stage of any transaction. The rapid growth of world markets owes much to the ability of these financial institutions to adapt to change, to keep pace with development and to maintain a high level of skill in handling transactions (Bishop, 2004).

Banks assume a wide range of risks by providing facilities for international trade finance, many of them lifted from the shoulders of their customers. Non-payment, late payment, non-delivery and political risks are generally accepted by banks in the normal course of business. Banks play a crucial role in facilitating international trade by providing a wide range of trade service products like letter of credits, documentary collections, consignment, advance payment, supplier's credit to name a few prominent customers (Niepmann and Eisenlohr, 2014). Banks play a major role in all the economic and financial activities in modern society. They are playing key role in activities financing the industries. (Buckova, (2011)

Therefore, one cannot think of doing import and export business without the involvement of banks. Furthermore, banks play two vital roles in providing international trade finance; providing working capital needed for international trade transactions, and providing the means to diminish payment risk (Committee on the Global Financial System, 2014). In Ethiopian case, its legally enforced to transact both import and export transactions only through commercial banks and its not allowed even the customer outgoing transfers.

Now a days, international trade is facing different challenges which are caused by different fraud and theft operations. Folsom et al. (2005) explains that the buyer who has arranged the issuance of a letter of credit has at least four different categories of problems. First, there is the possibility that the Issuing bank will pay when the documents are not those specified by the letter of credit. Second, there is the possibility that the Issuing bank may refuse to pay when the documents do not conform to the letter of credit. Third, and more likely than either of the above, is that the parties may get into an argument about whether the documents do conform or not. Finally, the Issuing bank may learn that the seller has breached the sales contract by shipping non-conforming goods before it pays against the documents.

Documentary collection, on the other hand, carries the risk that the buyer will not or cannot pay for the goods upon receipt of the copy draft and documents. If this occurs it is the burden of the seller to locate a new buyer or pay for return shipment and such events are become more destructive (Giovannucci, 1996). In general, its noted that there is a problem of trust ship among the members or cooperators of the international trade and becoming the very big issues even in our country Ethiopia.

Thus, this study has important feedback for bank officials working for wegagen bank, NIB bank, cooperative bank of oromia, Abay Bank S.C and addis international bank, these banks are deemed to represent the private commercial banks in Ethiopia and the purpose of this study shall be focused on in examining the current practice of international trade and its challenges from the bank's perspective. This study will be a good indicator of the gap analysis of the existing international trade practices in light of with the UCP, URC, ISBP, NBE directives and other pertinent laws of the land.

## **1.2 Statement of the Problem**

In fact that both importers and exporters are exposed to different challenges due to the physical distance between parties, different time zones and currencies, the need for additional conciliators, the relevance of multiple jurisdictional transactions and the possibility of different legal rules applicable to the transaction as well as the fact that the parties do not generally know each other.(Mueller, 2013)

According to the researcher's own observation and pilot study some banks do not appear to take the necessary precautions while negotiating export documents presented with discrepancies and also when approving letter of credit margin facilities. Some of the commercial banks do not rigorously assess the credibility of the importer and the marketability of the consignment so that the importer fails to settle the letter of credit and take up the documents on time. Consequently, the related consignment remains unloaded at the port of discharge for a long period subjecting the country to high demurrage charges

Thus, there appears to be a knowledge gap among some of the trade service staff in these local banks concerning the international standard banking practices for trade service products and other relevant international and domestic rules, directives and procedure manuals.

Therefore, right firms engaged in international trade, they have to decide how to settle the transactions pertaining to international trade operation and, thereby, how to manage the associated risks and combat the challenges. To mitigate such risks, exporters and importers employ letters of credit and documentary collections offered by commercial banks engaged in international trade operations (Niepmann and Tim, 2015).

However, even if it's guaranteed by commercial banks, importers may not pay after receiving the goods and exporters may not deliver if they are paid in advance (Ling and yan, 2013). In addition, Basu (2012) noted that the worst scenario, fake Bill of loading would present for goods that do not exist at all and are issued for goods that have not been shipped.

Rather in Ethiopia, it's found on the study conducted by Haddis (2015) most of banks do not automatically effect the payment to the remitting bank after the shipping documents released which might negatively affect the banks and countries long live reputation as well. In addition, banks are not examining documents and notifying the list of discrepancies observed within the allowed period of five banking days. Most banks also do not make a rigorous assessment of the creditworthiness of the importer and the marketability of the consignment before issuing a letter of undertaking on behalf of the buyer.

Despite the long history, which precedes the advent of modern banking throughout most of Africa, the Ethiopia financial system has not progressed that much as one expects and the problems that private commercial banks face in Ethiopia are many. In addition, to the best of the researcher's knowledge, there is only a few research work is conducted to examine the international trade practice and challenges.

Moreover, since there are demographic and institutional determinants that must be explored, this study will fill this gap by taking more banks and representative samples. These concerns have led the researcher to conduct this study so that to contribute in showing the challenges that are extremely affecting our growing export business and import operation as well.

### **1.3 Research Questions**

Therefore, the main theme of the study centers on few fundamental research questions, from the point of view of management and employees of the bank who are close and actively participated in international trades service operation. Likewise, the researcher tried

to investigate the true picture of the problem by raising the following basic research questions.

- \* Does the assigned staff perceive the practice and compliance level of international trade operation against the UCP, URC, ISBP, NBE directives and other pertinent laws of the land?
- \* How do the assigned staffs examine the current practice of international trade operation of selected Private Commercial banks?
- \* What are the challenges encountered by selected Ethiopian private commercial banks while they deliver trade service facilities?

## **1.4 Objective of the Study**

### **1.4.1 General Objective**

The general objectives of the study was to make a critical assessment of practice and challenges of international trade finance service of selected Ethiopian private commercial banks.

### **1.4.2 Specific Objective**

In addition to the above general objective, there were specific objectives that the study going to address:

- ✓ To examine the compliance level of international trade operation against the UCP, URC, ISBP, NBE directives and other pertinent laws of the land
- ✓ To examine the current practice of international trade operation of selected Ethiopian private commercial banks
- ✓ To find out the challenges encountered by selected Ethiopian private commercial banks while they deliver trade service products.

## **1.5 Significance of the Study**

The study would be significant for the higher officials of the bank, for the researcher and for those interested to do further study in the area. For higher officials, it would help in examining the current practice and challenges of international trade finance service. It would also check the level of compliance with UCP, URC, ISBP, NBE directives and other pertinent laws of the land.

In addition, the study would be help to apply the theoretical knowledge to solve the problem in the existing world. Finally, the study would help as background information for those who needs to understand the subject matter and undertake further research.

## **1.6 Scope and Limitation of the Study**

### **1.6.1. Scope of the Study**

The scope of the research was limited to asses trade service practices and challenges (i.e. those related to import and export transactions) of selected private commercial banks namely wegagen bank, NIB bank, cooperative bank of oromia, abay bank and addis international bank and, thus, the researcher would not attempt to study other international banking services like remittance and fund management. In addition population of the study would be limited to employees of international banking departments in head office because selected banks have centralized their international banking services to their head offices level.



### **1.6.2. Limitation of the Study**

The study was given special attention to identify the practice and challenges of documentary collection, advance payment and documentary letter of credit facilities merely from the banks perspective excluding foreign guarantee because it is not frequently practiced by private banks. Thus the study focused on the opinions of bank officials and does not include the customers/the public's opinion on the subject matter.

Due to data not available the population would be limited to selected Ethiopian private commercial banks this will have an impact on the generalization of the findings.

### **1.7 Organization of the Research Report**

This study is organized into five chapters. In the first chapter an introduction to the study is given. The next chapter presents review of related literatures. In the third chapter methodology of the study is presented. The analysis and discussion of the study is presented on chapter four. Finally in chapter five conclusions and recommendation of the study with its implication to the bank and to future research is presented.

## CHAPTER TWO

### REVIEW OF THE RELATED LITERATURE

#### 2.1. Introduction

This chapter mainly presents a review of theoretical framework and empirical studies which highlights the most relevant findings concerning the field of international trade facilities and its challenges. Likely to different studies, the conceptual framework of the study is developed following the review of empirical study section.

#### 2.2. Definition of Terms and Concepts

- **Bill of lading:** A bill of lading is a transport document issued by a carrier as a receipt for the goods. Bill of lading, like bills of exchange, may be made out to any bearer, or to a particular person or his order. The attribute of the bill of lading as a document of title is in fact what makes the consignment negotiable as well. (Folsom et al., 2005)
- **Documentary Collection:** The handling by banks of draft and documents in accordance with the instructions of the principal in order to obtain payment or acceptance from drawee. (ICC, 1996)
- **International Trade:** International trade is the exchange of goods and services across national boundaries. (Belay, 2009)
- **ISBP:** It's named as Standard Banking Practice for the Examination of Letters of Credit Documents and issued on 1996 by the US Council on International Banking published a paper titled. Primarily provided a checklist for banks on what must be considered when inspecting the documents (Belay, 2009).

- **Letter of credit (LC):** an arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honor a complying presentation. (ICC, 2007)
- **NBE Directives:** It is issued by National Bank of Ethiopia pursuant to the authority vested in it by article 39(2) of the monetary and banking proclamation No.83/1994.
- **Trade service:** bank products which are specially tailored to facilitate international trade transactions i.e. exports and imports. (Committee on the Global Financial System, 2014)
- **UCP 600:** The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication no. 600 (UCP) are rules that apply to any documentary credit when the text of the credit expressly indicates that it is subject to these rules. (International Chamber of Commerce, 2007)
- **URC 522:** The URC 522 is the Uniform Rules for Collections. URC 522 came into effect on 01 January 1996. The URC 522 was first published by the ICC in 1956. Revised versions were issued in 1967 and 1978. (International Chamber of Commerce, 1996)
- **URR 525:** The Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR 525) come into effect on the 1<sup>st</sup> of July 1996. The seventeen articles of the URR525 deal with the situation covered by Article 19 of the UCP 500, where banks (an issuing bank, a claiming bank and a reimbursing bank) are involved. (Zsuzsanna, 2006)
- **INCOTERMS:** Is an abbreviation of three words: International Commercial Terms It has been around since 1936 and revised last in 2010 (INCOTERMS 2010).INCOTERMS 2000 replaced by INCOTERMS 2010 starting from January 2011.
- **RMA:** Relationship Management Application is a service provided by SWIFT Supporting communication between different banks in the world.
- **SWIFT:** the system is an abbreviation (Society for Worldwide Interbank Financial Telecommunications), which allows for faster transmission time. It also allows member banks to use automatic authentication (verification) of messages

### **2.3 International Trade**

As we all know that, countries are linked in many different ways, whether it is through political, social, cultural, or commercial events and activities. Such a link is called as an international trade, which is the exchange of goods and services between people, organizations, and countries. In the last five decades, trade among nations has grown in great proportions, and it is freer now than ever before (Marios I. et. al, 2007). Such exchange events takes place because of differences in the costs of production between countries and because it increases the economic welfare of each country by widening the range of goods and services available for consumption. (sawyer and sprinkle, 2005) specialization and trade makes total world output of goods and service larger than it would be without trade. Therefore, for as long as countries and businesses have been in existence, international trade has been a vital means of the countries' and businesses' economies.

International trade differ from domestic trade, international trade involves various currencies and goods pass the territories boundaries of one country to the other Involves many third parties as trade facilitators they are the essential bodies needed to smooth the flow of goods and payments between buyers and sellers. As the nature of the trade needs special attention the role played by these facilitators are of great importance. The major ones are Financial Institutions, Transport Companies and Agents). Financial Institution like banks and insurance. Banks they Facilitates payment, avails finance and gives professional advice. Insurance Gives cover to different types of risks involved in the trade transport companies. Other is Airlines, Shipping lines, Courier service, Postal office, Land and rail way transport companies .Agents like Commission/sales Agent that identifies markets, Clearing Agent and Forwarding Agent. (Belay, 2009).in all for the importer the only security is shipping document has been delivered in accordance with terms and condition in the contract strict compliance is no opportunity to check physical goods and check the process of loading the goods . Hashim, (2000).

According to NBE Directive Import method of payment in Ethiopia allowed for Advance Payment, Documentary Collection (CAD) sight, Letter of Credit (LC) and Sight/acceptance.

According NBE Directive No. FXD/07/1998 to Export transactions are important for a country like Ethiopia since it is a major source of foreign currency. Therefore, it is important to handle export transactions carefully and in a manner that could benefit both the exporter and the country as well. Export method of payment is allowed for Advance Payment, Documentary collection, Letter of credit, Consignment and Small items Export.

According to NBE Directive No. FXD/25/2004 Private commercial Banks facilitate export transactions by: Issuing export permits, Negotiating, and dispatch of shipping documents, financing the export, Eligibility criteria to export is a customer should have the following to enter to Export: Valid license for export trade, manufacturing License, Investment License, Tax Identification Number (TIN).NBE account number.

According to NBE directives Export goods from Ethiopia have steps the first step to export a good from Ethiopia is to get the export permit from commercial banks. Unless an export permit is issued from banks, Ethiopian customs office will not allow goods to leave the country. Therefore, exporters should go to the bank and get permit. once export permit is given, exporter ship the goods and they are doing For advance payment send documents by himself, for consignment send documents by himself, For doc. Collection present documents to the bank for collection and For letter of credit present documents for payment .The other points are responsibility of the exporter, If the L/C is accepted by the exporter, then goods will be shipped per the L/C and documents will be presented to the bank. When banks receive documents, they check it to determine, on the basis of the documents alone, whether or not the documents appear on their face to constitute a complying presentation. (UCP600 article no.14)

According to NBE Directive Besides these things, banks check the bank export permit issued by the bank to check that the goods are legally shipped. The bank signature, stamp and permit number. After having finished all checking and document examination

processes, banks handle documents in one of the following two situations one is if documents presented are in conformity with the L/C negotiate documents and pay the exporter the document value as per his instructions against Indemnity Agreement two is if documents presented are not in conformity with the L/C or if the exporter authorizes to send documents without negotiation. Banks forward documents without paying the exporter. The exporter will be paid when the foreign bank pays.

Negotiation means the purchase of complying documents or advances the value to the exporter on his undertaking to return the value if the issuing, reimbursing or confirming bank does not pay the document value sent to them. (Belay, 2009)

## **2.4 Governing Rules**

It's known that all transactions should execute in compliance with both local and international rules and regulation. Regulations for international trade are issued by the International Chambers of Commerce (ICC). The following rules and regulations are issued for documentary credit mode of payments.

- UCP 600 - Uniform Customs and Practices for Documentary Credits
- URR 725 - Uniform Rules for Bank to Bank Reimbursement
- ISBP 681 – International Standard Banking Practice

While the URC 522 is issued for Documentary Collection:

- URC522 –Uniform Rules for Collections
- INCOTERMS 2010 it is designed for all payment methods

### **2.4.1. UCP 600**

It's abbreviated for the Uniform Customs and Practice for Documentary Credits and Parties to the letter of credit frequently agree to be governed by the rules of the UCP, which is a result of collaboration between the International Chamber of Commerce, the United Nations, and many international trade banks. The UCP is periodically revised to take into account new developments in international trade and credit (the latest revision was in 2007). The Uniform Commercial Code provision on letters of credit and the UCP complement each other in many areas.

### **2.4.2 ISBP 2006**

It's issued for the first time in 1996 by the US Council with a title “Standard Banking Practice for the Examination of Letters of Credit Documents” which mainly provide a checklist for banks on what must be considered when inspecting the documents. Its primary

goal was also stated to try to reduce the number of presentations rejected by the banks by providing a standard for documentary checkers. As noted by Zsuzsanna, 2006, the ISBP applied for the Examination of Documents negotiated here under documentary letters of credit (LC), and it was approved by the Commission at its meeting held in Rome on October 2002.

### **2.4.3. URR 525**

As noted by Zsuzsanna, 2006, the Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR 525) come into effect for the first time on the 1<sup>st</sup> of July 1996. As per the URR 525 publication, it does not alter the provisions of the UCP but sets out a detailed code for the reimbursing process.

### **2.4.4. URC522**

Uniform Rules for Collections: ICC Publication No. 522

A documentary collection involves the presentation of shipping (commercial) and financial documents (draft or promissory note) by the collecting bank to the buyer. In certain cases in which a collection is payable against shipping documents without a draft, it is termed cash against documents.

In this case banks act as agents for collection and assume no responsibility for the consequences arising out of delay or for loss in transit of any messages, letters, or documents. They do not question documents submitted for collection and are not responsible for their form and/or content or for the authenticity of any signatures for acceptance. (International Chamber of Commerce, 1996)



#### **2.4.5. INCOTERMS**

INCOTERMS is an abbreviation of three words: “International Commercial Terms”. It explains the division of costs between the buyers and sellers, the point at which the risk of loss or damage transfers from the seller to the buyer and responsible party for export and import clearance.. (Zsuzsanna, 2006)

#### **2.5 The Role of Banks in International Trade Operation**

It's known that banks provide a multitude of services to every operator in the trade chain and for every stage of any transaction. Banking instruments and techniques which have been developed over hundreds of years are made available with world-wide branch networks, affiliates and correspondents.

It's recalled that before an exporter and an importer engaged in trade, they have to decide how to settle the payments pertaining to the respective transactions. Thus, there are two ways to settle the respective transactions and under one option the exporter produces the good and the importer pays upon receipt (Open an Account). There is also another option that, the importer may pay before the exporter produces the good (cash in-advance). In each case, one of the trading partners might bear substantial risk, for instance with an open account, the exporter may never receive payment. Under cash-in-advance, the importer may never obtain the goods. To reduce the risk of the transaction for either party, firms can turn to banks, which can act as intermediaries and thereby attenuate enforcement problems. Accordingly, banks should strictly apply and compliant with the following leading principles in any of its intermediary involvement of international trade facilities (Belay, 2009).

- ☞ Banks should act equitably and in good faith.
  - ☞ Independent principle: Credits are separate transactions from sales or other contracts, and banks are in no way concerned with, or bound by, such contracts. The independent principle is subject to a fraud exception.
  - ☞ Rule of strict compliance: Exporter cannot compel payment by banks unless the documents presented strictly comply with the terms specified in the credit.
- According to Niepmann, 2014 there are three most common international trade instruments provided by banks namely letters of credit (LC), advance payment (TT) and documentary collections (CAD). In reference to NBE's Directive, the roles of Ethiopian private banks consists of professional advice, advance payment(TT), opening of documentary letters of credit (L/C), bills for collection (CAD), information on trade and exchange restrictions, collection and transfer of funds status enquires, etc.

Accordingly, here under this section the five widely used international trade payment methods are discussed as follows.

### **2.5.1. Cash in Advance**

Advance payment simply means that the buyer pays in advance and risks losing his money if the supplier he has paid fails to ship the goods. It's noted that this mode of payment is among the most beneficial payment term for sellers since the payment is received in advance of the shipment of goods (Niepmann F. et, al, 2014).

It's the most beneficial payment terms for the seller, since the payment is received in advance of the shipment of goods. It is not common for an importer to be willing to make advance payments. Its highly regulated payment mode in case of Ethiopia and it's not allowed to deal import transactions for more than \$5,000.00.

### **2.5.2 Open Account**

With an open account, the exporter first sends the goods and then the importer pays for them. In contrast to the cash-in-advance method, the supplier first ships the goods and then the buyer effects payment under the open account method of payment. The risk to the exporter materializes when the importer fails to make payment for the goods after receiving them. (Niepmann, 2014)

In other words, 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. The seller ships the merchandise to the buyer and separately mails the relevant shipping documents. Terms of payment range from 30 days to 120 days after date of shipping invoice or receipt of merchandise, depending on the country (Reynolds, 2003).

### **2.5.3 Consignment Sale**

Under this mode of payment, first 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. Title to the merchandise passes to the importer only when payment is made to the exporter (Shapiro, 2006). Therefore, under the consignment method of payment, the seller delivers the goods to his agent in the foreign land, who arranges for the sale of the goods and remits the payment to the supplier. Title to the goods remains with the exporter until the goods is sold to the ultimate buyer.

For the exporter, consignment is the least desirable form of selling and receiving payment. The problems associated with this method include the following:

- ☞ Delays in payment: Buyer bears little or no risk, and payment to seller is delayed until the goods are sold to a third party. This ties up limited credit facilities and often creates liquidity problems for many exporting firms.
- ☞ Risk of nonpayment: Even though title to the goods does not pass until payment is made, the seller has to acquire possession of merchandise (to sell in the importer's

country or ship back to the home country) in the event of nonpayment. This involves litigation in the importer's country, which often is time-consuming and expensive.

- ☞ Cost of returning merchandise: If there is limited success in selling the product, there is a need to ship it back to the exporter. It is costly to arrange for the return of merchandise that is unsold.
- ☞ Limited sales effort by importers: Importers may not be highly motivated to sell merchandise on consignment because their money is not tied up in inventory. They are likely to give priority to products in which they have some financial involvement. In view of these risks, consignment sales should be used with overseas customers that have extremely good credit ratings and are well known to the exporter. Because of such savior risks, this type payment method is allowed in Ethiopia merely for vegetable and flower exporting entities.

#### **2.5.4 Documentary Collection (D/C)**

As it's noted by Niepmann, (2014), banks handle documents that transfer the ownership rights from the seller to the buyer. A DC ensures that the importer receives the documents only after paying for the goods. Because the importer typically needs the documents to fully employ the delivered goods, a DC improves the reliability of payment compared with an open account.

Therefore, banks handle shipping documents based on the instructions of the seller and buyer can get hold such documents merely after effecting payment for the document value without which he cannot receive the goods from the customs; thus a documentary collection provides better reliability of payment as compared to an open account basis. Here under this mode of payment, Niepmann (2014) explain that even if it's protected by banks guarantee the buyer may still refuse to take up the shipping documents and the exporter may be at risk. Exporters might be forced to find other buyers which are subject to new additional cost for searching new customer and demurrage cost.

A mode of payment where exporters ship the goods prior to receiving payment and give instruction for handling of documents (financial and/or commercial) to his bank, In this

Funds & documents are transferred through banks and Documentary Collection is governed by ICC URC522. And also Documentary collections can be instructed in three ways Document Against Payment (D/P) – documents are released to drawee against payment. Document Against Acceptance (D/A) – documents are released to drawee against acceptance of the time draft by drawee. Acceptance D/P – drawee accepts the time draft but does not get the documents until the draft is due & paid. Collections are of two types Clean Collection collection of financial document not accompanied by commercial documents and Documentary collection financial documents accompanied by commercial documents and Commercial documents not accompanied by financial documents. (Belay, 2009).

There are four parties in Documentary collection namely Drawer (principal/exporter), Remitting Bank (Exporter's Bank), Collecting Bank(Importer's Bank) and Drawee (Buyer/importer ). The drawer under a documentary credit is Submits documents in good order and Instruct the remitting bank clearly. The Remitting bank deal with documents quickly , check that its principal's instructions can be carried out and instruct collecting bank clearly and the Collecting Bank(Importer's Bank) carry out remitting bank's instruction ,keep informing the remitting bank about the development of documents and Keep/secure the documents until payment/acceptance. The drawee also pay /accept the document.(Belay, 2009)

### **2.5.5 Documentary Letters of Credit (L/C)**

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. The bank makes its credit available to its client, the buyer in consideration of a security that often includes a pledge of the documents of title to the goods, or placement of funds in advance, or of a pledge to reimburse with a commission (Reynolds, 2003). The essential feature of this method, and its value to an exporter of

goods, is that it superimposes upon the credit of the buyer the credit of a bank, often one carrying on business in the seller's country. The letter of credit is a legally enforceable commitment by a bank to pay money upon the performance of certain conditions, stipulated therein, to the seller (exporter or beneficiary) for the account of the buyer (importer or applicant).

Lipton (1998) says without the length of gap between shipment of goods and payment the letter of credit keeps commercial activity flowing efficiently. This is consequential need for provisional finance for the beneficiary.

#### **2.5.6.1. Parties to a Letter of Credit**

There are four parties in the letter of credit namely Applicant, beneficiary, issuing bank and advising bank. Applicant is the buyer/importer, who applies for the issuance of a letter of credit in favor of a seller and applicant do business which trustworthy companies are not mostly strict in the seller discrepancy so, the applicant waiving the discrepancy and take up the document (Moses, 2005). The Beneficiary, on the other hand, is the seller, to whom a letter of credit is issued and Issuing bank is the buyer's bank who issues a letter of credit also advising bank is a bank, which advises a letter of credit to a beneficiary. (Jain, 2012)

According to (Belay 2009) Documentary/ Letter of Credit can be issued in the form of irrevocable, irrevocable non confirmed, irrevocable confirmed and irrevocable transferable where Irrevocable are all documentary credit is irrevocable that cannot be cancelled or amended without the agreement of issuing bank, confirming bank (if any) is in the exporting countries who add confirmation on the request of the beneficiary (Alphonse, 2010) also applicant and beneficiary, Irrevocable non confirmed is a credit where only the issuing bank undertaking is used to facilitate the given transaction, Irrevocable confirmed is a credit where one additional bank adds its undertaking to the issuing bank for facilitation

of the given transaction and Irrevocable Transferable is a credit which allows more than one beneficiary/ exporter in a given transaction.

## **2.6 Common Bankable Documents in International Trade**

International trade transactions, especially those involving documentary collection and letters of credit, usually call for presentation of the four most common shipping documents which are discussed briefly as below.

### **2.6.1 Proforma Invoice**

A pro forma invoice is a provisional invoice sent to the prospective buyer, usually in response to the latter's request for a price quotation (Belay, 2009). A quotation usually describes the product, and states the price at a specific delivery point, the time of shipment, duration of transaction and the terms of payment. In Ethiopia it's required by the buyer to obtain a foreign exchange or import permit and it's also submitted to any of Ethiopian private banks to get foreign currency. Quotations on such invoices are subject to change without notice partly because there is a lag between the times when the quotation is prepared and when the shipment is made to the overseas customer.

### **2.6.2 Commercial Invoice**

In reference to Belay, 2009, a commercial invoice is a bill for the merchandise from the seller to the buyer. It should include basic information about the transaction: description of the goods, delivery and payment terms, order date, and number. The overseas buyer needs the commercial invoice to clear goods from customs, prove Ownership, and arrange payment. Governments in importing countries also use commercial invoices to determine the value of the merchandise for assessment of customs duties.

### **2.6.3 Packing List**

As noted on an International Chamber of Commerce publication, 2006, packing list itemizes the material in each individual package and indicates the type of package (e.g., box, carton). It shows weights and measurements for each package. It is used by customs in the exporting and importing countries to check the cargo and by the exporter to ascertain the total cargo weight, the volume, and shipment of the correct merchandise. The packing list should be either included in the package or attached to the outside of a package in a waterproof envelope marked “packing list enclosed”.

### **2.6.4 Certificate of Origin**

A certificate of origin is required by certain countries to enable them to determine whether the product is eligible for preferential duty treatment. It is a statement as to the origin of the export product and usually is obtained from local chambers of commerce. It contains information regarding the products destination and country of exported commodity and is required to be signed, dated and certify origin of the goods.

### **2.6.5 Inspection Certificate**

Some purchasers and countries may require a certificate attesting to the specifications of the goods shipped, usually performed by a third party (Belay, 2009). These requirements are usually stated in the contract and quotation. Inspection certificates are generally requested for certain commodities with grade designations, machinery, equipment, and so forth.

### **2.6.6 Bill of Lading**

A bill of lading is a transport document issued by a carrier as a receipt for the shipped commodity. (Folsom et al., 2005). In other words, it's a contract of carriage between the



shipper and the steamship company (carrier). It certifies ownership and receipt of goods by the carrier for shipment. A straight bill of lading is issued when the consignment is made directly to the overseas customer. Such a bill of lading is not negotiable. An order bill of lading is negotiable, that is, it can be bought, sold, or traded. In cases in which the exporter is not certain about payment, the exporter can consign the bill of lading to the order of the shipper and endorse it to the buyer on payment of the purchase price. When payment is not a problem, the bill of lading can be endorsed to the consignee (Zodl, 1995; Wells and Dulat, 1996).

As stated on the work of Belay, (2009), an inland bill of lading is a bill of lading issued by the railway carrier or trucking firm certifying carriage of goods from the place where the exporter is located to the point of exit for shipment overseas. This document is issued by exporters to consign goods to a freight forwarder who will transport the goods by rail to an airport, seaport, or truck for shipment. Through bill of lading is used for intermodal transportation, that is, when different modes of transportation are used. The first carrier will issue a through bill of lading and is generally responsible for the delivery of the cargo to the final destination.

### **2.6.7 Airway Bill**

Air way bill refers to a document that accompanies goods shipped by an international courier to provide detailed information about the shipment and allow it to be tracked. The air waybill has multiple copies so that each party involved in the shipment can document it. (Belay, 2009)

## **2.7 Guarantee**

(Jain, 2012) The initiation of a bank guarantee begins with the primary or underlying contract between the parties; it is nevertheless, independent and autonomous. it is an act of

trust to facilitate the smooth flow of trade and commerce in both domestic and international trade.

the bank guarantees the buyer when he has made an advance payment to an exporter prior to the shipment of goods. Under a bank guarantee, the bank or the guarantor is secondarily obligated to the obligee should the primary obligor or the applicant fail in his obligation to perform. (Jain, 2012) In a similar way,

A bank guarantee can be used in relation to an open account transaction under which goods are delivered to the buyer before receipt of payment by the exporter in order to warranty against default by the buyer.

## **2.8 Review of Empirical Studies on Letters of Credit**

A bank is absolutely obliged to effect payment under a letter of credit even if it is informed that the merchandise shipped is not of the quality contract for since banks are only negotiated not with the shipped commodity rather they are concerned with compliant presentation of bankable documents. Jain (2012) As a result disputes as to the quality of the goods are observed and litigated later between buyer and seller; but the issuing bank remains obligated to honor drafts drawn by the seller in conformity with the terms and conditions of the letter of credit. A documentary credit has an immediate legal effect. However, in case of default or nonperformance, the issuing bank under a letter of credit is primarily liable upon such particular mismatches. Jain (2012)

Adegbola (2012) noted that, it is noticed that the exporters/importers of international trade suffering their own bank problems, which should be analyzed and solved to ensure international trade development. These problems such as the problem of corruption in banking workers, obtaining capital from and operational problems which are coursed by the dictate of the Nigeria environment and society. In addition, the irrational problem of

manpower requirement and the poor knowledge of trade clearly observed in some of commercial banks which was gainfully recommended by the above mentioned study.

Folsom et al. (2005) also explains that the buyer who has arranged the issuance of a letter of credit has at least four different categories of problems. First, there is the possibility that the buyer's bank will pay when the documents are not those specified by the letter of credit. Second, there is the possibility that the buyer's bank may refuse to pay when the documents do not conform to the letter of credit. Third, and more likely than either of the above, is that the parties may get into an argument about whether the documents do conform or not. Finally, the buyer's bank may learn that the seller has breached the sales contract by shipping non-conforming goods before it pays against the documents.

Documentary collection, on the other hand, carries the risk that the buyer will not or cannot pay for the goods upon receipt of the draft and documents. If this occurs it is the burden of the seller to locate a new buyer or pay for return shipment and such events are become more destructive (Giovannucci, 1996). However, even if it's guaranteed by commercial banks, importers may not pay after receiving the goods and exporters may not deliver if they are paid in advance. Ling et.al., (2013)

In addition, Basu (2012) noted that the worst scenario, fake Bill of loading would present for goods that do not exist at all and are issued for goods that have not been shipped.

Rather in Ethiopia, it's found on the study conducted by Hadis (2015) most of banks do not automatically effect the payment to the remitting bank right the shipping documents released which might negatively affect the banks and countries long live reputation as well. In addition, banks are not examining documents and notifying the list of discrepancies observed within the allowed period of five banking days. Most banks also do not make a rigorous assessment of the credit worthiness of the importer and the marketability of the consignment before issuing a letter of undertaking on behalf of the buyer.

## 2.9 Conceptual Framework of the Study

The conceptual framework of this study is developed based on the two core and relevant issues discovered under this study. The first issues will examines the current practices of international trade facilities against the UCP, URC, ISBP, NBE directives and other pertinent laws of the land. The second issue will present the challenges distinctive to some selected Ethiopian banks. So by taking this work and clusters as a base, and to test in the Ethiopian context, the researcher developed the following conceptual framework.

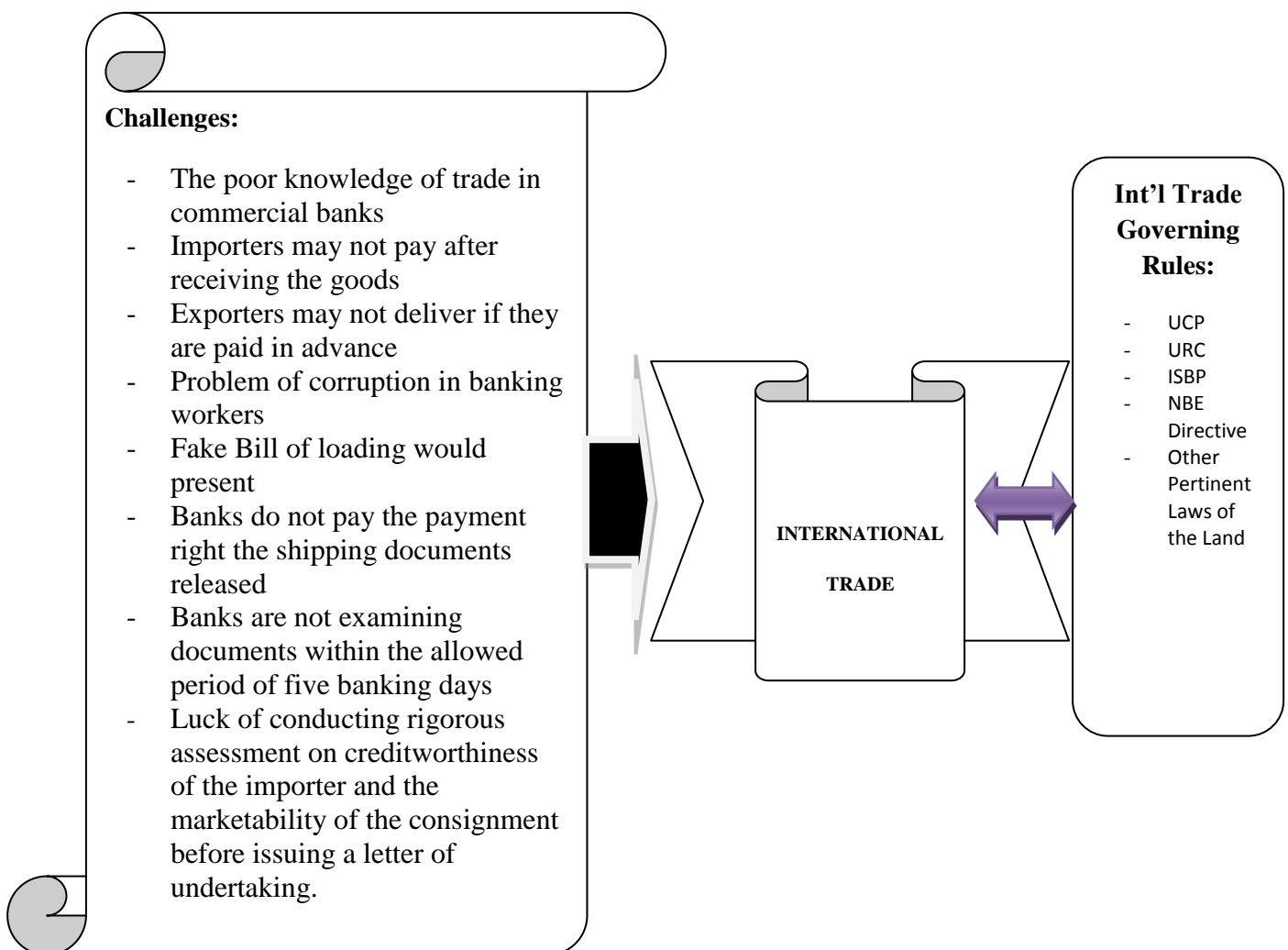


Figure 2.1: Conceptual Framework of the Study

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section of the study presents the methodology that the researcher used to select sample, collect data and analyze the data in accordance with assessing the international trade practices and its challenges of selected private commercial banks.

#### **3.2 Research Design**

A descriptive research intends to present facts concerning the nature and status of a situation, as it exists at the time of the study and to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research (Creswell, 1994). Likely the study has adopted a descriptive research design in trying to examine the extent to which some selected banks facilitate international trade operations in line with the UCP, URC, ISBP, NBE directives and other pertinent laws of the land.

#### **3.3 Source of Data**

The researcher has used primary source of data to undertake the study. The primary source will consist of information gathered through structured questionnaires from employees of the selected private commercial banks which includes quantitative data.

#### **3.4 Data Collection Method**

The researcher used questionnaires to gather the primary data from the employees of selected banks. The questionnaire constructed having three major parts. The first part questions are about personal profiles of the respondents. While, the second part examines the compliance level of international trade operation against the UCP, URC, ISBP, NBE

directives and other pertinent laws of the land and the third part examine the current practice of international trade facilities of a given banks. Finally, the fourth part deals about the challenges of selected banks they face while they deliver their day to day operation. The five Likert scales used for representing a range of attitudes of respondents.

### **3.5 Population and Sample Size**

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

The sample was selected based on purposive sampling. The study was conducted on five selected private commercial banks in the country namely: wegagen bank, NIB bank, cooperative bank of oromia, abay bank and addis international bank.

The population of the study hold all employees who are assigned at international banking department of the selected private commercial banks and the sample size of the study consists of all employees who are assigned in international banking work unites.

Questionnaires were distributed to the following employees of selected Ethiopian private commercial banks.

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

No.	Bank Name	All employee in international banking department
1	Nib International bank	28
2	Wegagen Bank	29
3	Cooperative bank of oromia	32
4	Abay bank	14
5	Addis International bank	14
Total Population		<b>117</b>

### **3.6 Method of Data Analysis**

The choice of analysis procedures depended on how well the techniques satisfactorily matched the objectives of the study to the scale of measurement of the variables in question. Descriptive statistics like mean, mode, frequency, and standard deviation will be used. Data was then be coded and entered into Statistical Package for Social Sciences (SPSS) version seventeen (17). SPSS was more users friendly and it is popular because many data sets were easily loaded into it and other programs were easily imported into files. The researcher would use frequencies tables, mostly for data presentation. This would ensure that the gathered information was clearly understood and make the presentation easier.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1. Introduction**

The analysis and interpretation of this study is based on the data collected from the employees of the five selected private commercial banks namely Wegagen Bank S.C, Nib Bank , Cooperative Bank of Oromia , Abay Bank S.C and Addis International Bank S.C. The data was collected through structured questionnaire. The questionnaires were distributed and administered with the kind coordination of the International Banking department of the selected banks. The questionnaires were included all staffs of the said private commercial banks and physically distributed to 117 employees giving special attention to accommodate the older, middle and recent class of private commercial banks. All the distributed questionnaires were properly filled and well received from the above mentioned banks and this represents a response rate of 100%.

Sample size and returned questionnaires is 117 and Completed and Returned Questionnaires 117 response Rate of 100%. Therefore, the data gathered were organized and analyzed in a manner that enables to answer the basic research questions raised at the beginning of the study.

This chapter is broadly categorized in to three sections. The first section explores the respondents' profile. The second section deals with descriptive data analysis part which



comprises the overall compliance level and current practice of the international trade services of the selected private commercial banks.

Finally the third section shows the practically observed challenges pertaining to the international trade service facilities of the selected private commercial banks and it has given a vital feedback for the most critical challenges prevailing in the sector.

#### 4.2. Review of Respondents Profile

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

**Table 4.1:** Gender of Respondents

<b>Description of Item</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Male	47	40.2	40.2	40.2
Female	70	59.8	59.8	100.0
<b>Total</b>	117	100.0	100.0	

*Source: Own Survey (2018)*

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

The survey clearly showed that there were more females as compared to males. Female respondents represented 59.8%; on the other hand 40.2% were males. This kind of female dominance is highly appreciated and better to be implemented on the other sectors. As a result, this might force to say there is an appropriate mix of gender in the study.

**Table 4.2:** Education Level of Respondents

<b>Description of Item</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Diploma	11	9.4	9.4	9.4
1 <sup>st</sup> Degree	82	70.1	70.1	79.5
Masters & above	24	20.5	20.5	100.0
<b>Total</b>	117	100.0	100.0	

*Source: Own survey (2018)*

Table 4.2 shows the demographic information of the respondents. Moreover, it summarizes the respondents' education level. Information on level of education might give the researcher a clue about respondent understands level about the issues raised on the survey questionnaires. More than ninety percent of the respondents are first degree and above and this indicates that most of the respondents are in a better understand and evaluate banking service quality dimensions. While the diploma holders are categorized under the least group of respondents comprising 9% of the total respondents.

**Table 4.3:** Age Profile of Respondents

<b>Description of Item</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
18-30	46	39.3	39.3	39.3
31-40	65	55.6	55.6	94.9
41-60	6	5.1	5.1	100.0
>60	0	0	0	100.0
<b>Total</b>	117	100.0	100.0	

Source: own survey (2018)

Likewise table 4.3 shows the age demographic information of the respondents. Likely to the education level, the information on age might give the researcher a clue about respondents' understanding level about the issues raised on the designed structured questionnaires. Consequently, more than 60% of the respondents are under the age of 31 and above which constitute 71 employees from the total sample size 117. The 46 employees were under the age range of 18-30 years which comprises 39.3% of the total sample size.

**Table: 4.4** Service Years and Designation of Respondents

Description of Item	Frequency	Percent
1-5	16	13.7
5-10	52	44.4
>10	49	41.9
<b>Total</b>	<b>117</b>	<b>100.0</b>
Description of Item	Frequency	Percent
Managerial	17	14.5
S. Officer	24	20.5
Officer	56	47.9
J. Officer	20	17.1
<b>Total</b>	<b>117</b>	<b>100.0</b>

*Source: Own Survey (2018)*

Pursuant to table 4.4, 86.3% of survey respondents indicated that they had more than five years of banking experience. The remaining 13.7% were settled serving the banking sector from one year up to five years set of banking experience.

When we see the positions of the respondents in banking sector, the large group or 47.9% of respondents were international banking officers. The second largest numbers about 20.5% of respondents were senior international banking officer, junior officers while 17.1% and the remaining 14.5% were classified under the managerial designation level (Table 4.4).

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

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

Thus, it's difficult to think of doing import and export business without the involvement of banks as it's clearly shown on the statement of the problem. This shall forced the banks to be compliant against the internal procedures, the UCP, URC, ISBP, NBE directives and other pertinent laws of the land so that to play a vital role in providing working capital needed for international trade transactions, and providing the means to diminish payment risks (Committee on the Global Financial System, 2014).

The duties and responsibilities of each involved banks also clearly stated on the international trade finance service governing rules namely UCP, URC, ISBP and locally the NBE directives also considered. In this section the researcher tried to discover the compliant level of the current international trade finance service of the selected private

commercial banks. Seven questions were designed to show the compliance level of the said banks international trade finance service.

**Table 4.5:** Percentage Composition of Non-Compliant Practice

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

Description of Items	Level of Agreement					Mean	Std. Dev
	1	2	3	4	5		
The internal procedure is revised while there is a change is observed on UCP, URC, ISBP, NBE Directive and other	30.0	43.6	9.4	10.2	6.8	2.38	1.209
UCP, URC, and ISBP standards are sufficiently available	29.1	47.9	14.5	6.0	2.6	2.05	.955
The job knowledge of employees is sufficient with regard to the governing rules and payment methods	26.9	47.0	11.1	10.7	4.3	2.27	1.103
The existing training is sufficient and helpful for the development of employee's efficiency and level of competency.	19.2	36.7	25.3	11.2	7.6	2.60	1.253
There is enough RMA and correspondent bank relationship with foreign banks.	16.2	58.1	16.2	4.3	5.1	2.24	.953

*Source: Own Survey (2018)*

According to table 4.5 results, more than 73% of the respondents deep-rooted as there are a gap on timely revision of the internal procedure, job knowledge of employees, and RMA and correspondent banks relationship.

Likely it is occurred on question one that, banks are not timely amended their internal procedure while there is a change is transpired on the above mentioned international governing rule and NBE directives. More than 73% of respondents were vindicated a response that the existing procedural manual is not timely amended whenever a change is observed on UCP, URC, ISBP, NBE Directive and other pertinent laws of the land.

In fact that on time revision of internal procedure is paramount important to enhances efficiency thereby creating awareness on the necessity of the amended issues for each operation area and other pertinent laws of the land. In addition it's also a supreme in instituting uniform and standard practice across the bank and guiding operators in their day to day activities while rendering trade service to customers.

The publication of UCP, URC, and ISBP standards are also not sufficiently and timely available to operators for further reference and guidance of their day to day operations. This response holds 77% of the respondent's confirmation and it's the highest confirmation rate as compared to the remaining four questions return. This shortage of standards might also affect the on time revision of internal procedure since the said publications are not timely delivered to the operational staffs.

The least confirmation 55.9% of the respondents was vindicated their response on the existing training availed for the employees. They have not yet enough confident on the

importance of the existing operational training which might affect the development of the employee's efficiency and level of competency.

**Table 4.6:** Percentage Composition of Compliant Practice

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

Description of Items	Level of Agreement					Mean	Std. Dev
	1	2	3	4	5		
On time availability of NBE import and export delinquent list	1.7	7.7	12.	42.7	35.9	4.03	.973
On time revision of L/C & CAD document examination check	14.5	17.9	14.5	43.6	9.4	3.15	1.25

*Source: Own Survey (2018)*

In reference to table 4.6 result, the overall confirmation of the respondents comprising more than 50% response rate vindicated that the timely provision of NBE import and export delinquent list and revision of L/C and CAD document examination check list. Here the response for the timely delivery of NBE import and export delinquent list is consists of 78.6%. Whereas, the response rate for the on time revision of L/C and CAD document examination check list holding 53% response of the total respondents. Thus the response rate is not endorsing the best performance of the selected private commercial banks since the remaining 47% of the respondents are not confirmed with their kind response on the said issues.



Therefore, the overall compliance performance of the selected private commercial banks cannot be taken as complying institutions toward the commonly known international trade finance service governing rules namely, UCP, URC, ISBP, and NBE Directives. However, it's observed that there is a remarkable performance on the revision of L/C and CAD examination check lists which should be transformed to the remaining operational procedures for further guidance and reference of the operational staffs.

#### **4.4. International Trade Finance Practice**

In the subsequent table it's briefly presented the results of the international trade finance practice of the selected private commercial banks giving a special attention to the import documentary credit, import documentary collection, export documentary credit and export documentary collection mode of payments. All the designed measurement parameters were described to all the time, most of the time, I Don't Know, sometimes and never level of assessment. Accordingly, 1 denotes never, 2 denote sometimes, 3 denote I don't know, 4 denotes most of the time and finally 5 denotes all the time.

#### 4.4.1. Current Practice of Import Documentary Credit (LC)

**Table 4.7:** Current Practice of Import Documentary Credit (LC)

*Where (1-Never, 2- Sometimes, 3- I don't Know, 4-Most of the time and 5-All the time)*

Description of Items	Level of Assessment					Mean	Std. Dev
	1	2	3	4	5		
Credit worthiness assessment of the importer before issuing an L/C margin facility.	32.5	46.2	4.3	15.4	1.7	3.92	1.068
Marketability assessment of the consignment while the L/C is approved with margin facility	16.2	58.1	7.7	14.5	3.4	3.69	1.021
Timely notification of discrepancies to the applicant and presenting bank within 5 banking days	5.1	44.4	21.4	9.4	19.7	3.06	1.241
Payment authorization of L/C document amount within five banking days	18.8	40.2	8.5	26.5	6.0	3.39	1.231
Customers are well informed to any of the discrepancies observed before accepting the said discrepancies	17.9	43.6	17.9	5.1	15.4	3.44	1.282
Customers are well informed to ask any of ambiguities pertaining to the trade service facilities	6.0	52.1	4.3	26.5	11.1	3.15	1.208
Employees are well capable of examining the commercial documents in line with the designed L/C document examination check list	16.2	55.6	8.5	14.5	5.1	3.63	1.080
Employees are enough capable to assist the applicant in properly filling out the L/C application	27.4	38.5	11.1	16.2	6.8	3.63	1.236

*Source: Own Survey (2018)*

Pursuant to table 4.7 result, the response of the respondents replies that the current import documentary credit practice of the selected commercial banks is not striking as more than half of the respondent's response rate portrays the sometimes and never level of assessment.

For instance, marketability assessment of the consignment and credit worthiness assessment of importers is not striking as more than 74% of the level of respondent's response depicts the sometimes and never perception level. Likely, more than 65% of respondents were confirmed that employees are not enough capable of examining the commercial documents in line with the designed L/C document examination check list and assisting the applicants in properly filling out the designed L/C application form which was a foundation path to construct the L/C 700 undertaking message.

In addition, the researcher also confirmed the existence a viable gap on timely notification of discrepancy both to the presenting banks and applicants within the five banking days. Likely applicants are also not yet ready and instantaneous to raise any of ambiguities pertaining to the international trade operations as respondent's sometimes and never level of assessment depicts 49.5% and 58.1% respectively. Finally, 59% of respondents were confirmed that banks are enough capable of releasing the payment authorization of L/C document amount within five banking days.

Furthermore, respondents were also recommended some possible operational training on the space provided under the open ended questions which will successfully assist the efficient facilitation of the existing international trade finance service. Training on UCP, URR, ISBP, INCOTERMS and the NBE directives are among the recommended trainings.

It's also concluded that there is lack of informing all the concerned work units toward the major operational change as required and the shipments also made prior to the approval of the foreign currency and after the expiry period of the consignment. The respondents were also kindly provided their possible solutions for further resolution of the above mentioned problems. Likely, the continual training and practical experience sharing session is highly advised so that to enrich the job knowledge of employees and provide a better service and create awareness to the customers in general.

#### 4.4.2. Import Documentary Collection (CAD) Practice

**Table 4.8:** Percentage Composition of Import Documentary Collection (CAD) Practice

*Where (1-Never, 2- Sometimes, 3- I don't Know, 4-Most of the time and 5-All the time)*

Description of Items	Level of Assessment					Mean	Std. Dev.
	1	2	3	4	5		
Examination of shipping documents against PO approval date and duration period.	17.9	10.3	7.7	35.9	28.2	2.54	1.454
Timely paying practice of CAD documents right the document released.	14.5	57.3	5.1	17.1	6.0	3.57	1.117
Timely informing practice of customers on the arrival of documents	27.4	9.4	1.7	12.0	49.6	2.53	1.76
The bank is actively urge customers to take up documents as early as	22.2	50.4	6.8	16.2	4.3	3.70	1.116

possible							
The ongoing follow up of banks practice on effected CAD payments	15.4	42.7	6.0	24.8	11.1	3.26	1.296
Sending performance of advice of payments to the remitting bank via swift	59.0	34.2	.9	3.4	2.6	4.44	.885
Sending performance of nonpayment or non-acceptance of the documents to the remitting bank without delay via swift	29.9	52.1	10.3	2.6	5.1	3.99	.987
Document returning performance of banks to the remitting banks within 60 days	17.1	45.3	7.7	19.7	10.3	3.39	1.266

*Source: Own Survey (2018)*

According to table 4.8 results, the 64.1% of respondents were confirmed the existence of documents examination practice along with a side check against the purchase order approval date and total duration period.

Whereas, 71.8% of respondents were confirmed that there is a late payment practice of the document amount that is agreed up on cash against documents (CAD) mode of payment. As it's noted by Niepmann, (2014), banks merely transfer the ownership rights of CAD documents from the seller to the buyer up on the collection of the document amount from the buyer. That is why it's highly required by the seller that banks immediately authorize

and release the payment instruction either through their correspondent banks or direct contact to the beneficiary bank. However, this result was observed in contrary to the above governing principle clearly stated on the URC 522.

Unlike to the payment practice, the selected banks were better with regard to informing practice up on the arrival of CAD documents comprising a 61.6% response rate. The 38.4% of the respondents were also confirmed that there is none informing practice on the arrival of the CAD documents which might affect the on time payment and settlement of the drawer. There is also a problem on the actively urging customers to take up documents as early as possible thereby writing a frequent reminders and a kind follow up to the drawers. This also confirmed by 72.6% of respondents. In addition, these banks are not returning non accepted CAD documents to the remitting banks within the allowed 60 days period as 62.4% of the respondents confirmed with their sometimes and never perceived level of response.

Consequently, a weak performance were observed on the ongoing follow up of banks pertaining to the authorized payments and timely sending of advice of payments to the remitting or seller's bank via swift. This would negatively affect the banks reputation and acceptance in the eyes of foreign banks since such early communication and follow up is highly required for future business relationship and correspondence as well.

Furthermore, the respondents were also tried to mention some problems encountered during their day to day operation under the designed open ended questionnaires. Suppliers and item change and agreeing the shipment operation with the seller prior to the foreign currency approval would take the major share as compared to the remaining problems. Due

to misunderstanding the shipping and commercial documents were also presented in person to the bank counter which is in contrary to the NBE directive and URC 522. In such cases banks will hold the document until the original documents will be resent through the bank's postal address. This will play a major role in delaying the payment and settlement of the document amount to remitting bank for further transfer to the final beneficiary. In addition, importers fail to timely collect the shipping documents thereby paying all the necessary charges and document value as required.

The respondents were also forwarded the possible solution to overcome the above mentioned problems. Awareness creation and training is recommended so that exhaustively resolve the unnecessary item and supplier change and shipping the consignment prior to the approval of foreign currency.

#### 4.4.3. Export Documentary Credit (LC) Practice

**Table 4.9:** Percentage of response on Export Documentary Credit (L/C) Practice

*Where (1-Never, 2- Sometimes, 3- I don't Know, 4-Most of the time and 5-All the time)*

Description of Items	Level of Assessment					Mean	Std. Dev.
	1	2	3	4	5		
Credibility assessment of issuing bank before L/C advising	30.8	43.6	7.7	14.5	3.4	3.84	1.122
Promptly examining of the	6.8	18.8	5.1	53.0	16.2	2.47	1.171

terms and conditions of the L/C							
Strictly advice of the compliant presentation of commercial documents	4.3	15.4	3.4	53.0	23.9	2.23	1.109
Advance payment practice of banks pertaining to the discrepant documents	45.3	33.3	1.7	11.1	8.5	3.96	1.302
Request for personal guarantee up on negotiation of discrepant documents	27.4	41.9	2.6	17.9	10.3	3.58	1.334

*Source: Own Survey (2018)*

Pursuant to table 4.9 result, the response of the respondents was positively act in response to the current practice of promptly examining the terms and conditions of the L/C thereby kindly discussing the matter with the respective exporters so that to present a complying documents as required. More than 69% of the respondents were forwarded as there is a practice on the said matter remarking all the time and most of the time perception level agreement. Likely banks also promptly advices their exporters to bring the complying commercial and shipping documents timely right the shipment is made to the agreed consignment comprising 76.9% all the time and most if the time level of agreement.

However, 74.4% of the respondents were unenthusiastically reacted on the early credibility assessment of issuing banks before advising the letter of undertaking L/C to the respective



exporters. The said percent was comprises the sometimes and never perception level of respondents.

The provision of advance facility for export discrepant documents was also consistently applied for the selected private commercial banks. Accordingly, sometimes and never response level were comprises 78.6% as compared to the remaining perception level.

Finally, banks are experiencing not to request exporters to bring personal guarantee while they negotiated discrepant documents. Such practices might suffer exporters to timely receiving the expected earning as they have not yet acquired the forced measure and advantage up on the consignment. This result was supported by the 69.3% of the respondents giving their kind response to the sometimes and never perception level.

As per the response acquired through the structured open ended questions, it's kindly noted that most of the presented export documents are discrepant and exporters are also not willing to amend and give enough time to check the presented documents against the term and conditions stated on the 700 letter of undertaking. The associated service charges are also suffering the expected export earnings.

Likewise to the possible solutions were forwarded on the import documentary credit practice, the respondents are kindly advised to train and create awareness on the necessity of compliant presentation of export documents and strictly checking the presented documents against the terms and conditions of the letter of undertaking issued.

#### 4.4.4. Export Documentary Collection (CAD) Practice

**Table 4.10:** Percentage of response on Export Documentary Collection (CAD) Practice

*Where (1-Never, 2- Sometimes, 3- I don't Know, 4-Most of the time and 5-All the time)*

Description of Items	Level of Assessment					Mean	Std
	1	2	3	4	5		
Examination of long lasting business relationship between buyers and sellers	52.1	23.1	2.6	15.4	6.8	3.98	1.339
Frequency of swift messages forwarded to the drawee bank	22.2	57.3	1.7	11.1	7.7	3.75	1.152
Examination of outstanding CAD balance before issuing additional export permit	6.0	12.0	3.4	23.1	55.6	1.90	1.269

*Source: Own Survey (2018)*

More than 78% of the respondents were confirmed that banks are promptly examining the outstanding CAD balance before issue the subsequent export permit. The sum of all the time and most of the time response rate exceeds the remaining perception level.

However, banks are not promptly examining the long lasting business relationship between buyers and sellers on the documentary collection mode of payments. This will be paramount important to the employees of the selected banks to strictly inform the possible

challenges to the newly entered exporters before the shipments are made. But more than 75% of the respondents were witnessed the existing scenario is not applied in line with such best practices thereby giving their response to the sometimes and never level of agreement.

Moreover, the selected banks were also not enough capable to conduct the ongoing follow up and send the swift messages to know the status and whereabouts of the document sent. The 79.5% of respondents were confirmed thereby giving the response to sometimes and never perception level. Whereas, such practices will much helpful to timely acquire the expected export earnings and credit the equivalent birr amount to the respective customer account.

Pursuant to the open ended question's response, in general exporters are not well capable to understand the working procedures and challenges in association with each of the payment modes namely, Consignment, Advance payment, L/C and CAD. Lastly respondents were forwarded their kind solutions pertaining to the identified understanding gap of the exporters. Likely the respondents are kindly advised to deliver the ongoing training and create awareness at least to the newly entered exporters so that to update the newly amended NBE requirements and challenges concerning the export business operations in general.

#### 4.5. Challenges of International Trade Finance Service

This is the most important facet of the study and it was also played a major role in identifying the challenges along with their respective level of rating scale taking a case to the five selected private commercial banks.

The perceived challenges are presented in accordance with the said rating scale and percentage of respondents who are scoring challenges as not important, can deal with, moderate, critical and very critical.

**Table 4.11:** List of Challenges

*Where (1=Not important, 2=can deal with, 3=moderate, 4= Critical, 5=Very critical).*

Description of Items	Level of Rating Scale					Mean	Std.
	1	2	3	4	5		
Poor knowledge of international trade in commercial banks	5.1	12.8	12	35.9	34.2	2.81	1.189
The corruption problem of banking workers	14.5	19.7	9.4	33.3	23.1	2.31	1.399
The nonpayment practice of banks right the shipping documents released	12	6.8	8.5	32.5	40.2	2.82	1.349
Banks are not examining documents within the allowed period	8.5	17.1	11.1	33.4	29.9	2.59	1.307
Luck of conducting rigorous assessment on creditworthiness and marketability	3.4	15.4	18.8	35	27.4	2.74	1.125

*Source: Own Survey (2018)*

As table 4.11 shows, the above mentioned challenges are classified among the critical and very critical lists of challenges. Accordingly, the challenge that banks do not release the associated payment right the shipment and other commercial documents forwarded to the drawer comprises 72.7% of respondent's response rate. The poor employee's knowledge was taken as a second challenge holding 70.1% confirmation rate of respondents. Thirdly, banks are not examining and delivering the status of the commercial documents within the allowed five banking days as required on the URC 522, URR and UCP governing rules.

**Table 4.12:** List of Rarely Observed Challenges

*Where (1=Not important, 2=can deal with, 3=moderate, 4= Critical, 5=Very critical).*

Description of Items	Level of Rating Scale					Mean	Std.
	1	2	3	4	5		
Importers may not pay after receiving the goods	57.3	19.7	12.8	6.8	3.4	.79	1.118
Exporters may not deliver if they are paid in advance	65.0	21.4	6.0	2.6	5.1	.62	1.065
Fake Bill of loading presentation	49.6	29.1	16.2	1.7	3.4	.80	1.002

*Source: Own Survey (2018)*

As per table 4.12, the above mentioned three challenges were categorized under the rarely faced challenges as the not important and can deal with rating scale of the respondents comprises more than 77% response. More than 86% of respondents were confirmed that the possibility of exporters may not deliver if they are paid in advance is not mentioned as critical and very critical challenges. Secondly, the fake bill of loading also would not

mention as critical and very critical challenges as compared to the rest of two challenges comprising 78.7%. Finally, the selected banks were confirmed that such practices that importers may not pay after receiving the goods is not concluded as critical, very critical and even moderate challenges. Since more than 77% of the respondents were exhaustively confirmed as such type of challenge is not yet practically observed.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1. CONCLUSION

The study found that respondents are in an appropriate mix in terms of banking experience and this might indicate that most of the respondents were in a better form to understand the subject matter and thoroughly examine the existing practice of the international trade finance service operation.

Pursuant to the study result, the following conclusions are drawn:

- Nearly all of the respondents are profoundly confirmed that there is a non-compliance activities occurred on timely revision of the internal procedure, current job knowledge of employees, corruption problem of banking workers, existing training facilities and RMA and correspondent banks relationship. The publication of UCP, URC, and ISBP standards are also not sufficiently and timely available to operators for further reference and guidance of their day to day operations.
- Furthermore, the overall response of the respondents also depicts that the current practice of the selected private commercial banks is not in strict compliance with international rules as the most of the respondent's response consist of the sometimes and never perception rate also for the compliance case strongly dis-agree and dis-agree perception rate. However, it's also observed that there is an incredible performance on the timely revision of L/C and CAD examination check lists which should be transformed to

the remaining operational procedures for further guidance and reference to the operational staffs.

- Furthermore, the researcher tried to examine the current practice of the selected private commercial banks international trade finance operation giving a special attention to the import and export documentary collection and documentary credit mode of payments. Persistently, some operational mismatches were observed in the entire mentioned mode of payments.
- The respondents were also forwarded their possible solutions on the open ended questions to the problems encountered while their day to day operations is going on. Consequently, continual on the job training and practical experience sharing is highly advised so that to enrich the job knowledge of employees and successfully assist the efficient facilitation of the existing international trade finances service.
- Finally the study concluded that the poor knowledge of employees, corruption problem of banking workers, the nonpayment practice and non-examination of documents with the allowed period and lack of conducting rigorous assessment on creditworthiness and marketability of the consignment were considered as the challenges. However, the remaining three challenges were considered as non-critical and very critical challenges. In general most of the respondents were clearly confirmed that the nonpayment practice of importers was not observed in their day to day operation. In addition, the challenge that exporters may not deliver if they are paid in advance is also the same challenges which was not yet practically observed comprising the kind respondent's level of agreement. Lastly, fake bill of loading documents were also not yet presented.



## 5.2. RECOMMENDATION

Here, the researcher forwarded the following possible solutions to all stakeholders and the main theme of the recommendation focuses on the proper improvement and application of the existing operational manual and international governing rules respectively.

⇒ It's highly recommended to sufficiently avail the operational trainings and awareness creation session on the international governing rules namely, on UCP, URR, ISBP, and INCOTERMS both to operational staffs and end users as well.

⇒ It's also better if the existing operational manual is amended against the recently changed terms and conditions on the said international governing rules for efficient application of the required standards and creates reasonable awareness to the banking workers. Besides, banks required to assign a permanent work unit for timely acquire and keep abreast of any changes to the international governing rules and NBE directives.

⇒ It's profoundly recommended payments for CAD documents should be executed within the allowed period and this operation will demand a separate work unit which so ever effectively manage the available fund on demand as such malpractices might affect the banks as well as the countries reputation in general.

⇒ In general, as current observed practices are changing over time, bank practitioners are advised to examine and evaluate their current practices and compliance level against the international governing rules, NBE Directives and other pertinent laws of the land. Since, wisely improvement of service quality and gaining a strategic advantage and survival in

today's ever-increasing competitive environment comes from such continuous and regular measurement of the company's performance.

### **5.3. DIRECTION FOR FUTURE RESEARCH**

This study was conducted to merely examine the current practice and challenges of international trade finance service of five selected private commercial banks.

However, the present study has a number of limitations which can be overwhelmed by the future studies. Here the nature of sampling unit under study cannot be generalized to a larger population and future researches should have to draw sample of respondents on more number of banks for the sake of generalizing the results of the study. This might also create a comprehensive picture about current nationwide practice and challenges of international trade finance operations.

Furthermore, it's better if the proposed model can also be extended to the remaining international trade finance services which was omitted in this study like advance payments, pre-shipment and post shipment finance, consignment, international money transfer and SWIFT operation.

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## APPENDIX I

**St. Mary's University**  
**School of Graduate Studies**  
**Faculty of Business**  
**Questionnaire**

First of all I would like to forward my heartfelt gratitude and respect to you for administering this questionnaire honestly and responsibly. This questionnaire is designed to collect necessary information to conduct preliminary assessment on assessment practice and challenges of international trade finance service in case of selected Ethiopian private commercial banks.

Your feedback of this survey is extremely important and will be very much appreciated.

Finally, I would like to confirm you that all the information you provide in this questionnaire will be confidential and will only be used for the research purpose.

Thank you very much for your significant contribution to the accomplishment of the research.

Sindu Abebe \_\_\_\_\_

MBA Prospective Graduate

### **Part I: Respondent's Background Information**

1. Sex

Male  Female

2. What is your level of education?

Diploma  Degree  Masters & Above

3. Age

18-30  31-40  41- 60  >60

4. Work Experience ( in years)

1-5  5-10  More than 10

5. Position      Managerial  Senior officer's  officers  Junior officer's

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

The following questions consist of the feature that relate to your feelings about the overall assessment of international trade service practice of your bank.

*Please put “√” mark in each of the five range of attitude that is close to your view of expectation.*

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

Sl.No.	Description of Items	Score(1-5)				
		1	2	3	4	5
1.	The available International Trade service procedure is revised whenever the change is observed to UCP, URC, ISBP, NBE directives and other pertinent laws of the land?					
2.	The latest publication of UCP, URC and ISBP standards are Sufficiently available to employees of the bank?					
3.	Import and export delinquent lists, new and revised NBE Directives are available on time?					
4.	The level of job knowledge of employees is sufficient especially with regard to the trade payment methods, UCP, URC, ISBP, NBE directives and other pertinent laws of the land?					
5.	The existing training is sufficient and helpful for the development of employee’s efficiency and level of competency?					
6.	Import L/C & CAD document examination check list is revised Whenever there is amendment to UCP, URC, ISBP, NBE directives and other pertinent laws of the land?					
7.	Your bank has enough RMA and correspondent bank relationship with foreign banks as its paramount important to deal any of difficulties pertaining to trade service operations?					



**Part III: Questions Designed to examine the overall practice of International Trade Service practices.**

**Section 1: Import Letters Of Credit (L/C)**

*Where (1-Never, 2-Sometimes, 3- I don't Know, 4-Most of The time and 5-All the Time)*

SI.No.	Description of Items	Score(1-5)				
		1	2	3	4	5
1.	The concerned department of the bank assesses the credit worthiness of the importer before issuing an L/C margin facility?					
2.	the concerned department assess the marketability of the Consignment while the L/C is approved with margin facility?					
3.	Your bank is timely notified the discrepancy to the applicant and presenting bank of any discrepancies within 5 banking days?					
4.	your bank is authorized L/C document amount within five working days once the document examination is completed and Discrepancy is notified and accepted (if any)?					
5.	Customers are well informed to any of the discrepancies observed before accepting the said discrepancies?					
6.	Your bank customers are well informed to ask any of ambiguities pertaining to the trade service facilities?					
7.	Do you think that you are capable of well examining the commercial documents in line with the designed L/C document examination check list (if any)?					
8.	Employees of your bank are enough capable to assist the applicant in properly filling out the L/C application?					

9. Would you propose possible trainings which might help the successful and efficient facilitation of international trade operations?

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10. What problems, malpractices and instances of non-compliance with NBE directives and international standard practice do you observe pertaining to the handling of import L/C?

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11. What possible remedial solutions do you propose for further resolution of the above mentioned problems and malpractices (if any)?

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**Section 2. Import Documentary Collection**

*Where (1-Never, 2-Sometimes, 3- I don't Know, 4-Most of The time and 5-All the Time)*

SL.N o.	Description of Items	Score(1-5)				
		1	2	3	4	5
1.	The collected commercial documents are received evidencing that shipment of goods were effected prior to Purchase Order approval?					
2.	Your bank is actively paying all CAD documents right the document is released to the importer?					
3.	Your bank is promptly informing customers on the arrival of shipping documents?					
4.	Your bank is actively urge customers (by way of 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> letter reminders) to take up documents as early as possible?					

5.	Your bank follows the status of effected CAD payments once the buyer takes up the collection documents?					
6.	Your bank is sending advice of payments to the remitting bank by SWIFT right the authenticated authorization is released to the bank's correspondent bank?					
7.	The bank is promptly sending the advice of non-payment or non-acceptance to the remitting bank without delay in the case where drawee fails to take up the documents?					
8.	Your bank returned back the commercial documents to the remitting bank within 60 days after?					

9. What problems, malpractices and instances are observed while your bank is doing the ongoing operation?

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10. What are the possible solutions do you propose in order to solve the problems, and avoid such malpractices?

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**Section 3. Export Letters of Credit**

*Where (1-Never, 2-Sometimes, 3- I don't Know, 4-Most of The time and 5-All the Time)*

Sl.No.	Description of Items	Score(1-5)				
		1	2	3	4	5
1.	The credibility of the issuing bank is assessed before advising the L/C to the beneficiary?					
2.	Your banks promptly examine the terms and conditions of the L/C and discuss with the exporter to check if he/she can make a complying presentation?					
3.	Your bank advises the exporters to present compliant commercial documents right the shipment is issued?					
4.	Your bank executed export proceeds to exporters (make negotiation for advance facility) against discrepant documents?					
5.	Your bank requested the exporter to bring a personal guarantee when negotiating discrepant documents?					

6. What problems, malpractices and instances are observed while your bank is doing the ongoing operation?

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7. What are the possible solutions do you propose in order to solve the problems, and avoid such malpractices?

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#### Section 4. Export Documentary Collection

Where (1-Never, 2-Sometimes, 3- I don't Know, 4-Most of The time and 5-All the Time)

Sl.No.	Description of Items	Score(1-5)				
		1	2	3	4	5
1.	Do you determine having a long lasting business relationship between buyers and sellers on documentary collection basis?					
2.	Do you send SWIFT message to the Drawee Bank after sending documents?					
3.	Do you check outstanding documentary collection balance before you issue a subsequent export permit under cash against document basis?					

4. What are the practical gaps between NBE directives and international standard practice for documentary collection and how do you see the challenges and malpractices in the context of Export Documentary Collection?

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5. What is the possible mitigation means in order to come up these challenges and malpractices?

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**Part IV: Questions designed to examine the challenges observed pertaining to international trade facilities**

1. Did your bank face the following challenges?

Please rate each one of them on a scale of 1-5 (Not important = 1, can deal with = 2, moderate = 3, Critical=4, Very critical = 5).

Put “√” mark in the appropriate column to specify the availability of each of challenges against the rating scales.

Sl. No.	Challenges	Score (1-5)				
		1	2	3	4	5
1	The poor knowledge of trade in commercial banks					
2	Importers may not pay after receiving the goods					
3	Exporters may not timely deliver if they are paid in advance					
4	Problem of corruption in banking workers					
5	Fake Bill of loading would present					
6	Banks do not pay the payment right the shipping documents released					
7	Banks are not examining documents within the allowed period of five banking days					
8	Lack of conducting rigorous assessment on creditworthiness of the importer and the marketability of the consignment before issuing a letter of undertaking.					

Thank you for filling out the questionnaire!

## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Zemenu Aynadis, PhD. All sources of materials 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 institution for the purpose of earning any degree.

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Name

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Signature

**St. Mary's University**

**June, 2018**

**Addis Ababa**

## **ENDORSEMENT**

This thesis, titled “Assessment of practice and challenges of international trade finance service of selected Ethiopian private commercial banks” has been submitted to St. Mary’s University, School of Graduate Studies for MBA program with my approval as a university advisor.

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Advisor

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Signature

**St. Mary’s University**

**June, 2018**

**Addis Ababa**