ST. MARY’S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF INTERNATIONAL TRADE SERVICE OPERATION
AT COMMERCIAL BANK OF ETHIOPIA

BY
BETE BIRHANE

June, 2018
ADDIS ABABA, ETHIOPIA
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BETE BIRHANE
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A THESIS SUBMITTED TO ST. MARY’S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

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APPROVED BY BOARD OF EXAMINERS

__________________________________________
Dean, Graduate Studies

Signature & Date

__________________________________________
Advisor

Signature & Date

__________________________________________
External Examiner

Signature & Date

__________________________________________
Internal Examiner

Signature & Date
DECLARATION

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

____________________________  _________________________
Name                                   Signature

St. Mary’s University, Addis Ababa        June, 2018
ENDORSEMENT

This thesis has been submitted to St. Mary’s University, School of Graduate Studies for Examination with my approval as a university advisor.

Dr. Solomon Markos (Assistant Professor)  

Advisor  

St. Mary’s University, Addis Ababa  

June, 2018
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<td>FCY</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>TS</td>
<td>Trade Service</td>
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ABSTRACT

International trade is the exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP). Global and local banks support international trade through a wide range of products that help their customers manage their international payments and associated risks, and provide needed working capital. The research, a descriptive study using the survey method, aimed to assess the trade service practices of Commercial Bank of Ethiopia, identify challenges that affect the processes, find out possible instances of non-compliance with international and local standard banking practices and identify familiarity and information gaps among the bank staff with regards trade service operations. Data was collected through questionnaire from a total sample of 273 employees; Data collected from the questionnaire were analyzed using SPSS version 20. The study has identified there are instances of non compliance with international rules and regulations, this occurred due to lack sufficient balance at foreign correspondent banks. Lack of good communication skill of TS personnel, unable to update TS procedure manual as per specified schedule and the schedule of foreign currency approval time are the challenges that affect the trade service process at CBE. delay of payment to remitting banks after releasing the collection document to customers, lack of proper knowledge about the buyers and sellers specially in case of advance payment, lack of assessment about the credibility of the issuing bank and lack of follow up to collect guarantee claim and commission are the risk areas in which expose the customers to the risk of making payment to unreliable sellers and also exposed the bank to loss of goodwill with foreign correspondent banks, In the study, it is recommended that, to overcome the incompliance with international rule and regulation in relation to payment, the bank should made payment to foreign banks who send complying document without delay. This should be done by keeping sufficient balance of foreign currencies at correspondent banks. It is also recommended that CBE should support employee by training and development their TS staff communication skill with foreign banks and TS staff at branches should have required knowledge and skill to clarify and support customers in relation to trade service operation.

Key word: Trade Service process, international and local standard, Challenges, Risks, Guarantee and Trade Service product.
CHAPTER ONE

INTRODUCTION

1.1. Background of the study

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

International sales transactions expose the parties to various difficulties and risks due to the physical distance between parties, different time zones, and different legal rules applicable to transactions as well as the fact that usually the parties do not know each other. According (Niepmann and Tim Schmidt-Eisenlohrto, 2015) International trade exposes exporters and importers to substantial risks. To mitigate these risks, firms can buy special trade finance products from banks.

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 (Niepmann, 2014). The two most common trade finance instruments provided by banks are letters of credit and documentary collections (Niepmann, 2014).

According to (Nkini, 2005) Trade financing is the provision of any form of financing that enables a trading activity to take place and which may be made directly to the supplier, to facilitate procurement of items for immediate sale and/or for storage for future activities, or it could be provided to the buyer, to enable him meet contract obligations. Buyers and sellers that are engaged in international trade may experience different types of risks, some of the risks sellers may experience are a risk of Buyer’s insolvency or credit risk refers to the inability of the buyer to honor full payment for goods or services rendered on due date. This is a risk on seller associated with selling or supplying a product or service without collecting full payment or experienced late payment.
The other risk is Buyer’s Acceptance Risk refers to the buyer’s non-acceptance of goods delivered or services rendered. Unaccepted goods or services may create difficulty for the seller to dispose the goods to another buyer or encounter working capital problem. Buyers too have a risk of Seller’s Performance Risk a seller may fail to carry out his obligations in a sales contract due to one or more reasons, and such non-performance by the seller may have adverse consequential impacts on the buyer’s business. It could be expensive for the buyer to take legal actions against the seller in his country. The other risks are risks associated with delivery terms, the chosen incoterm rules need to be appropriate to the goods, to the means of their transport and above all to whether the parties intend to put additional obligations. The incoterm rules explain a set of three later trade terms reflecting business to business practices in contracts for the sale of goods (incoterm, 2010). 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 (Niepmann, 2014).

Global and local banks support international trade through a wide range of products that help their customers manage their international payments and associated risks, and provide needed working capital. The term “trade finance” is generally reserved for bank products that are specifically linked to underlying international trade transactions (exports or imports). One of the most common and standardized forms of bank-intermediated trade finance is a letter of credit, it reduce payment risk by providing a framework under which a bank makes (or guarantees).

Banks play an important role in an economy of a nation, according to (Sergeant, 2001) banks con-tribute to investments, employment creation and the process of economic growth and development. They are the corner stone of an economy of a given nation. Global trading allows the different countries to participate in global economy encouraging the foreign direct investors.

Furthermore, the role of commercial Banks in foreign trade is to provide the financial structure and instruments necessary for the conduct of business transactions between
foreign buyers and sellers. Commercial banks ensure safety, and transparency in the flow of documents and money. Commercial Bank of Ethiopia is one of the service giving organizations in Ethiopia that commits to deliver quality service to its customers. The Bank has adopted process-based organizational structure as core and support process. The core processes of the bank are classified into three which are: Customers Account and Transaction Services (CATS), Trade Service (TS), and Credit.

Trade Service is one of the core processes of the bank entrusted with the task of international banking services by providing facilitation of payment associated with import, export and guarantee transactions. Among CBE processes, trade service is the one that links the bank to internationally leading banks. Therefore, it is very easy for this process to procure and institute the international working culture and service excellence that helps to meet its vision to be world class bank by 2025. Trade services are now provided at all branches of CBE with a single contact point of customer service relationship officers assigned for this purpose. If there is a problem in customer service relationship it will affects business relationship of the customers and the country image as a whole so this study assess trade service operation in CBE and point out possible solutions for the benefits of the banks as well as customers engaged in import and export.

1.2. Statement of the problem

CBE is one of the major financial institutions that facilitate the country's international trade. The Bank facilitates payment for merchandise shipped and services rendered, layouts funds for buyer and seller, and give professional advices to traders. The annual report of the bank in 2016 and a preliminary interview with trade service staff of CBE indicated that the practice of trade service process in CBE characterized as late transfer of LC documents and improperly handling and improper filling documents of letters of credit, lack of knowledgeable and skillful staffs in most branches who handle customer, Most exporters and importers complained the bank on payment delay on letter of credit, documentary collection, advance and consignment payment and treatment of guarantee and permit in all procedure leads to large amount suspense on trade suspense and customer dissatisfaction on the trade service processes of CBE.
These all imperfection of international trading practices and associated payment faultiness has a clue to research opportunities.

According to (Yonas Ghebregziabher, 2014), the challenges of export credit practices include; the bank fails to create awareness to employees, Most documents are not clear and genuine for the process. There are many rejections of export credit requests. Moreover the employees in export credit facility area do not follow policy and procedure which leads to almost all of the customers complained, and because of unfair customer treatment and discrimination on the customers of the export credit facilities. The bank show poor concern about customers of export credit facilities and employees do not have any means of mechanisms to follow their customer’s success or problem.

Haile Getachew (2015) identified the major bottlenecks of trade service operation in TS staffs; Most of TS personnel are inefficient and not equipped with the necessary knowledge, skills, experience of trade service operation. Besides TS personnel Trade service central processing center (TS-CPC), Trade Service Special Outlet (TSSO), Trade Service Advisory (TSA) provides service for international trade customers so that, his study gives a further need of assessment to all CBE’s international trade service provider staffs. Taking all international trade service provider staff will help to fill research gap and complete assessment of the study. These all imperfection of international trading practices and associated payment faultiness has a clue to research opportunities.

The only research in trade service practice on CBE (Haile, 2015), focused on assessing the trade service operation of CBE at only Trade service central processing center (TS-CPC), Trade Service Special Outlet (TSSO) and Trade Service Advisory (TSA).Initially trade service customers request presented to TSSO or their respected branch and processed in trade service processing center (TS CPC), so in order to assess the whole process of trade service operations in CBE considering branches activity is necessary, Therefore these research expected to full fill the gap between the previous research and the above indicated CBE trade service operation. The principal concern of this study assess the trade service practice of Commercial Bank of Ethiopia in light of the international and local standard banking practices in order to shed light on risk areas, identify operational problems, and expose areas.
1.3 Research Questions

The problem statement discussed above led to the following research questions:

- What are the major operational problems encountered by Commercial Bank of Ethiopia in the course of rendering trade service products?

- To what extent are bank tries to practice in compliance with international and domestic standards and directives?

- What are the risk areas with respect to trade service products like documentary credits, documentary collections, advance payments and others?

- To what extent are bank employees familiar with international trade payment mechanisms, international rules and Trade Service Procedures and the directives of the National Bank of Ethiopia?

1.4 Objective of the study

1.4.1 General objectives of the study

The overall objective of this study to assess the international trade service practices of Commercial Bank of Ethiopia, identify challenges that affect the processes and identify major risk areas with respect to trade service products.

1.4.2 Specific objectives of the study

- To assess the existing trade service practice of Commercial Bank of Ethiopia.

- To find out instances of noncompliance with international and domestic standards and directives.

- To identify major risk areas with respect to trade service products like letters of credit, documentary collections, advance payment consignment and Guarantee

- To investigate existing familiarity and information gaps among the bank staff with international rules trade service procedures and national bank directives.
1.5 **Significance of the study**

The study contributes to the emerging field of research identifying the important contributions of strong International trade service practices and organizational success. Trade services products are one of the most important revenue generating products that enhances profitability of CBE; Measuring Trade practices will be significant for Commercial Bank of Ethiopia, at least for a number of reasons. Firstly, best trade practice explains winning in the financial sector, valued practice by customers, generating foreign currency through export, increasing benefit for the society and employees.

Secondly, good trade practice relates to organizational variables including quality, efficiency, productivity, and customer evaluation of the service which is closely related to CBE where, customer satisfaction is its value.

Therefore, it contributes for the government policy considerations that public organizations create a learning centered organizational cultures were employees well being is vital for social, and economic development of the country. The outcome of this research paper will have a close relevance to the day-to-day trade service practice of bank and has a significant role in promoting international trade service operation. Identification of the major challenges which hinders international trade service practice, will lead to CBE to revise their working procedures, redesign or repackaging its service process and helps improve such practices to give a better service to traders. More importantly, this study provides relevant information for the financial statement users such as stakeholder, managers, and government about the international trade performance of commercial banks in Ethiopia. Furthermore, this study attempt to fill some of the familiarity and information gaps among the practitioners about international rules, TS procedures and NBE directives. Finally, this paper may serve as a basis for those who will be interested to conduct further study of the similar issues.
1.6 Definition of term

**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 ("credit"). (UCP 600)

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

**Demand guarantee means** any signed undertaking, however named or described, providing for payment on presentation of a complying demand **URDG758**

**Complying presentation** under a guarantee means a presentation that is in accordance with, first, the Terms and conditions of that guarantee, second, these rules so far as consistent with those terms and Conditions and, third, in the absence of a relevant provision in the guarantee or these rules, international Standard demand guarantee practice (URDG758)

**Counter-guarantee** means any signed undertaking that is given by the Counter-guarantor to another party to procure the issue by that other party of a guarantee and that provides for payment upon the presentation of a complying demand under the Counter-guarantee issued in favor of that party (URDG758)

**Counter-guarantor** means the party issuing a counter-guarantee, whether in favour of a guarantor or

Another counter-guarantor, and includes a party acting for its own account (URDG758)

**The Uniform Rules for Demand Guarantees** ("URDG") are rules apply to any demand guarantee or counter guarantee that expressly indicates it is subject to them.

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

**URC522** –Uniform Rules for Documentary Collection

**Letter of Credit** means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation. (UCP600)
Advising Bank means the bank that advises the credit at the request of the issuing bank (UCP600)

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

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

1.7 Scope of the study

The study is limited within the Commercial Bank of Ethiopia and its employees in International Trade Service processes. Therefore, any variance accounted on the performance of the bank under investigation have been understood by international trade service practices of employees only.

The methodological scope have been used both quantitative and qualitative methods. The quantitative method to capture numerical values using questionnaires and the qualitative methods by using interviews and open ended questions. on the major bank services and conceptual scopes; that includes, Documentary credit/ L/C,(import, export),Documentary collection (import, export, Advance payment) consignment basis payment, Guarantee

The data collection on these variables have been limited to employees drawn from four processes of the Commercial Bank of Ethiopia, namely Trade service Central processing centre(TS-CPC) Trade service special outlet (TSSO), Trade service Advisory (TSA) and including selected branches.

The demographic profiles of respondents have been limited to four categories that include current position, work experience, education level and place of assignment. However, the demographic variables were in place just to collect data and for ease of analysis, statistical tests only. Hence any variability on the outcome variable cannot be attributed for demographic variables and others except international trade practices described in this study.
1.8 Limitation of the study

Commercial Bank of Ethiopia has many branches throughout the country, the data could not be collected from all these branches due to time and budget constraints. The other limitation is some of the respondents not return back the questionnaires on time for researcher.

ORGANIZATION OF THE RESEARCH REPORT

The study comprises of five chapters, The first chapter discusses the background of the study, statement of the problem, basic research questions, objectives of the study, definition of terms, and significance of the study. The second chapter reveals a brief theoretical review of trade, international trade, banks, and empirical studies undertaken by others.

The third chapter explains the type and design of the research; the participants in the study, the sources of data, the data collection tools, the procedure for data collection and the methods of data analysis used and ethical consideration.

The fourth chapter of the study summarizes the results or findings of the study, and provides interpretation of the findings. The fifth chapter presents summary of findings, conclusions and recommendations.
CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical literature

2.1.1 Trade theory

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

Trade is the voluntary exchange of goods, service, assets, or money between one person and organization and another. Because it is voluntary, both parties to the transaction must believe they will gain from the exchange or else they would not complete it (pustay, 2002). If we through light on the history of trade, the original form of trade were barter, where direct exchange of goods and services took place with the passage of time the barter system was replaced by the money exchange system in which the commodities are transferred through a medium of exchange such as money.

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

Trading provides countries and consumers the chance to be exposed to those services and goods that are not available in their own country. The goods and services that are bought from the global market are called imports and the goods and services that are sold in the overseas marked are called exports. Exports and Imports are recorded in a country’s of BOP (current Account). International trade has made an increasingly significant contribution to economic growth (Sun and Heshmati, 2010). International trade affects economic growth positively by facilitating capital accumulation, industrial structure
upgrading, technological progress and institutional advancement (Lee, 1995). According to Schneider (2004) argues that imports bring additional competition and variety to domestic markets, benefiting consumers and exports enlarge markets for domestic production, benefiting businesses. Trading of services is also done like: banking and transportation tourism. Trade finance is the science that describes the management of money, banking, credit investment and assets for international trade transactions.

The foreign trade of a country consists of inward and outward movement of goods and services, which results into outflow and inflow of foreign exchange. Trade is conducted not only for the sake of earning profile. It also provides services to the consumers. Thus trade is an important social activity because the society needs an interrupting supply of goods forever increasing and ever changing but never ending human wants. Thus we can say that trade is a very important social activity.

### 2.2 International Trade Theory

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

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

The main historical theories are called classical and are from the perspective of a country, or country-based. By the mid-twentieth century, the theories began to shift to explain trade from a firm, rather than a country, perspective. These theories are referred to as modern and are firm-based or company-based. Both of these categories, classical and modern, consist of several international theories (Retrieved on April 2018 from https://2012books.lardbucket.org/books/challenges-and-opportunities-in-international-business/s06-01-what-is-international-trade-th.html)
2.2.1 Classical or Country-Based Trade Theories

2.2.1.1 Mercantilism

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

The main idea of the mercantilists was that a country’s wealth can be measured as the amount of gold or other precious metals held by the country. To become richer a country therefore simply had to accumulate gold. In the opinion of the mercantilists, the way to do that through trading with other countries had to import cheap raw materials and export final goods (Bjornskov, 2005).

2.2.1.2 Absolute Advantage

In 1776, Adam Smith questioned the leading mercantile theory of the time in The Wealth of Nations. Adam Smith, published his groundbreaking book called an inquiry into the nature and cause of wealth of nation.

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

The challenge to the absolute advantage theory was that some countries may be better at producing both goods and, therefore, have an advantage in many areas. In contrast, another country may not have any useful absolute advantages.

Trade between two countries can benefit both countries if each country exports the goods in which it has a comparative advantage. A country has a comparative advantage in producing a good if the opportunity cost of producing that good in terms of other goods is lower in that country than it is in other countries (Krugman, 2003).

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

2.2.1.4 Heckscher-Ohlin Theory (Factor Proportions Theory)

In the early 1900s, two Swedish economists, Eli Heckscher and Bertil Ohlin, focused their attention on how a country could gain comparative advantage by producing products that utilized factors that were in abundance in the country, the basic assumption of their model is that countries are not equally endowed with different factors of production (Bjornskov, 2005).

The H–O model is often referred to as the factor-proportions or factor-endowment theory. That is, each nation specializes in the production and export of the commodity intensive in its relatively abundant and cheap factor and imports the commodity intensive in its relatively scarce and expensive factor. (D. Salvatore, 2013)
The H–O theorem postulates that the difference in relative factor abundance and prices is the cause of the pre trade difference in relative commodity prices between two nations. This difference in relative factor and relative commodity prices is then translated into a difference in absolute factor and commodity prices between the two nations. It is this difference in absolute commodity prices in the two nations that is the immediate cause of trade. (D. Salvatore, 2013)

2.2.2 Modern or Firm-Based Trade Theories

In contrast to classical, country-based trade theories, the category of modern, firm-based theories emerged after World War II and was developed in large part by business school professors, not economists. The firm-based theories evolved with the growth of the multinational company (MNC). The country-based theories couldn’t adequately address the expansion of either MNCs or intra industry trade, which refers to trade between two countries of goods produced in the same industry. For example, Japan exports Toyota vehicles to Germany and imports Mercedes-Benz automobiles from Germany. Unlike the country-based theories, firm-based theories incorporate other product and service factors, including brand and customer loyalty, technology, and quality, into the understanding of trade flows. (Retrieved on April 2018 https://2012books.lardbucket.org/books/challenges-and-opportunities-in-international-business/s06-01-what-is-international-trade-th.html)

2.2.2.1 Product Life Cycle Theory

According to (w.pustay, 2002) product life cycle theory, which originate in the marketing field to describe the evolution of marketing strategies as a product matures, is a second firm based theory of international trade (and, as we will see, of international investments). As developed in 1960s by Raymond Vernon of the Harvard Business School, international product life cycle theory traces the roles of innovation, market expansion, comparative advantage, and strategic responses of global rivals in international production, trade, and investment decisions.
2.2.2.2 Country Similarity Theory

Swedish economist Steff a Linder developed the country similarity theory in 1961, as he tried to explain the concept of intra industry trade. Linder’s theory proposed that consumers in countries that are in the same or similar stage of development would have similar preferences. In this firm-based theory, Linder suggested that companies first produce for domestic consumption. When they explore exporting, the companies often find that markets that look similar to their domestic one, in terms of customer preferences, offer the most potential for success. Linder’s country similarity theory then states that most trade in manufactured goods will be between countries with similar per capita incomes, and intra industry trade will be common. This theory is often most useful in understanding trade in goods where brand names and product reputations are important factors in the buyers’ decision-making and purchasing processes. (Retrieved on April 2018 https://2012 books. Lard bucket. Org /books /challenges- and-opportunities-in- international- business/s06-01-what-is-international-trade-th.html)

2.3 The role of banks in supporting international trade

Global and local banks support international trade through a wide range of products that help their customers manage their international payments and associated risks, and provide needed working capital. The term “trade finance” is generally reserved for bank products that are specifically linked to underlying international trade transactions (exports or imports). One of the most common and standardized forms of bank-intermediated trade finance is a letter of credit, it reduce payment risk by providing a framework under which a bank makes (or guarantees). Banks play an important role in an economy of a nation. According to Sergeant (2001), banks contribute to investments, employment creation and the process of economic growth and development. They are the cornerstone of an economy of a given nation. Global trading allows the different countries to participate in global economy encouraging the foreign direct investors.
2.4 Payment Contracts in International Trade

When an exporter and an importer trade they have to decide how to settle the transaction under one option, the exporter produces the good and the importer pays upon receipt (open account). Under another, the importer pays before the exporter produces the good (cash-in-advance). In each case, one of the trading partners bears substantial risk: 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.

Importer and exporter have to decide how to settle the trans-action. The most common trade finance instruments provided by banks are open account, letters of credit, documentary collections, advance payment, export letter of credit, export documentary collection, consignment and guarantee

2.4.1 Advance payment (TT)

A method of payment where and immediate transfer of funds takes place between two bank accounts. In this case, the buyer will have no control over the receipt of the goods once he has made the payment. (Commercial Bank of Ethiopia Trade Service Process Procedure, 2012)

With cash-in-advance payment terms, the exporter can avoid credit risk because payment is received before the ownership of the goods is transferred. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. However, requiring payment in advance is the least attractive option for the buyer, because it creates cash-flow problems. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, exporters who insist on this payment method as their sole manner of doing business may lose to competitors who offer more attractive payment terms.
2.4.2 Open account

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. Since the exporter incurs production and distribution costs before receiving the payment, he is actually pre-financing the transaction. The risk to the exporter materializes when the importer fails to make payment for the goods after receiving them (Niepmann, 2014).

Since high risk is associated with the open account method, it is usually exercised between affiliated companies or when the buyer and seller have had a long standing business relationship.

2.4.3 Documentary collection

The Uniform Rules for Collection (URC) defines documentary collection as “the handling of documents (financial and or commercial) by banks in accordance with instructions received, in order to: Obtain payment and/or acceptance, or Deliver documents against payment and/or against acceptance, or Deliver documents on other terms and conditions” Therefore: Banks are only agents (of Exporter) in collections, they are bound to follow the instruction of whoever their principal is.

A process governed by international rules by which the supplier is able to collect from an overseas buyer through an intermediary –i.e. banks. It comprise between open account and advance payment and simpler but less secure than letter of credit (CBE training manual).

The two types of collections are clean collection and Documentary collection

2.4.3.1 Clean collection – contain financial documents only It is an alternate of open account where seller ships, sends commercial documents to buyer but sends financial documents I.e. draft through the banks for collection The payment is effected without reservation and conditions by the principal or his bank. Some element of trust exists between buyer and seller (CBE training manual)
2.4.3.2 Documentary Collection - contain financial and commercial documents Seller ships and then sends all documents (both financial and commercial) through the banks for handling Seller still retains a constructive control over goods through the banks (CBE training manual).

2.4.4 Letter of credit (LC)

Letter of credit is an undertaking given by a bank to the seller at the request and/or instructions of the buyer to make payment or accept and pay bills of exchange (Draft) drawn by the seller up to a stated sum of money within a prescribed time limit and against stipulated documents, provided that the terms and conditions of the credit are complied with. (TS procedure, 2012)

According to Friederike Niepmann Tim Schmidt-Eisenlohr (2015) when a trade is settled with an LC, banks do not only hand over documents to the importer as in a DC but they may also advance the importer’s payment. The exporter is paid as soon as it proves that it has delivered the goods. Because banks may incur a loss if the importer does not pay, they screen importers much more actively when they issue an LC than when they engage in a DC. Accordingly we assume that the share of importers that try to get away without paying decreases by more with an LC than with a DC. At the same time, the fixed fee that the bank charges for an LC to cover screening, monitoring and document handling costs is higher than for a DC.

2.4.3.1 Parties to the Letter of credit

**Applicant:** The Applicant is the party on whose request the credit is issued. (UCP 600)

**Beneficiary:** is **Beneficiary** means the party in whose favour a credit is issued (UCP 600)

**Issuing Bank:** is the bank that issues a credit at the request of an applicant or on its own behalf (UCP 600)

**Advising Bank:** **Advising bank** is the bank that advises the credit at the request of the issuing bank (UCP 600)
2.4.5 Export letter of credit-(“Documentary Letter of Credit”)

shall mean an undertaking given by a bank to the seller at the request and/or instructions of the buyer to make payment or accept and pay bills of exchange (Draft) drawn by the seller up to a stated sum of money within a prescribed time limit and against stipulated documents, provided that the terms and conditions of the credit are complied with. (Commercial bank of Ethiopia Trade Service Process Procedure, 2012)

2.4.6 Consignment Payment Is a method of payment in which the title to the goods remains with the seller until an agent (distributor) in foreign country sells them. Payment is made to the seller if and when the agent (distributor) sells the goods. (Commercial bank of Ethiopia Trade Service Process Procedure, 2012)

2.4.7 Letter of Guarantee- It is issued by a bank is a written promise/ irrevocable obligations by the bank to compensate (pay a sum of money) to the beneficiary (local or foreign) in the event that the obligor fails to honor his/her/its obligations in accordance with the terms and conditions of the contract. (Commercial bank of Ethiopia credit policy and procedures, 2009)

2.5 International standards regulating banks in relation to international trade

2.5.1 The Uniform Customs and Practice for Documentary Credits (UCP)

The *Uniform Customs and Practice for Documentary Credits, 2007 Revision*, ICC Publication No. 600 ("UCP") are rules that apply to any documentary credit ("credit") (including, to the extent to which they may be applicable, any standby letter of credit) when the text of the credit expressly indicates that it is subject to these rules. They are binding on all parties thereto unless expressly modified or excluded by the credit (UCP 600)

Historically, the commercial parties, particularly banks, have developed the techniques and methods for handling letters of credit in international trade finance, This practice has been standardized by the ICC (International Chamber of Commerce) by publishing the UCP in 1933 and subsequently updating it throughout the years. The ICC has developed and moulded the UCP by regular revisions, the current version being the UCP600. The
result is the most successful international attempt at unifying rules ever, as the UCP has substantially universal effect. The latest revision was approved by the Banking Commission of the ICC at its meeting in Paris on 25 October 2006.

2.5.2 Uniform Rules for Demand Guarantees (URDG)

A set of rules developed by the International Chamber of Commerce (ICC) and adopted in 1992. The Uniform Rules for Demand Guarantees ("URDG") apply to any demand guarantee or counter guarantee that expressly indicates it is subject to them. They are binding on all parties to the demand guarantee or counter-guarantee except so far as the demand guarantee or counter-guarantee modifies or excludes them(URDG 758).

2.5.3 Incoterms 2010

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

2.5.4 International standard banking practiced (ISBP 745)

ISBP first approved by the ICC banking commission in 2002 (publication 645) and updated in 2007(publication 681) has developed in to an invaluable aid to banks, corporate, logistics specialists and insurance companies alike on a global basis (crown agent training manual)

2.6 Local policies regulating banks in relation to international trade

National Bank/Central Bank

A central bank, reserve bank, or monetary authority is an institution that manages a state's currency, money supply, and interest rates. Central banks also usually oversee the commercial banking system of their respective countries. In contrast to a commercial bank, a central bank possesses a monopoly on increasing the monetary base in the state, and usually also prints the national currency[1], which usually serves as the state's legal tender. Central banks also act as a "lender of last resort" to the banking sector during times of financial crisis. Most central banks usually also have supervisory and regulatory
powers to ensure the solvency of member institutions, prevent bank runs, and prevent reckless or fraudulent behavior by member banks (Retrieved on April 22
https://en.wikipedia.org/wiki)

2.6.1 National Bank of Ethiopia

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

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

2.7 Empirical review

According to Schmidt-Eisenlohr, Friederike Niepmann and Tim (2014), When an exporter and an importer trade, they have to decide how to settle the transaction, the exporter produces the good and the importer pays upon receipt (open account), under another, the importer pays before the exporter produces the good (cash-in-advance). In each case, one of the trading partners bears substantial risk: 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.

When assessing and managing bank risk, country risk and bank risk are essentially inseparable, a country's risk profile is largely influenced by the health, or otherwise, of its financial system. Since banks reflect the financial position of an economy, it not difficult to imagine the natural alignment between these two elements

Several recent papers empirically study payment contract choice in international trade. Using aggregate bilateral trade data, Schmidt-Eisenlohr (2013) provides indirect tests of
the payment contract choice model proposed here. In subsequent work, Antr`as and Foley (forthcoming) and Hoefele et al. (2013) employ firm-level data to study how country characteristics affect firms’ choices between cash-in-advance and open account. Antr`as and Foley (forthcoming) exploit information from one large U.S. firm that also provides some details on its use of LCs. Hoefele et al. (2013) rely on World Bank surveys and find a role for product complexity in payment contract choice.

Glady and Potin (2011) employ SWIFT data from 2006 without information on the value of LC transactions to analyze payment contracts across countries. The authors find that the number of LC transactions increases with country risk. Demir and Javorcik (2014) use data from Turkey to analyze the role of industry-level competition for the optimal payment contract choice; the authors observe the share of exports that use LCs, but they pool bank-intermediated trade with cash-in-advance transactions.

According to (Nicolas Glady and Jacques Potin, 2011) in their study; Bank Intermediation and Default Risk in International Trade - Theory and Evidence: explains that by requesting a LC, a healthy exporter can signal its good health (if its actual health is private information), commit to ship the goods, screen out the unhealthy importers, and get rid of the risk of voluntary default by the importers. As a result, when both traders perceive each other as risky, bank intermediation is very useful and the LC tends to be the method of payment chosen by the exporter.

The implication at the country-pair level is that, conditional on entry into a destination country, a producer taken at random in a source country is more likely to request a LC when commercial default risk in the trading economies is high than when it is low. This is the impact of commercial default risk on the “intensive margin” of bank intermediation. But commercial default risk also has an impact on the “extensive margin” of bank intermediation, i.e. on the number of producers that decide to enter the foreign market. Since an exporter’s expected profit depends positively on its own reputation and on the average reputation of the importers in the destination country, commercial default risk has a negative impact on entry into the foreign market and thus on the extensive margin of bank intermediation.
A numerical exercise indicates that commercial default risk in the exporting country and commercial default risk in the importing country should have a positive and quantitatively similar impact on their bilateral exchange of LCs. Naturally, the price banks charge for their intermediation services has a negative impact on the use of LCs.

According to Global Transaction Services, Regulatory Compliance and Trade (2007), A bank expects that its employees will do their best to ensure compliance and protect the firm. Failure to do so may result in potential problems for banks, including – Reputational damage – Regulatory sanctions – Litigation and Fines.
Conceptual frame work

- Knowledge of international rules and regulation
- Communication skill
- International Trade Service product
- TS procedures’ and NBE directives

International Trade Service
CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

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

In line with the objective of the research, which is to make an assessment of the existing trade service practice of Commercial Bank of Ethiopia descriptive research is appropriate; According to Kothari (2007) the major purpose of descriptive research is description of the state of affairs as it exists at present. Descriptive research “is designed to provide a picture of a situation as it naturally happens”. It may be used to justify current practice and make judgment and also to develop theories.

The international trade practices under the subject in question and instruments from theory have been described and analyzed using descriptive statistics. This research have been approached by taking CBE employees at selected branches under selected districts and other trade service employees organized around four processes as mentioned in the scope (TSSO, TS-CPC & TS Advisory).

3.2. Sources of Data

The study used both primary and secondary data sources. The primary data was collected through self-administered questionnaire directly from employees, the questionnaire comprise of both closed and open-ended questions which was distributed to employee via their departments during the working hours. Secondary data was gathered from books, journals, internet, manuals, and directives on International trade practices of Commercial Bank of Ethiopia.
3.3 Instruments of data Collection

Standardized questionnaires related to the study were used to collect primary data. A questionnaire consists of a set of questions presented to respondents. The questionnaire comprises of factors derived from the research questions and objectives of the study and the various sources of literature. The questionnaire comprises of both closed ended questions and open-ended questions which have been distributed to employee via their departments during the working hour’s. The questionnaire for CBE’s TS staffs have two parts. These are: - Respondents profile and Questions related to trade service operation. The first part of the questionnaire measures the respondents through gender, work experience, educational level, current position, and place of assignment. The other questions was used to measure employees challenges and perception using a five-point Likert response scale which includes strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

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

3.4 Procedures of Data Collection

In this study, Primary data was collected using a structured questionnaire. Initially, to ensure the appropriateness of the tool, the researcher distributed 15 questionnaires for TS staff to test and check whether the questionnaires are readable, understandable, unambiguous, and convenient. This has been done to check the validity of the questionnaires. The questionnaires have been distributed to 323 respondents in CBE and interview questions have been conducted with the two Trade service managers.
3.5 Population and Sampling Technique

3.5.1 Population

The target populations of this study was employees of trade service operations that work in the selected organs of the operation Therefore, the study defines eligible employees who served in their units and got permanent employment opportunity in CBE minimum effective as of Dec., 2017. The restriction on the status of employment and year of service is believed important because, values, norms, routines, command and control, and behavioral styles can best be learnt over time. The target populations of this study was 100 employees that work in trade service central processing center (TS CPC), 5 advisory team, 18 TSSO in special outlet (IBD) and 455 CRO staffs serve in the four district branches Therefore, the total target population have been 578.

3.5.2. Sample and Sampling Techniques

The study was take preliminary survey data from staff who involve directly in trade service operation. Currently active participants in trade service operation are 100 employees in TS CPC, 5 advisory employees and 18 employees in TSSO. Therefore, due to small size of the target population, complete numerations of all items in the population or census have been used in TS CPC, TSSO and in TS advisory. Regarding CRO, CBE branches in Addis Ababa is divided in to four districts, due to the similarity of the work undertaken by the branches and accessibility to the researcher the two districts randomly was selected out of the four districts which are south Addis district and west Addis district. There are 66 and 68 branches under west Addis district and south Addis district respectively and 200 CRO employees therefore the number of sample under study was 323 employees.

3.6 Methods of Data Analysis

The purpose of the study was to empirically assess whether the international trade service operations are practice based on well accepted theories and principles or not. The responses of the participants in each process were coded and transcribed from questionnaire and have been captured on an Excel spreadsheet. The second step
involved reviewing the questionnaires of the four, participating processes and ensuring that only identical items were included prior to the analysis of the data.

The results then were imported into Statistical Package for the Social Sciences (SPSS) computer program for Windows version 20 to determine the findings of the study. A number of statistical methods were utilized in this research but, predominantly descriptive statistics was used to describe sample statistics as they are measured in questionnaire formats. These are measures of central tendency that includes, mean, standard deviation, frequency, percentages and percentiles. As such summary statistics includes average scores and their average deviation and are termed descriptive statistics.

The sample demographics were obtained using analysis of the frequencies of respondents in each of the demographic categories of age, sex, process, years of service, and education. On data analysis, primarily the data were organized categorically and chronologically. The qualitative and quantitative data collected were compiled, evaluated & summarized using techniques such as tabulation, appropriate statistical graphs, charts & percentages. The data was processed and analyzed by Statistical Package for Social Sciences (SPSS) version 20. This offered a pictorial presentation to enhance the understanding of the data. The data collected through open ended questions and documents were analyzed qualitatively by descriptive statements. Eventually, interpretation of data and discussions of the findings were followed

3.7 Ethical Considerations

Before the research conducted, the researcher informed the participants of the study about the objectives of the study, and was consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter deals with data presenting, analyzing and interpreting on the findings of the study. The questionnaires have two parts. These are: - Respondents profile and Questions related to trade service operation. The first section presents and describes the respondents’ demographic characteristics, the variables include: work experience, educational level, current position and place of assignment. The second part of analysis made on assessment of trade service operations through SPSS version 20.

Structured questionnaires were prepared and distributed to 323 TS staffs at CBE. 273 have been dully filled out and returned implying a response rate of 84 %. Therefore, totally 273 questionnaires were used for further analysis as depicted on Table 4.1 below

Table 4.1: Number of Questionnaires Distributed and Returned

<table>
<thead>
<tr>
<th>Designation</th>
<th>Number of questionnaires distributed</th>
<th>Number of questionnaires returned</th>
<th>Approximate Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TS CPC</td>
<td>100</td>
<td>93</td>
<td>90%</td>
</tr>
<tr>
<td>Ts Advisory</td>
<td>5</td>
<td>3</td>
<td>60 %</td>
</tr>
<tr>
<td>TSSO</td>
<td>18</td>
<td>10</td>
<td>66%</td>
</tr>
<tr>
<td>CRO</td>
<td>200</td>
<td>167</td>
<td>80%</td>
</tr>
<tr>
<td>Total</td>
<td>323</td>
<td>273</td>
<td>84%</td>
</tr>
</tbody>
</table>

4.1 Background of Respondents

Table: 4.2. Work experience of the respondents

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>42</td>
<td>15.4</td>
<td>15.4</td>
<td>15.4</td>
</tr>
<tr>
<td>6-10</td>
<td>88</td>
<td>32.2</td>
<td>32.2</td>
<td>47.6</td>
</tr>
<tr>
<td>11-15</td>
<td>82</td>
<td>30.0</td>
<td>30.0</td>
<td>77.7</td>
</tr>
<tr>
<td>16-20</td>
<td>39</td>
<td>14.3</td>
<td>14.3</td>
<td>91.9</td>
</tr>
<tr>
<td>&gt;20</td>
<td>22</td>
<td>8.1</td>
<td>8.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Total 273 100.0 100.0
As the table 4.2 shows that 42 (15.4%) of the respondents have 1-5 years of work experience, about 88 (32.2%) of respondents are in a range of 6-10 years of experience, and 82 (30%) of them have 11-15 year of work experience, but the rest 42 (15.4%) and 22 (8.1%) respondents have an experience of 0-5 years and above 20 years respectively. This analysis can show that employees who filled the questionnaire are well experienced, so they can give more dependable information to the study.

Table 4.3 Educational level of the respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>diploma</td>
<td>7</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>degree</td>
<td>220</td>
<td>80.6</td>
<td>80.6</td>
<td>83.2</td>
</tr>
<tr>
<td>second degree</td>
<td>45</td>
<td>16.5</td>
<td>16.5</td>
<td>99.6</td>
</tr>
<tr>
<td>phd</td>
<td>1</td>
<td>.4</td>
<td>.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>273</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The educational level of the respondents has been presented in the above table 4.3. As shown in the table majority of the respondent 220(80.6%) have first degree and about 45(16.5%) have masters degree and the rest 7(2.6%) and 1(0.4%) diploma and PHD respectively. Most of TS personnel i.e 97.5% have at least BA degree in business related fields. Therefore the respondents can give valuable information from different perspectives.
The above table shows the jobs titles of the respondents in International Trade Service at CBE. Majority of the respondents have a position in the bank as Customer Relation Officer 177 (64.8%), TS officer 40(14.7%), TS expert, 36(13.2%) and Associate officer 14(5.1%) therefore the international trade service work done by team, the quality of the work depend on the performance of each team.

Table 4.5 Place of assignment of the respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>manager at TS process</td>
<td>3</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>trade service expert</td>
<td>36</td>
<td>13.2</td>
<td>13.2</td>
<td>14.3</td>
</tr>
<tr>
<td>trade service officer</td>
<td>40</td>
<td>14.7</td>
<td>14.7</td>
<td>28.9</td>
</tr>
<tr>
<td>customer relation officer</td>
<td>177</td>
<td>64.8</td>
<td>64.8</td>
<td>93.8</td>
</tr>
<tr>
<td>associate ts officer</td>
<td>14</td>
<td>5.1</td>
<td>5.1</td>
<td>98.9</td>
</tr>
<tr>
<td>trade service advisory</td>
<td>3</td>
<td>1.1</td>
<td>1.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>273</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The table 4.5 shows that about 167 (61.2%) of the respondents are working in branches the rest 93 (34.1%) and 13 (4.8%) work in Trade service Central Processing Center and trade service special outlet respectively. As indicated in the table above, As per CBE branch expansion policy to serve customers the number of Customer Relationship assigned to branches increase as branches increase.

4.2 Analysis of Collected Data

Table 4.6 Employee’s response for international and local rules

<table>
<thead>
<tr>
<th>Statement</th>
<th>Response</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
<td>Total</td>
<td>%</td>
</tr>
<tr>
<td>No</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>TS process at CBE undertaken in compliance with both international and local rules</td>
<td>31</td>
<td>11.4</td>
<td>43</td>
<td>15.8</td>
<td>107</td>
<td>39.2</td>
<td>92</td>
</tr>
<tr>
<td>There are instances that CBE charged by NBE for any incompliance with local rules and regulations</td>
<td>34</td>
<td>12.5</td>
<td>152</td>
<td>55.7</td>
<td>28</td>
<td>10.3</td>
<td>49</td>
</tr>
<tr>
<td>There are instances in which CBE charged by other correspondent banks due to non compliance with international rules and regulations</td>
<td>11</td>
<td>4</td>
<td>17</td>
<td>6.2</td>
<td>34</td>
<td>12.5</td>
<td>188</td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

The majority of the respondents (72.9%) agree to the variables, TS process at CBE undertaken in compliance with both international and local rules, 68.2% of the respondents disagree on the question of whether there are instances in which CBE charged by NBE for any incompliance with local rules and regulations. This indicates
most respondents agree as TS process at CBE is usually undertaken in compliance with both international and local rules.

On the other hand, 77.3% of the respondents agree with the question that, there are instances in which CBE charged by other correspondent banks due to non compliance with international rules and regulations. As per response obtained from the interviews, the reason for these is the delay of payment due to insufficient balance in correspondent banks.

Table 4.7 Employee’s response for challenges that affect the TS process at CBE

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TS personnel at CBE have good communication skills with foreign banks</td>
<td>15</td>
<td>184</td>
<td>67.4</td>
<td>16</td>
<td>48</td>
<td>273</td>
</tr>
<tr>
<td>TS procedure updated as per the specified schedule</td>
<td>36</td>
<td>165</td>
<td>60.4</td>
<td>41</td>
<td>14</td>
<td>273</td>
</tr>
<tr>
<td>The schedule of foreign currency approval time have impact on trade service operations</td>
<td>12</td>
<td>17</td>
<td>6.2</td>
<td>15</td>
<td>99</td>
<td>273</td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

As per the above table, most of the respondents (72.9%) disagree with the view that TS personnel at CBE have good communication skills with foreign banks. For the question, whether TS procedure updated as per the specified schedule, and 73.6% of the respondents disagreed. In addition to that most of the respondents (83.9%) agree that the schedule of foreign currency approval time have impact on trade service operations. This implies that lack of good communication skill of TS personnel and unable to update the TS procedure are challenges that affect TS processes, the schedule of foreign currency approval time also another challenge which has a negative impact on TS process.
Table 4.8 Employee’s Perception on major risk areas of trade service products in relation to letter of credit

<table>
<thead>
<tr>
<th>Statement</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>before advising the Export L/C to the beneficiary assessment made about</td>
<td>56</td>
</tr>
<tr>
<td>the credibility of the issuing bank</td>
<td></td>
</tr>
<tr>
<td>Before advising the L/C to the beneficiary examine the terms and</td>
<td>30</td>
</tr>
<tr>
<td>conditions of the L/C and discuss with the exporter to check if he/she</td>
<td></td>
</tr>
<tr>
<td>can make a complying presentation</td>
<td></td>
</tr>
<tr>
<td>TS personnel at branches Clarify application formats and helps customers</td>
<td>71</td>
</tr>
<tr>
<td>to fill the form purposely and Clarifies responsibilities and risks</td>
<td></td>
</tr>
<tr>
<td>attached to delivery terms to customers.</td>
<td></td>
</tr>
<tr>
<td>Sending cancellation of reimbursement authorization for unutilized</td>
<td>128</td>
</tr>
<tr>
<td>portion of L/C</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

According to the survey response the majority (75.4%) of the respondents admitted that no assessment made about the credibility of the issuing bank before advising the LC. This indicates that no sufficient assessment made about the creditworthiness of the issuing bank before advising the LC to the beneficiary which increase the risk of un reimbursement and made difficult to collect the export proceed fully and timely.
In addition in most cases (68.9%) discussions have not been made with the exporter whether made a complying presentation or not to the beneficiary which increases the risk of un reimbursement and made difficult to collect the export proceed fully and timely.

In addition in most cases (68.9%) discussion have not been made with the exporter whether made a complying presentation or not. This indicate that the risk of presentation of discrepant document and related charges increases if the staff assigned have not been discussed whether the customer can made a complying presentation.

Respondents also asked whether they help to fill customers’ application formats and clarify responsibilities and risks attached to delivery terms a total of 68.9% respondents admitted that they seldom or never do so. Similarly the survey results appear to indicate that majority of the respondents (75.1%) agreed that they were unable to send cancellation of reimbursement authorization for the unutilized portion of the LC.

This reveals that customers have not obtained the proper advice which enables them to have adequate information about the different payment methods and their related risks and responsibilities attached to them.

Besides unable to send cancellation of reimbursement authorization for the unutilized portion of LC is also another risk area in which it increases the risk of payment effected for the undelivered goods and services
Table 4.9 Employee’s Perception on major risk areas of trade service products in relation to Cash against Document (CAD)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Response</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before issuing the purchase order checks that the purchase order</td>
<td>1</td>
<td>0.4</td>
<td>62</td>
<td>22.7</td>
<td>171</td>
<td>62.6</td>
<td>39</td>
</tr>
<tr>
<td>complies with NBE’s directives</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>TS personnel advise customers for the arrival of documents, to take up</td>
<td>3</td>
<td>1.1</td>
<td>59</td>
<td>21.6</td>
<td>32</td>
<td>11.7</td>
<td>119</td>
</tr>
<tr>
<td>action without delay</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>Effecting payment to the remitting bank after releasing the collection</td>
<td>40</td>
<td>14.7</td>
<td>15</td>
<td>58.2</td>
<td>30</td>
<td>11.0</td>
<td>34</td>
</tr>
<tr>
<td>documents to the respective importers</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>collection documents processed based on the instruction of the Remitting</td>
<td>1</td>
<td>0.4</td>
<td>16</td>
<td>5.9</td>
<td>54</td>
<td>19.8</td>
<td>160</td>
</tr>
<tr>
<td>Bank</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

As shown in the table above majority of the respondents (76.9%) agreed that before issuing the purchase order the staff checks whether it complies with NBE directives, this indicates majority of TS personnel complies local rules the data reveals that in most cases (65.6%), TS personnel advise the arrival of documents customers to take up action without delay. And 72.9% of the respondents disagree for the issue that the bank effect payment to the remitting bank after releasing the collection documents to the respective importers. For the question whether collection documents processed based on the instruction of remitting bank, most of the employees (74%) responded as they do so.
This reveals that most of the time the bank pays to the remitting bank according to the payment instruction.

**Figure 4.10  Employee’s Perception on major risk areas of trade service products in relation to Advance Payment (TT)**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ascertain that the buyer and seller do have a long-standing business relationship to justify a sale on cash in advance basis</td>
<td>139</td>
<td>50.92</td>
<td>63</td>
<td>23.07</td>
<td>21</td>
<td>42</td>
<td>15.38</td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

As can be seen from the above figure the majority of the staff (74%) admitted that in most cases they didn’t ascertain whether the buyer and the seller do have a long standing business relationship to justify a sale on cash in advance basis. This implies payment might be effected for unreliable seller and a risk of non receiving of related good.
Table 4.11  Employee’s Perception on major risk areas of trade service products in relation Guarantee

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before issuing the incoming guarantee examine the governing rule and assure no ambiguity</td>
<td>1</td>
<td>0.4</td>
<td>32</td>
<td>11.7</td>
<td>19</td>
<td>7.0</td>
</tr>
<tr>
<td>TS personnel forwards guarantee claim on time to counter guarantors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most of the time foreign banks pays guarantee claim and commission on time as per their counter guarantor</td>
<td>28</td>
<td>10.3</td>
<td>158</td>
<td>57.9</td>
<td>55</td>
<td>20.1</td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

The above table indicates that majority (80%) of the respondents agree that examination made before issuing the incoming guarantee with regard to the governing rule and assure no ambiguity. In the same issue 79.4% of the employees responded as they forward guarantee claim on time to counter guarantors. The survey also reveals that 68.2% of the employees responded most of the time foreign banks did not pay guarantee claim and commission on time.
Table 4.12  Employee’s response to assess trade service practices at CBE

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most of the time Export proceed received without discrepancy penalty charge</td>
<td>104 38.1</td>
<td>75 27.5</td>
<td>56 20.5</td>
<td>22 8.1</td>
<td>16 5.9</td>
<td>273</td>
<td>100</td>
</tr>
<tr>
<td>Ts employees checks availability of funds before giving authorization to</td>
<td>78 28.6</td>
<td>105 38.5</td>
<td>62 22.7</td>
<td>24 8.8</td>
<td>4 1.5</td>
<td>273</td>
<td>100</td>
</tr>
<tr>
<td>Correspondent banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TS employees have strict follow up to collect export proceed and guarantee</td>
<td>15 5.5</td>
<td>131 48</td>
<td>30 11</td>
<td>76 27.8</td>
<td>21 7.7</td>
<td>273</td>
<td>100</td>
</tr>
<tr>
<td>commission on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All CBE branches have Ts personnel who can give professional advice to</td>
<td>40 14.7</td>
<td>153 56</td>
<td>39 14.3</td>
<td>29 10.6</td>
<td>12 4.4</td>
<td>273</td>
<td>100</td>
</tr>
<tr>
<td>customers and forward necessary documents to TS CPC for processing.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training programs undertaken in CBE to upgrade the TS staffs with</td>
<td>13 4.8</td>
<td>90 33</td>
<td>7 2.6</td>
<td>13 5 49.5</td>
<td>28 10.3</td>
<td>273</td>
<td>100</td>
</tr>
<tr>
<td>international standard requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Own Survey, 2018)

The data results shows that 65.6% of the respondents admitted that most of the time export precede received with discrepancy penalty charge. This implies that most of documents presented without complying with the conditions of documentary credit, as per indicated in table 4.8 the reason for this incompliance is no assessment made before advising the L/C to the beneficiary and no discussion made with the customer about the terms and conditions of the L/C.
This resulted lesser amount of foreign currency to be obtained than expected.

Respondents also asked whether they confirm the availability of funds before giving authorization to correspondent banks, majority of them (67.1%) admitted that they seldom or never do so. This implies that payment authorization made to correspondent banks without confirming the adequacy of fund with them. These might result charges by correspondent banks in relation to interest and also created bad image among correspondent banks.

The data reveals that half of (53.5%) of the staff responded as TS employees lacks strict follow up to collect export proceeds and guarantee commissions on time. This implies that no sufficient control mechanism to monitor the progress of unsettled exports and guarantee commissions and claims. This increases the risk of delay to collect export proceed and guarantee claims and also resulted suspense account to be inflated.

As shown in the above table also majority (70.7%) of the respondents disagreed with the question whether all CBE branches have Ts personnel who can give professional advice to customers and forward necessary documents to TS CPC for processing. The reason for this is as indicated in table 4.8; the branches at CBE have not sufficiently skilled personnel to advice customers properly.

As the response obtained from the interview also shows that some branches did not have TS personnel and the work have been done by other staffs assigned in different sections other than TS operation, even the branches which have TS personnel were not have sufficient knowledge to give professional advice to customers and to forward properly the relevant documents to TS CPC.

The survey also appear to indicate that above half of the respondents (59.8%) agreed that training programs undertaken in CBE to upgrade the TS staffs with international standard requirement, this reveals that CBE undertaking training programs to its TS staffs. However it is questionable whether the trainings sufficiently develop the staff to meet the satisfaction of customers as the findings showed.
CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with the summary of the findings and conclusions driven from the discussion and analysis of the study. It also ends up with the recommendations on the basis of the finding of the study.

5.1 Summary of findings

- The finding shows that there are instances in which CBE charged by other correspondent banks due to non compliance with international rules and regulations in relation to delay of payment, this is indicated by the respondents as the delay payments usually occurred due to insufficient balance in the account held in the correspondent banks, this resulted frequent penalty and interest charges.

- Based on the finding lack of good communication skill of TS Personnel with foreign banks identified as one of the challenge that affect the trade service process, these resulted difficult to understand fully the swift message to forward properly and delay to respond on time in addition it creates miscommunication and negative relationship.

- The existing procedure needs appropriate revision in line with the changing business environment, technology and associated risk therein. However, as per the findings CBE TS procedures haven’t updated, this creates inflexibility as to external environment and lack of uniformity among staff.

- The schedule of foreign currency approval time is another challenge which affects the trade service process at CBE. Since the foreign currency approval occurred after a longer time it creates a heavy work load which is difficult to handle to employees and might expose to the risk of forwarding wrong message resulted to ambiguity to foreign banks and lack of work clarity, in addition the customer also dissatisfied due to additional costs to incur due to different amendment charges.
Based on the findings in most cases discussion have not been made with the exporter to ascertain whether they can make a complying presentation or not. The survey also identified that no assessment made about the credibility of the issuing bank before advising the LC. This implies that a strong effort have not been made to minimize the risk of presenting discrepant document and to make a complying presentation to avoid deduction from the invoice amount. In addition, risk of un-reimbursement increases if there is no assessment made about the credibility of the issuing bank.

The findings indicate that the TS staff at branch did not clarify application formats to help customers to fill the format purposely and didn’t clarify the responsibilities and risks attached to delivery terms to customers. This might resulted to unfavorable commitments by customers without having adequate knowledge about the different delivery terms. The evidence also shows that this is occurred due to lack of sufficient TS knowledge particularly in CRO staff who contacts customers in branches.

Based on the finding delay of payment occurred to the remitting bank after releasing the collection document to the respective importers. This indicate that after collecting the amount of the document from customers it takes longer time to transfer to the foreign exporter through remitting bank, this resulted conflict between sellers and buyers and affects their business relationship, besides foreign correspondent banks forces to question the good will of the bank and increases the risk of losing foreign correspondent banks to work with them and have an obstacle to meet the vision of the bank.

Unable to send cancellation of reimbursement authorization for the unutilized portion of LC is also another risk area in which it increases the risk of payment effected for the undelivered goods and services.

The findings revealed that in most cases the staff didn’t ascertain whether the buyer and seller do have a long standing business relationship to justify a sale on cash in
advance basis, this indicated that payment might be effected for unreliable seller and the risk of non receiving of related goods and services increases.

- The survey shows most of the time foreign banks do not pay guarantee claim and commission on time this indicates lack of proper follow up exercised among the staff assigned in TS.

- The survey has identified that most of the time export proceed received with discrepancy penalty charge. This revealed that documents presented without complying to the conditions of documentary credit. As presented above lack of proper clarification and discussion of TS staff with customers to ascertain whether they can make a complying presentation has contribution to these effect. For this reason a lesser amount of foreign currency to be obtained than expected, this is a big issue for countries like Ethiopia having shortage of foreign currency.

- The survey also indicated that giving payment authorization to correspondent banks before confirming the availability of funds held in foreign account leads to charges by correspondent banks and interest by remitting banks, and also creates bad image among correspondent banks. This evidenced by instances of CBE charged by correspondent banks due to non compliance in international rules and regulations in relation to delay of payments as indicated above.

- On assessing the trade service practice, the study indicated that the employee at TS lacks strict follow up to collect export proceeds and guarantee commissions on time this practice increases the risk of un collectability of proceeds and commission and also resulted suspense account to be inflated.

- Finally as seen in the findings the branch at CBE have not sufficient skill and knowledge of TS practice to give professional advice to customers and forward necessary documents TS CPC for processing. this creates dissatisfaction among customers as the branch TS personnel is the one who meets customers at counter in branches and have frequent contacts with them. The lack of adequate TS knowledge by branch personnel also have an effect in increasing the work load and add difficulty in processing the work at TS CPC.
5.2. CONCLUSIONS

The following conclusion are drawn by the researcher

The study has identified as there are instances of non compliance with international rules and regulations in relation to payments. This occurred due to lack sufficient balance at foreign correspondent banks. Therefore the bank required to comply international rules in relation to delay in payment

Lack of good communication skill of TS personnel, unable to update TS procedure manual as per specified schedule and the schedule of foreign currency approval time are the challenges that affect the trade service process at CBE. Improving communication skill among TS personnel is a key in smoothing the relationship with correspondent banks, updating the TS procedure manual in relation to external environment enhance flexibility and uniformity in staff at CBE.

Scheduling the currency approval time to minimize the dissatisfaction among customers and to avoid the work load has a great effect in the trade service operation at CBE.

Delay of payment to remitting banks after releasing the collection document, lack of proper knowledge about the buyers and sellers in case of advance payment and lack of follow up to collect guarantee claim and commission are the risk areas in which expose the customers to the risk of making payment to unreliable sellers and the bank to loss the good will with foreign correspondent banks. Therefore CBE has to work to resolve this which hinders from meeting its objective

On accessing the trade service practice the study reveals that export proceeds received with discrepancy penalty charge and payment authorization made to correspondent banks before confirming the availability of funds at foreign banks .And finally the lack of sufficient skill and knowledge of TS staff at branches to give professional advice to customers and to forward relevant document creates dissatisfaction among customers and increase work load at TS CPC therefore CBE should train and develop its TS staff at branch in order to give adequate support to its customers which also reduce the discrepancy penalty charge by helping customers to present complying document
.in addition the skilled and experienced TS personnel at branches add value to customers and reduce the work load at TS CPC and finally CBE should establish systems which checks the availability of adequate funds before payment authorization made

5.3. RECOMMENDATION

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

To overcome the incompliance with international rule and regulation in relation to payment (URR 522 article 6, requires proper payment without delay on time) the bank should made payment to foreign banks who send complying document without delay. This should be done by keeping sufficient balance of foreign currencies at correspondent banks.

Approving foreign currency requests after keeping adequate balance in the correspondent banks is also other remedies to overcome the problem of incompliance with international rules and regulations in relation to payment.

CBE should support employee by training and development their TS staff communication skill with foreign banks. This will be done by giving training how to understand key message and provide development which enhance their writing skill to increase efficiency, understandability and clarity.

To minimize the dissatisfaction among customers and to avoid the heavy work load to the staff, CBE should schedule the foreign currency approval time by taking the above in to account instead of waiting for a longer time and approving in bulk. CBE should done this by scheduling reasonable time by considering its foreign currency balance.

To enhance the consistency of trade service operation and to keep uniformity of work among staffs and to increase the flexibility to the changing external environment, CBE should revise its TS procedure manual on reasonable interval.
Customers should be informed before advising the LC about the terms and conditions of the LC to ascertain whether they can make a complying presentation to minimize the risk of presenting discrepant document and discrepancy charge. Therefore TS staff should have required knowledge and skill to clarify and support customers in relation to trade service operation.

In addition to theoretical training, TS personnel assigned to branches should be given on job training to fill the information gap between TS personnel in the center and at branches. Besides, the staffs at branches should be familiar with international rules and local regulations to help in forwarding the required and relevant documents to TS CPC. In case of advance payment, the staff should develop the capacity of understanding the level of relationship between buyers and sellers to minimize risk of payment made to unreliable seller. In order to obtain the guarantee claim and commission on time CBE should establish a system, especially for commissions. CBE should issue the Guarantee after receiving the commission the staff also should follow and communicate the foreign banks regarding the grantee claim to minimize the suspense account and to fulfill obligation taken under the guarantee.
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Appendix
Dear Respondents,

The following questionnaire is a research instrument on **International trade service practices of Commercial bank of Ethiopia**. The research is being conducted only for academic purpose. I assure you that your responses will be kept confidential. You are not expected to write your name. Any information obtained in connection with the study will remain strictly confidential. Therefore, I request you to fill the questionnaire genuinely and without bias. The quality of this research highly depends upon the genuineness of the answers you provide to this questionnaire. Therefore, please give your honest and accurate responses.

**Directions:**

Put tick mark as per the questions required in the box and put your short and prices answer in the space provided.

**Thank you in advance for your co-operation**

**Part one: - Please tick in one of the boxes below:**

1. Working experience in CBE:
1-5 years 6-10 years 11-15 years 16-20 years above 20 years

2. Educational Level:
   Certificate, Diploma, Degree, Second Degree, PHD

3. Current position in the bank:
   Manger at TS Process, Trade Service Expert, Trade Service Officer,
   Customer Relation Officer, Associate TS officer, Trade Service Advisory

4. Place of Assignment:
   Trade service central processing center (TS-CPC), Trade Service Special Outlet (TSSO),
   Trade Service Advisory (TSA), CBE BRANCH

Part Two: View of Respondents

I. Close ended Questions

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

<table>
<thead>
<tr>
<th>No.</th>
<th>1</th>
<th>TS process at CBE undertaken in compliance with both international and local rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td></td>
<td>There are instances that CBE charged by NBE for any incompliance with local rules and regulations</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>There are instances in which CBE charged by other correspondent banks due to non compliance with international rules and regulations</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>TS personnel at CBE have good communication skills with foreign banks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5</td>
<td>before advising the Export L/C to the beneficiary assess the credibility of the issuing bank</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Before advising the L/c to the beneficiary examine the terms and conditions of the L/C and discuss with the exporter to check if he/she can make a complying presentation</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Most of the time Export proceed received without discrepancy penalty charge</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>TS personnel have strict follow up to collect export proceed and guarantee commissions on time</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>All CBE branches have Ts personnel who can give advice to customers and forward necessary documents to TS CPC for processing..</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The schedule of foreign currency approval time have impact on trade service operations</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Training programs undertaken in CBE to upgrade the TS staffs with international standard requirement</td>
<td></td>
</tr>
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<td>12</td>
<td>Before issuing the purchase order checks that the purchase order complies with NBE’s directives</td>
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<tr>
<td>13</td>
<td>TS personnel at branches Clarify application formats and helps customers to fill the form purposely and Clarifies responsibilities and risks attached to delivery terms to customers</td>
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<tr>
<td>14</td>
<td>TS personnel advise importers for the arrival of documents, to take up action without delay</td>
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<tr>
<td>15</td>
<td>Advise customers to have clear and unambiguous sales contract</td>
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<tr>
<td>16</td>
<td>TS procedures updated as per the specified schedule</td>
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<tr>
<td>17</td>
<td>collection documents processed based on the instruction of the Remitting Bank</td>
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<tr>
<td>18</td>
<td>effecting payment to the remitting bank after releasing the collection documents to the respective importers</td>
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<tr>
<td>19</td>
<td>Ts employees checks availability of funds before giving authorization to Correspondent banks</td>
<td></td>
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<tr>
<td>20</td>
<td>Sending cancellation of reimbursement authorization for unutilized portion of L/C</td>
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<tr>
<td>21</td>
<td>As certain that the buyer and seller do have a long-standing business relationship to justify a sale on cash in advance basis</td>
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<tr>
<td>22</td>
<td>Before issuing the incoming guarantee examine the governing rule and assure no ambiguity</td>
<td></td>
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<tr>
<td>23</td>
<td>TS personnel forwards guarantee claim on time to counter guarantors</td>
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<tr>
<td>24</td>
<td>Most of the time foreign banks pays guarantee claim and commission on time as per their counter guarantor</td>
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</tbody>
</table>

**II. Open ended questions**

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

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

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

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INTERVIEW QUESTIONS

1. DO you know instances that in which CBE charged by other correspondent banks due to non compliance with international rules and regulations?
2. Do you think that all CBE branches have Ts personnel who can give advice to customers and forward necessary documents to TS CPC for processing?
3. What do you propose to solve the challenges of international trade practices in TS CPC and to Improve trade service practices of CBE?