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Ethiopian Civil Service University
Building Capacities in the public Service

COLLEGE OF FINANCE, MANAGEMENT AND DEVELOPMENT
DEPARTMENT OF PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTING

CHALLENGES OF INTERNATIONAL BANKING OPERATIONS: EVIDENCE FROM DEVELOPMENT BANK OF ETHIOPIA

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A Thesis Submitted to the Master’s Programme, College of Finance, Management and Development, Ethiopian Civil Service University, In Partial Fulfillment of the Requirement for the Award of a Master’s Degree in Accounting and Finance

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DECLARATIONS

I, Bogale Asress ID.No. ECSU1901239, do hereby declare that this Thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university/institution.

Name of Student: Bogale Asress Signature Date…………..…

This Thesis has been submitted for examination with my approval as university supervisor.

Name of Advisor: Mekonnen Mengistie (PhD) Signature……..……. Date…………

APPROVAL

The undersigned certify that they have read and hereby recommend to the Ethiopian Civil Service University to accept the Thesis submitted by: Bogale Asress Amare, and entitled “Challenges in International Banking Operations: Evidence From Development Bank of Ethiopia”, in partial fulfillment of the requirements for the Award of a Master’s Degree in Accounting and Finance.

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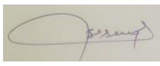
Name of External Examiner: Sisay Gugsa (PhD) Signature  Date…....……

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LIST OF ACRONYMS

AML	Anti-Money Laundering
CAD	Cash Against Document
CFT	Combating the Financing of Terrorism
DBE	Development Bank of Ethiopia
eUCP	Uniform Customs and Practice for electronic Documents
FATF	Financial Action Task Force
IBD	International Banking Department
ICC	International Chamber of Commerce
ISBP	International Standard Banking Practice
KYC	Know Your Customer
L/C	Letter of Credit
NBE	National Bank Of Ethiopia
S.C	Supplier Credit
SPSS	Statistical Package for the Social Sciences
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UCP 600	Uniform Customs and Practice
URDG 758	Uniform Rules for Demand Guarantees
URC 525	Uniform Rules for Collection
URR 725	Uniform Rules for Bank-to-Bank Reimbursements
WTO	World Trade Organization
IFC	International Financial Corporation
IMF	International Monetary Fund
INCOTERMS	International Commercial Terms

ABSTRACT

The main objective of this study is to assess and identify challenges facing in international banking service operations by evidencing from Development Bank of Ethiopia. To answer research questions and to attain the objective of the study the researcher was employed descriptive research design, and both quantitative and qualitative research approaches have been used. The study used both primary and secondary data sources. Primary data was collected by using Likert scale questionnaires and structured interviews whereas secondary data have been collected from document reviews. The population of the study was Development Bank of Ethiopia and the respondents were selected using the purposive sampling method which is non-random type of sampling technique. The quantitative data was analyzed by descriptive statistical tools such as frequency, percentage, mean, standard deviation and presented in table forms, and data was analyzed using SPSS version 26 software. Interview and document review data was analyzed and presented in qualitatively. To check the validity of the instruments the questionnaire was evaluated by bank experts and thesis advisor before distributing to respondent and interviewing. The reliability of the instruments was tested using Cronbach's Alpha. The major finding of the study were; technological inadequacy, lack of sufficient staff training, foreign currency shortage, bank's limited capacity of trade financing, weakness in maintaining know your customer data, some regulations and directives issued by National Bank of Ethiopia, customers knowledge gap, discrepancies on shipping document, non-payment or defaulting of customer, political unrest and language difference are challenges facing in international banking service operations. Finally, the study recommends bank: to invest more on technology, give periodic training to staffs and its customers, find out foreign currency sources, strength its liquidity so to finance import-export customers, give precaution on know your customer, give short term English language training to staffs and check creditworthiness of customer before issuing letter of credit so as to reduce customer defaulting. It is better policy makers to give high attention on English language curriculum policy. It is better government to identify root causes of political unrest in the country and create stable business environment and bank has advised to create uncertainty recovery strategies for such risks. It is better National Bank of Ethiopia regulatory bodies to issue wise regulations and directives especially on foreign currency usage policy and create suitable platform banks to compete internationally. It is better import-export customers to hire educated employees and give training to its staffs.

Key Words: International Banking service, International Trade. Correspondent Banking

CHAPTER ONE

1. INTRODUCTION

To attain the objective of the study this chapter has constructed with the background of the study, the statement of the problem, research questions, general and specific objectives of the study, scope of the study, limitation of the study and organization of the paper.

1.1. Background of the Study

The rapid technological advancement and improved communication systems have contributing the increasing integration and closeness among banks in the financial sector. As a result, banks are now facing with very high and intense competition. Current globalization is requiring free movement of trade and services which in turn eliminates barriers and create a borderless world, has not only made each country dependent on each other for goods and services, but also made us dependent on each other for foreign exchange earnings. This has further induced the business transactions across borders, demand for goods and services to increase and this further increase the needs of financing to facilitate trade and production activities. Hence, the roles of banks today are not only in the form of an intermediation but also as a partner in the business venture. However, risk has always existed in business and it is even predominant when business transactions are done across different borders (Muhammed et al. 2015).

Commercial and political risks are not separated because political decisions or other similar acts by local authorities can affect the local company and its capabilities of honoring the contract undertaken by its customer with abroad. Like currency regulations immediately after contracts are already signed (Grath 2011).

The Global Financial Crisis, which erupted during the U.S. mortgage crisis, brought international financial markets to dead end and severely disrupted international trade (Bems et al. 2013; Chor and Manova 2012).

Any types of business have face elements of risk; particularly in international trade the risk profile changes its dimension. Because of aforementioned reasons international chamber of commerce (ICC) has established common trade laws, practices and conventions. The effective trade transactions depend on the knowledge of these established practices and ensures contracts are in line with international such practices (Grath 2016).

International trade needs the banks intermediation because of banks give trade service guarantee for their customers due to different risks like non-payment of importer after shipment of goods by exporter and S.C mode of payments, failure of exporter to ship-goods after the receiving of fund in advance, violating of contracts by buyer and seller (Grath 2011). One of the mandates and activities of DBE are: opening and operating bank accounts with correspondent banks in local and abroad, providing domestic and foreign banking service to its borrowers, negotiating local and international financial instruments (Development Bank of Ethiopia 2022). DBE plays its role in international trade settlement intermediation, international trade advises service to traders, international trade financing, foreign currency handling and control function as per the National Bank of Ethiopia's regulations and directives (Development Bank of Ethiopia 2018).

Thus, Development Bank of Ethiopia has international banking service department which handles activities of international trade to its customers (exporters and importers). Therefore, this study tried to assess and identify major challenges facing in the international banking service operations in case of DBE due to absence of previous study in the case of DBE and the researcher's motivation as stated in the statement of the problem.

1.2. Statement of the Problem

Integration into the world economy has confirmed as a powerful means for countries to encourage economic growth, development, and poverty reduction. The integration in to the world economy has increased living standards of individuals around the world. Developing countries have benefited prosperity and their incomes have increased by international trade. About two-thirds of trade gains were accrued to developed countries. However, trade progress has been less rapidly in many countries in Africa and the Middle East. Possible gains from eliminating remaining trade barriers are required to developing countries (IMF 2001). International trade is thought as the great hope for poverty alleviation with the ever-growing globalization. Trade in general and international trade in particular can contribute to poverty alleviation by expanding markets, promoting competition, raising productivity, providing new ideas and technologies, each of which has the potential to increase the real incomes of poor people by job creation. Ethiopia has increased its involvement in international trade, even if less speedily than other countries (Goldin and Reinert 2007).

International trade is basic for global growth. It can encourage gross domestic product of the nations. Domestically producing everything for single country is impossible to satisfy needs and demand of its people. The growth of international trade and financing is contributing new opportunities for buyers and sellers between two or more nations. As international trade continues to grow as a part of global economy, more care and attention have been focused on the understanding of the basic issues in trade finance transactions (Sakchutchawan 2009).

In the international trade banks play great role in intermediation between buyer and seller because of its intermediate degrees of contract enforcement (Niepmann and Schmidt-Eisenlohr 2014).

After the 2008-09 financial crises the unwillingness of the global financial sector to invest in developing countries forced local banks to require trade finance transactions to be settled in the currency of the transaction, which requires the participation of banks in the country which issues that currency. Local banks need international correspondent banks to approve their letters of credit, involve with them in supply chain finance and trade-related payments in foreign currency. This global financial crisis increased correspondent banks to strength regulatory issues of AML/CFT on developing country banks (WTO and IFC 2019).

The common problems in internationalization of Kenyan commercial banks operation are political, legal, economic and cultural /language challenges (Gacoki 2014).

Unpublished study by Surafael and Bamlaku (2014) found that NBE regulations, insufficient financing capacity of bank, shortage of foreign currency, lack of advanced technology, customers knowledge gap, lack of sufficient training to bank employees and KYC compliance issues are challenging issues in international banking service operations of bank as evidenced from United Bank S.Co, in Ethiopia.

In addition to challenges revealed by Surafael and Bamlaku (2014) this research included other challenges collected informally by self-observation, personal interview and discussions made in advance with international banking department officers of DBE challenges such as non-payment/defaulting, discrepancies on shipping document, political risks and language differences (K. Yigezu et al., personal interview, 20 December 2021).

Hence, researcher understood that banks which involving in international trade service operations are better to identify challenges/barriers facing in their operations so as to compete with dynamic business environment unless their intermediation in international trade to be challenging and it in turn challenges country's involvement in international trade, and finally it challenges economic growth of country in general.

Therefore, the researcher has motivated to conduct this study due to the following reasons: To further assess challenges found by Surafael and Bamlaku (2014) including challenges collected by self-observation, personal interview and discussions made with IBD officers of DBE, absence of previous study on this tittle in case of DBE the researcher initiated to assess in detail using descriptive research design, and to fill the literature gap in Ethiopia as there is no published literature on this topic.

1.3. Research Questions

This paper was tried to answer the following research questions:-

- ✓ What are challenges face in international banking service operations of DBE?
- ✓ What are NBE regulations and directives face in international banking operations?
- ✓ What are technological issues face in international banking operations?
- ✓ What are foreign currency challenges face in international banking operations?
- ✓ Does bank have enough capacity of trade financing?
- ✓ What practices have bank in maintaining of KYC?
- ✓ What is awareness of customers on international banking and trade laws?
- ✓ Does bank gives sufficient training to the international banking staffs?
- ✓ What are discrepancies on document face in international banking operations?
- ✓ What are political issues face in international banking operations?
- ✓ Does nonpayment are challenging issues on international banking operations?
- ✓ Does language difference are challenging issues on international banking operations?

1.4. Objective of the Study

1.4.1. General Objective of the Study

The overall objective of this study is to assess challenges face in international banking service operations evidencing from Development Bank of Ethiopia.

1.4.2. Specific Objectives of the Study

The specific objectives of the study are**:**

- ✓ To identify NBE regulations and directives face in international banking operations.
- ✓ To identify technological challenges face in international banking operations.
- ✓ To assess bank's foreign currency shortage face in international banking operations.
- ✓ To assess bank's capacity in financing of international trade.
- ✓ To examine practices of bank in maintaining know your customer (KYC).
- ✓ To assess awareness of customers on international banking and trade governing laws.
- ✓ To assess adequacy of training provided by bank to the international banking staffs.
- ✓ To identify discrepancies on document face in international banking operations.
- ✓ To identify political risks face in international banking operations.
- ✓ To know whether nonpayment is challenging international banking operations.
- ✓ To know whether language difference is challenging international banking operations.

1.5. Significance of the Study

The main significance of this study is:

- ✓ Identifying major challenges face in international banking service operations of DBE and forwarding recommendations to the DBE, regulatory bodies of NBE, import-export customers, government and policy makers so as to improve identified challenges.
- ✓ This paper will be used as a source for future researchers and contributes its part to fill literature gap problems in Ethiopia in this area of topic.
- ✓ To the researcher for partial fulfillment of the requirement for the award of a master's degree in Accounting and Finance.

1.6. Scope of the Study

The scope of the study is delimited to the Development Bank of Ethiopia main office located in Addis Ababa. Development Bank of Ethiopia was selected because of DBE has long banking experience and also there is no previous study conducted in case of DBE on this topic. The study was only assessed challenges face in international banking service operation while serving import-export customers and the study was not covered other side of the challenges. The study only employed descriptive research design along with quantitative and qualitative research approach. Descriptive research design was selected because of the aim of the study was to assessing and identifying challenges in detail as there is no sufficient study on this topic in Ethiopia. All respondents who were directly involving in international banking service operations at DBE are selected purposively for sample. The data was collected using survey and document review of current year in 2022.

1.7. Limitation of the Study

The population of the study was limited to the Development Bank of Ethiopia main office found in Addis Ababa and respondents were staffs directly involving in international banking service operations at head office only. The branch staffs were not incorporated in the study because DBE gives international banking service operations by centralized system only at head office level for all branch and head office customers.

The study was not included import-export customers and other local banks in Ethiopia as the researcher's limited experience and expertise on conducting the research it is difficult to manage large samples, and also as the researcher has day time worker and weekend class student there is also time constraint.

1.8. Organization of the Thesis Paper

To achieve intended objectives of the study and to answer the research questions the thesis paper has been structured in five chapters.

The first chapter presents general introduction of the chapter, background of the study, the statement of problem, research questions, general and specific objectives of the study, scope of the study and limitation of the study. The second chapter deals about general introduction of the chapter, theoretical review, empirical evidence, NBE directives on foreign currency and DBE's international banking service operation applicable Rules. The third chapter contains introduction of the chapter, research methodologies such as research design, sample design, sampling technique, the source of data, data collection instruments, method of data analysis tools, validity and reliability test, and ethical considerations. The fourth chapter shows introduction of the chapter, data analysis and presentation/discussion of the study. The last fifth chapter contains introduction of the chapter, summary of major findings, conclusions, recommendations and directions for further study.

CHAPTER TWO

2. REVIEW OF LITERATURE

2.1. Introduction

In this chapter the theoretical literature reviews, empirical evidences, NBE Directives on Foreign currency allocation and transparency, DBE's international banking service operation applicable rules were presented to support the study to answer research questions and achieve the research objectives, and finally the study draw conclusion and forwards constructive recommendations based on finding of the study.

2.2. Theoretical Literature Reviews

2.2.1. International Trade

Ajami et al. (2006) in the second edition of their book entitled "International business theory and practice" summarized the different international trade theories as follows: the Western European view of Mercantilism theorized that countries, not individuals, should be involved in the transfer of goods between countries in order to increase the wealth of home countries, specifically through the accumulation of gold. The Classical theories of absolute and comparative advantage looked at cost efficiencies of production as motivators of trade. Consequently, weaknesses in their basic assumptions led to the development of the factor endowment theory, which explains trade among nations on the basis of factors, or inputs, used in production, such as land, labor, capital, technology, facilities, and distribution networks. Modern theorists have found that individuals, rather than nations, initiate and conduct trade. More, traditional theories ignore the importance of technology, marketing and management skills. The international life cycle theory offers different motivations for trade based on the four stages of a product: innovation, growth, maturity, and decline. Other modern theories explain foreign investment as a natural competitive response through which firms seek to optimize market opportunities offering production advantages, economies of scale, and favorable capital markets, or as firms reacting to the investment decisions of competitors by following the leader. Economic development theories attempt to explain the evolution from an underdeveloped economy to a developed, manufacturing-oriented economy. Classical economic theory limited a nation's development and economic growth to its supply of land and labor and discounted any effects of technological improvements that might create greater efficiencies. Rostow's theory of economic growth tried to relate economic development to changes within society and identified five stages of development: traditional society, preconditions for takeoff, takeoff, the drive to maturity, and the age of mass consumption. The big-push theories argued that only synchronized uses of capital to develop wide ranges of industries in combination with an overall popular effort would propel developing nations into more developed stages. Alternatively, Hirschman's strategy of unbalance advocated selective investment in developing countries to create backward and forward linkages. Economists such as John Kenneth Galbraith and Amartya Sen have also contributed to the understanding of developmental economics, and Amartya Sen has come up with a framework for development that is useful for government's decision on policies in the developing world. Political and economic systems run along a continuum that has democratic, free-market economies on one extreme and totalitarian, centrally planned economies on the other. Nations have been divided into three categories: the first, second, and third worlds; these distinctions are based principally on gross national income per capita criteria. A fourth world, or shadow world exists where many transactions are not included in official gross national figures, leading to a significant understatement of real national wealth. Other social criteria influence categorization, such as life expectancy, infant mortality levels, literacy rates, and health and education standards. Trading patterns have shifted away from industrialized countries toward less-developed and newly industrialized countries. Increasing competition from countries such as China and India are challenging the supremacy of the United States today.

Increased participation in international trade can help as the engine for economic growth and development of countries. In addition, international trade is the principle of comparative advantage that generally provides that countries should trade with one another because they are better off by maximizing their production potential for some products and, through trade, can obtain products they do not have or they produce with less efficiency. International trade has increased dramatically in recent decades. The flow of goods and services is crucial for achieving sustained growth in developing countries (Goldberg and Pavcnik 2007).

International trade is the exchange of goods and services among across nations. Differences in technology and/or factor endowments between the nations of the world can create patterns of comparative advantage. The patterns of comparative advantage can be influenced by patterns of absolute advantage but not determined by patterns of absolute advantage. Definitely, a country can have a comparative advantage in a good in which it has an absolute disadvantage. Patterns of comparative advantage determine patterns of trade in the world economy and generate mutual gains from trade (Goldin and Reinbert 2007).

According to Salvatore (2013) in his book entitled "International Economics" summarized different international trade theories: The mercantilists supposed that a country could gain in international trade only at the cost of other countries. According to Adam Smith, trade is based on absolute advantage and benefits both countries. when each nation specializes in the production of the commodity of its absolute advantage and exchanges part of its output for the commodity of its absolute disadvantage, both nations end up consuming more of both commodities. David Ricardo introduced the law of comparative advantage and his theory assumes that even if one nation is less efficient than the other nation in the production of both commodities, there is still a basis for mutually beneficial trade (as long as the absolute disadvantage that the first nation has with respect to the second is not in the same proportion in both commodities). However, Ricardo clarified that the law of comparative advantage in terms of the labor theory of value, which is unacceptable. Gottfried Haberler came to the "rescue" by explaining the law of comparative advantage in terms of the opportunity cost theory. This states that the cost of a commodity is the amount of a second commodity that must be given up to release just enough resources to produce one additional unit of the first commodity. As confirmed by different empirical studies the comparative advantage seems to be based on a difference in labor productivity or costs, as hypothesized by Ricardo.

International trade transaction is not straight forward rather it has many obligations, rights and challenges created between supplier and buyer, until delivery of goods to buyer and the seller received the payments. International trade transactions are affected by cultural difference, trade practices and their documentation procedures country to country. Every stage of international trade transaction requires its own knowledge and expertise starting from contract of two parties to final payment so as to make transaction dispute free (Grath 2016).

2.2.2. Practices and Challenges in International Trade

Both exports and imports involve foreign exchange. Export results in receipt of foreign exchange and import results in payments for purchases made. When the exports are made, there are incidental remittances involving foreign exchange in the context of participation in trade fairs, agency commission, subscription for trade magazines, sales promotion tours, advertisements in the foreign media etc. All the transactions fall in current account, which are necessary for the purpose of export business. Investment abroad, lending and borrowing money and purchase of plant and machinery fall in capital account. Thus, it is necessary for exporters as well as importers to have good understanding in respect of regulations relating to foreign exchange. Regulations relating to foreign exchange are known as Exchange Control Regulations. Knowledge of these regulations is necessary to work within the purview of law (Gopal 2008).

In the international trade there are many reasons why challenges happen, due to the basic fact that the risk assessment of the transaction and/or the technique these risks were covered went wrong. For example is the risk assessment of the customer, where exporters do not always fully understand that some larger countries are divided into regions or states, often with different cultures, which may affect trade forms and practices. In some other countries, what the seller thought was a signed contract may just be seen as a letter of intent by the buyer until it also has been countersigned by a more senior and internally authorized manager or it may be that the seller has agreed to terms that were previously used but are not suitable in a changed environment or due to changes in their own business. Another reason may be that the parties simply did not use the same language or didn't focus on the details of the agreed terms of payment. This could lead to undefined terms, potentially subject to future disputes, something that may not be opened until delivery has been made – when the seller is in a weaker bargaining position. Even though such errors may not be lead in to non-payment, but it is more likely that it will lead to delays in payment, with an induced commercial and/or political risk as effect. Another common effect of the unclear or undefined terms of payment is that the seller may have unsettled claims on the buyer or that the buyer is of the same opinion in regard to the seller and takes the opportunity to make unilateral payment deductions owing to real or alleged faults or deficiencies in the delivery (Grath 2016).

Each area of international trade requires its own knowledge, from the initial contact between buyer and seller to final payment to seller. Thus, such area requires expertise on how to develop professional and undisputed terms of payment and how to solve currency and trade finance questions in a competitive system. These areas are of vital importance both in the offer and in subsequent contract discussions, not just within difficult countries or markets or in larger, more complicated deals, but also in quite ordinary day-to-day transactions. The choice of currency could be of great importance, mainly in an increasingly competitive market, and the ability to extend finance has become a major competitive factor in negotiations. In such an environment the terms of such credits are mostly to the advantage of the buyer and, as a consequence, demand for longer credit periods and more advantageous terms has increased. When it comes to repetitive or similar transactions with identified customers, both terms of payment and currency, and financial alternatives, can often be developed as standard models but must, in other cases, be adapted to each transaction and its specific preconditions. In many of these markets, the structuring of the terms of payment is the key to secure and money-making business. Every transaction contains many different requirements, apart from aspects such as the buyer, the country, the nature of the goods, size, extent and complexity. This requires the seller to carry out an individual risk assessment and make decisions that ensure a profitable and secure deal, with a level of risk that is both defined and accepted at the outset. It is therefore of great importance for both buyer and seller to know how to structure practical terms of payment. In practice this often means that during negotiations the seller must be willing and able to compromise – even when it comes to specific questions related to guarantees, payments, currency and finance. In these situations, and often together with other difficult negotiations, it is important to understand the connections between these parts, what is essential to hold on to and what can be waived. Any successful negotiation must give rational and equal consideration to the demands of both commercial parties in order to find a compromise and avoid needless debates or misunderstandings. The knowledgeable seller will always try to avoid such conditions, thereby strengthening also the potential for future business deals, provided that fundamental demands have been met to safeguard the transaction (Grath 2016).

In international trade, growing competition is not confined to quality, price and delivery schedule but extends to terms of payment. International trade has been not only highly competitive, equally sensitive. Credit facilities extended to the importers as per the choice of exporter. Importer may prefer that exporter who can afford credit even though the price is relatively higher. When all the factors stand on the same balance between competing exporters, it is all the more choice of the importer to finalize with exporter who extends credit on favorable terms. Thus, the role of institutional credit comes into full play (Gopal 2008).

Due to presences of different forms of risks (Political risks, financial risks, Currency risks, adverse business risks, Commercial risks, Product, production and transport risks) in the international trade the business practices have been established over time in different countries to create a common ground for both parties involved when starting their payment negotiations like choice of currency, method of payment and terms of financing. Local banks, trade councils and the chambers of commerce in both the supplier's and the importer's country can draw on their experience and give unbiased advice on local business practices regarding both the method of payment and the specific terms of payment, although taking the size, commodity and other aspects of the possible transactions into account (Grath 2016).

2.2.3. Role of Banks in International Trade

Documentary credit (L/C) is the most frequent and most secure facility for financing international trade. The security aspect of a documentary credit rests upon the fact that it represents an undertaking to the bank issuing the letter credit at the request of its customer (importer of goods), to pay the beneficiary (usually exporter of goods), a specified amount on condition that upon the beneficiary presents to the bank required documents. Thus, the bank acts as an intermediary between the buyer and the seller, satisfying the competing interests among them, and removes the risk of each party to the commercial transaction. While the bank guarantees payment to the seller for the goods, it protects the buyer by ensuring that no payment is made to the seller until the latter has shipped the goods, delivered the relevant documents for confirmation of the shipment, and otherwise complied with the prescribed conditions. Hence, an L/C is a conditional promise issued by the issuing bank to pay a specified amount in the stated currency, within the prescribed time limit and against stipulated documents. The popularity of letters of credit derives from the fact that a seller can be confident that, provided he can meet the requirements stipulated in the L/C, he will receive prompt payment (Moens and Gillies 2000).

The buyer accepts the seller's offer in respect of the sale of goods including the requirement that payment be made under a L/C. The buyer then instructs his bank, namely the issuing bank, to issue L/C in favor of the seller as beneficiary. Next, the issuing bank in accordance with the buyer's instruction issues a L/C to the beneficiary and for such purpose issuing bank instructs a correspondent bank (located in the seller's country) to act as an advising bank. In turn, the advising bank informs the seller/beneficiary that a L/C is opened in sellers favor and that payment will be made conditional upon the presentation of the stipulated documents by the seller to the advising bank (or another bank nominated for payment purposes) by a specified date. Finally, the beneficiary presents the complied documents to the advising bank (usually negotiating bank, remitting bank or any nominated bank by beneficiary) and thereupon receives payment. Thus, a request for the issue of L/C is made by the buyer, while settlement usually takes place in the seller's country. Mostly the seller may require as an additional term of payment that the documentary credit be confirmed, that is guaranteed, by the advising bank located in his country. In such case, the advising bank will also be acting as a confirming bank. A request to confirm a L/C will usually be made by the beneficiary (seller) if he doubts the credit worthiness of the issuing bank or if that bank is located in a country subject to political or economic turmoil. A confirmed L/C provides the seller with increased security because the confirming bank shall be obliged to make the specified payment if the issuing bank is prevented from honoring the letter of credit. Such confirmed L/C is required in cases; the issuing bank shall be prevented from making payment if the government of the country in which that bank is located imposes currency restrictions between the time of the issuing of the L/C and the time the documents are delivered to the bank by the beneficiary. Thus, it is often good commercial practice for the seller to require the buyer to arrange for the confirmation of the L/C by a bank located in the beneficiary's country. There are, therefore, usually four parties to the L/C transaction, namely: the applicant of the L/C (buyer/importer), the issuing bank in the applicant's country, the correspondent bank in the seller's country acting as advising and/or confirming bank, the beneficiary of the L/C (Moens and Gillies 2000).

The universal use of commercial credit has resulted in the standardization of the banking practice relating to L/C by the establishment and publication of the UCP for Documentary Credits by the International Chamber of Commerce (ICC). The two fundamental principles governing letters of credit are: The doctrine of strict compliance and the autonomy of the credit. The autonomy principle states that a L/C is a separate and independent transaction from the contract of sale or other transaction on which it is based whereas according to the doctrine of strict compliance a bank is entitled to reject documents which do not strictly conform to the terms and conditions of the letter of credit. The doctrine of strict compliance requires that the stipulated shipping documents which are presented by the beneficiary should be strictly conforming to the terms and conditions of the L/C. There is no obligation on the bank to honor non-complying documents. The Bank has an obligation to examine the documents with reasonable care to ascertain whether the documents appear on their face to be in accordance with the terms and conditions of the L/C with in internationally allowed bank examination date. If documents are found to be discrepant the issuing bank is not obliged to effect the payment to beneficiary unless documents must be complied. However, not all discrepancies shall be entitled a bank to reject the documents. Slight discrepancies must be disregarded if found to be acceptable (Moens and Gillies 2000).

The settlement of transactions can be relatively easy when trade is carried within domestically and within the borders of individual countries because the currency of the one country is acceptable to all involved parties. In the international trade transactions once more than one currency is involved, however, a need arises to develop an internationally acceptable basis to settle international trade transactions (Ajami et al. 2006).

According to Article 3 of UCP600 in relation to Documentary credits, Letter of Credit has been defined as any arrangement whereby a bank acting at the request and in accordance with the instructions of a its customer (usually importer) undertakes to make payment to or to the order of exporter (usually beneficiary) against specified documents and compliance with specified terms and conditions. At the request of the importer, bank makes a promise to the exporter to make payment, under certain circumstances and up to a limit, provided the stipulated documents in the L/C, requested by the importer, are presented and found to be accordingly. Exporter may draw the draft on the importer or importer's bank (Gopal 2008).

When the exporter presents the documents, the first thing negotiating bank do is to carefully check the documents whether they are as per the credit terms and conditions of letter of credit. The bank should exercise extreme care in verifying the documents. There are no minor or major discrepancies in the documents. The documents should also be in accordance with the interpretation of various clauses contained in Uniform Customs and Practices for Documentary Credits, applicable at the time of the negotiation of documents (Gopal 2008).

In addition to, deposit collection, local payment services, loan underwriting, financial intermediation, asset transformation and money creation, other major role of banks has providing L/C to guarantee payment to supplier on behalf of customer and effecting international settlements (Grath 2011).

International trade is more costly than compared to domestic trade; hereafter the volumes of international transactions are smaller than domestic transactions. Firms borrow from local banks and banks gather more information about whether loans will be repaid and the solvency of repayment. Subsequently banks are involving in larger transactions with domestic than foreign firms due to as banks are more knowledgeable about local firms. This makes international trade finance loans riskier than domestic finance loans. The basic model incorporates payment systems used for business transactions. If payment mode is made by a buyer after delivery (i.e., open account system), a supplier is exposed to non-payment risk. As a result, if the supplier was borrowed working capital from a bank, the loan performance depends not only on the supplier's credit risk but also on the buyer's credit risk. Similarly, if a buyer makes advance payment to a supplier (i.e., cash-in-advance system), the buyer is subject to non-delivery risk. If a bank provided the advance payment, the loan repayment is contingent on the successful performance of both the supplier and the buyer. Therefore, evaluating creditworthiness of both borrowers and their trading partners to insure loan repayment is serious concern for banks (Ahn 2011).

Foreign exporters often prefer that banks act as guarantors for payment before sending goods to domestic importers, particularly when the foreign supplier has not previously done business relation with the domestic importer on a regular basis. The banker's acceptance often begins when a domestic importer, after placing a purchase order from a foreign exporter, is asked by the foreign exporter for a guarantee of payment from the domestic importer's bank before the goods are shipped. In compliance with this request, the domestic importer arranges a letter of credit through its bank. The bank subsequently notifies the foreign exporter that, upon meeting the delivery requirements, the exporter is entitled to draw a time draft against the letter of credit at the importer's bank (i.e., withdraw money) for the amount of the transaction. After the export order is shipped the foreign exporter presents the time draft and the shipping papers to its own (foreign) bank who forwards these to the domestic importer's bank. The foreign exporter involves the foreign bank so as to act as a repository of funds associated with the time draft. The bank stamps the time draft as accepted and the draft becomes a banker's acceptance. At this point, the bank returns the stamped time draft (now a banker's acceptance) to the foreign exporter's bank and payment is affected to the foreign exporter on the maturity date as agreed. Alternatively, if the foreign exporter wants cash payment immediately it can sell or discount the foreign exporter's bank the discounted value of the banker's acceptance. In either case, the foreign bank pays the foreign importer for the goods either on the maturity date of the banker's acceptance or immediately, based on a discounted value. At this point, the bank effectively pays the domestic importer's bill for the purchases, either through its payment in full on the maturity date or the discounted value immediately. When the banker's acceptance matures, the domestic importer must pay its bank for the purchases and the bank sends the domestic importer the shipping papers. If the foreign exporter discounts the banker's acceptance with its foreign bank before maturity, the foreign bank can either hold the acceptance as an investment until it matures or sell the banker's acceptance in the secondary market (Saunders and Cornett 2012).

The basic role of the banks in relation with bank transfers is to provide an intermediary function. However, the responsibility for correct and timely settlement rests with the commercial parties. It is the buyer who has to give correct payment instructions to their bank, but this obligation does not normally arise until the seller has completed its delivery obligations according to the contract undertaken. Bank transfers among countries and banks are currently done much faster than before using SWIFT financial network technology. When the instructions are entered into the system by the importer's bank they are normally accessible at the beneficiary's chosen bank two banking days later and usually available for the seller the next day or according to local practice of the banks. Also urgent SWIFT messages (Express payments) are processed even faster but higher charges (Grath 2016).

2.2.3. International Banking Service

International banking services was started operation in the United States in 1981. After establishment, US banks have grown to the idea to now represent a significant part of the international banking business globally. The establishment of facilitates the conduct in the

United States of some business that was previously conducted in offshore area. It also increases the ease with which foreign banks can operate branches in the United States. International banking do not represent new physical banking facilities rather it has separate sets of books within existing banking institutions (Chrystal 1984).

International banking is one of the important elements of the international financial sector services. With large scale expansion of international banking to cross border transactions, international banks have face numerous issues like cross border risks, international legal and regulatory framework, money laundering activities and unstable international markets. International banking operations are managing the operational risk by linking their expansion through Correspondent banking, foreign branches and foreign subsidiaries (Joshi 2021).

2.2.4. Correspondent Banking

In theory two large money center banks, each having branches in the significant banking centers, could simply pay and receive both sides of a foreign exchange deal by debiting and crediting each other's accounts. But, all banks are not equipped to perform international settlements, not have the volume of transactions that justify making an investment in international payment infrastructure. Thus, banks use alternatively another specialized bank arrangement for settlement of transaction called correspondent banking. The bank that is a party to a foreign exchange deal employs another bank to arrange its settlement on behalf and that bank has nostro account held with them by foreign currency (Derosa 2014).

Correspondent banking is an informal linkage between banks in different countries which is set up when banks maintain correspondent accounts with each other. Many of the banks have correspondent relationships with other foreign banks in almost every country in which they do not have an office of their own or branch. The main purpose of correspondents is to facilitate international payments and collections for customers and allows banks to help their clients in their business abroad. In addition to settling customer payments, it can also be useful in issuing / confirming L/Cs, bank Guarantees, Bid Bonds and others (Joshi 2021).

Correspondent banking is the facilitation of banking services by one bank to another bank. This is considered as a profitable and important part of the banking sector. Correspondent allows the banks to involve in international financial transactions for themselves and their clients in jurisdictions where they do not have a physical presence. Due to money laundering challenges all US banks issued bank secrecy act and money laundering control act of 1986.The bank secrecy requires all banks to have anti-money laundering programs like the development of internal policies, procedures, and controls, the designation of a compliance officer, an ongoing employee training program and an independent audit function to test programs. Language barriers and costly travel expenses for US correspondent bankers to travel to the jurisdictions to gather first-hand information that may produce immediate or accurate information makes due diligence to difficulties (U.S. Senate 2001).

2.2.5. Payment Methods in International Trade and Governing Rules

Shipping goods internationally is risky and takes a lot of time. Thus, trading partners not only have to agree on the specification and the price of goods, but also want to decide on the timing of payments. To allocate risk and to finance the time gap between production and sale, a range of different payment contracts is used. Broadly used by methods are exporter finance (Open Account), importer finance (Cash in Advance) and L/C (Schmidt-Eisenlohr 2013).

The advantage of foreign trade financing increases competitiveness and nowadays payment conditions are used as instruments of competition in contract negotiations and it further increases exports and the growth of national income (Ageev 2014).

International Chamber of Commerce’s (ICC) Commission on Banking Technique and Practices was established in 1919 to facilitating the flow of international trade, investment, and flow of capitals. ICC’S commission on banking and practice is responsibility for international documentary business and some of best important rules in the international business are UCP 600 Uniform Customs and Practice for documentary credit, eUCP for electronic documents, ISBP for examination of documents under documentary credits, URR 725 Uniform Rules for Bank to Bank Reimbursement, URC 525 for Uniform Rule for Collection and Incoterms for international trade contracts are some of the guiding rules of ICC (Olesch and Egerlandt 2007).

Exporter and importer reside in different nations. Each nation has its own laws. Contract in a country is not only governed by the law of the land but also commercial practices of that country. Apart from Indian laws, the international commercial practices have certain bearing on the export-import contracts. In order to guard against confusion and misunderstanding, opening and negotiation of L/C are governed by” Uniform Customs and Practice for Documentary Credits” commonly known as UCP 600. The ICC, Paris has prepared the document” Uniform Customs and Practice for Documentary Credits” UCP guides Opening of L/C is based on UCP, Negotiation of Documents, Doctrine of Strict Compliance, Bank deal in shipping Documents not the Goods, Documents should be Non-discrepant, Time for Examination, Time for Payment, Option in Case Documents are Discrepant and Failure of Issuing Bank to Communicate Decision (Gopal 2008).

2.3. NBE Amended Directives on Foreign currency

Amended NBE Directive No.FXD/77/2021 amendment on “Transparency in foreign currency Allocation and Foreign Currency Management” orders banks to allocate foreign currency for import of essential goods based on first, second and third priority. Total foreign currency allocated for this priority listed essential imports shall not be less than 50percent of total foreign currency allocated for all imports of goods and services any time. The 50% allocated for above priority orders shall be distributed 15% for first priority, 45% for second priority and 40% for third priority goods. In case allocation of the foreign currency is less than 50% of total foreign currency allocated for import of goods and services at any time, the bank shall surrender the difference to national bank of Ethiopia every month within first working days of the month. Furthermore, the banks are prohibited from allocating any foreign exchange outside of governors procedure, banks shall not approve purchase order without collecting full amount in birr and issued LC without collecting minimum of 30% margin in birr by selling rate for purchase order value and LC value except manufacturing sector, banks shall not release the cash against document to customer without effecting payment to supplier as per payment modality and bank shall issue utilization ticket within 3 days to confirm the transfer of foreign currency, bank shall not issue permit for goods (shipped before approval, after expiry of LC and purchase order) but the extension for expiry is allowed before shipment of goods in good cause as well as chief executive officer may give approval for goods shipped before approval of after expiry of by giving warning letter if the case found to be acceptable, bank shall not register import request without blocking of 50% of total proforma invoice for importers under non priority list and blocked amount is subject to minimum saving interest rate to customer, bank shall not process import applications for approved foreign currency exceeding the period of 15 working days from the date of notification, bank shall not register more than two proforma invoices including previously registered under waiting list, bank shall not attach foreign exchange allocation with other services in the bank, bank shall accept request on change of items after registration of proforma invoice but it shall be allowed at the time of foreign currency approval if the waiting time taken more than 6 months and 3 months for non-priority and priority respectively (National Bank of Ethiopia 2021).

Amendment on retention, utilization of earnings and inward remittances Directive No. FXD/79/2022 directs banks to surrender 70% of the foreign currency earnings from export of goods/services and remittances to National bank of Ethiopia, and After deduction of the 70%

the 20% of foreign currency shall have right the exporter or recipients of inward remittance to hold in retention account indeterminately whereas the remaining 10% shall be surrendered to the respective banks at prevailing buying exchange rate and the bank shall be effect the equivalent birr to the an eligible customer immediately (National Bank of Ethiopia 2022).

2.4. Laws Applicable to IBD Operations of the DBE

The DBE’s international banking operations shall be guided by both national and international banking regulations along with applicable internal policies and procedures. Accordingly, the bank is subject to the following rules, regulations and conventions:-Uniform Customs and Practice for Documentary Credits (UCP 600 or a revised version thereafter published by the ICC), Uniforms Rules for Collections (URC 522) or a revised version thereafter published by the ICC, Uniform Rules for Bank-to-Bank Reimbursements (URR 725) or a revised version thereafter published by the ICC, INCOTERMS 2010 (or a revised version thereafter published by the ICC), International Banking Standard and Practice (IBSP) issued by ICC, Uniform Rules for Demand Guarantees (URDG 758) published by the ICC, Resolutions applicable to international trade and remittances made by the U.S, the European Union, and United Nations Security Council (whenever known to the Bank), Directives and notifications (and amendments thereto) issued from time to time by NBE and Financial Intelligence Center of the Federal Democratic Republic of Ethiopia, the Bank's own Policies and Procedures, Bank's trade service terms and tariffs, and exchange rates issued by Treasury and Funds Management Directorate of the bank and Other relevant laws of the country, conventions and agreements made with partners (Development Bank of Ethiopia 2018).

2.5. Empirical Literature Review

According to reports of Basel Committee on Banking Supervision (2005) the Responsibilities of the board of directors for compliance under principle 9 states that cross border compliance issues. Banks should comply with applicable laws and regulations in all jurisdictions in which they conduct business, and the organization and structure of the compliance function and its responsibilities should be consistent with local legal and regulatory requirements unless banks reputation is fail and cannot operate internationally due to compliance risks.

Defaults on its obligations within the payment system arise due to insufficient liquidity in the time of settlement, financial pressures lead to delay in or failure of settlement. Operational challenges are arising from technical failure or other forced interruption to the operations of a payment system or those of its participants (Gieve 2008).

Firms which rely largely on the banking system for trade finance have suffered more due to problems such as poorly developed banking system and trade finance institutions, and macroeconomic imbalances. On the bank level, the extreme decline in global financial liquidity and the number of intermediary players has pushed banks in developing countries to become more cautious, risk averse and selective, narrowing trade finance circumstances. The study shown that most governments have taken actions to mitigate the impact of the financial crisis making available liquidity in the financial system to alleviate pressure on domestic banks and supporting medium to long term exports and the competitiveness of domestic firms (Malouche, 2009)

The document discrepancies in international trade financing as significant worldwide issues are resulting in unnecessary delays, refused payments, and financial loss when banks found discrepancies in required trade finance documents presented under the ICC trade rules known as UCP. To solve discrepancy related challenges this study recommended that elimination of uncommon requirements of letter of credit. In addition, the study recommended the employees involve in the process must be trained to ensure they have the required skills to properly manage relevant documents for international trade financing (Sakchutchawan 2009).

Failure of regulation by broad agreement in nation was one of the basic causes of the global financial crisis happened in 2008. After 2008 the regulation has become center stage and progress in regulatory reforms has been become impressive. Regulation will bring benefits by way of financial stability, even it imposes extra costs. The failure of regulation and the short-sightedness of the private sector was the root causes of the crisis happened. The balance of emphasis has shifted from encouraging innovation designed to yield short-term gains for a few to ensuring sustainable financial sector development that helps many countries. The discussion provided a forum for central bankers, financial sector regulators, academics and practitioners from both developed and emerging markets to act on several magnitudes of these subject matters. The discussions illuminated not only the multidimensional linkages between the financial sector and the nations but also the influence of the international financial building for global financial stability. The forum discussions concluded that prudential macro and micro measures are important for financial stability of both advanced economies and emerging ones (Bank for International Settlements 2012).

The quality of human beings in an organization is the basic factor for the success of one organization. The improved skills, attitudes and productivity can only be achieved through adequate training. The organization should train staff in order to improve the organization growth in general. The study recommended that the management should support the training of staffs in all levels and manpower development (Bature et al. 2013).

Schmidt-Eisenlohr (2013) shown that institutional excellence and financial sector efficiency are important factors in determining the choice of financing terms.

International trade is costly and risky. Shipping of goods across borders takes longer than shipping of goods domestically and thus it requires more working capital. Shipping from longer distances also increases the risk of damage, adds the cost of insurance. In an international trade transaction, the exporter faces the risk that the importer might default, and the importer faces the risk that the exporter might fail to meet the product quality specifications set out in the contract. Such risks and costs are further heightened in light of the fact that international trade involves partners located in different countries with different jurisdictions. This makes conflicts both harder and more costly to resolve (Demir 2014).

A finest banking regulation is required in order to ensure the safety and soundness of the financial system in the country. The Ethiopia has joined WTO and expected to open the doors for foreign banks to enter in to the country. As result, study stresses Ethiopian Private Banks to be stronger and competitive before the delayed decision is fully opened for the foreign banks. Therefore, the NBE shall adopt directives that can able the banks to a stronger leaving from focusing only on control and monitoring regulations such as increasing the legal reserves that bank should retain from its profit so as to be stronger. Existing Directives that are believed to have negative effect on performance, such as NBE bill market, shall be revised soon so as to build their capacity at the required level. The study also shows that NBE to work on its image and monitoring mechanisms since most private banks are with negative attitude even with positive regulations (Anteneh 2014).

Study By Tesfaye (2015) shown that shortage of foreign currency is one of the features of developing countries and the study point out the reasons for the foreign currency liquidity problems in Ethiopia are: massive demand for strategic goods (like petroleum), extended public investment, imported inflation, inconsistent foreign aid inflow, accumulated and rising demand of non-strategic imports and weak foreign currency earning capacity. The demand for foreign currency to finance import bills of various goods has been growing from year to year, mostly due to public and private investment increase on capital goods, intermediate inputs, and consumer goods. In contrast, the supply side for hard currency is challenged by poor export sector performance and inconsistent foreign aid inflow. Due to this the demand for and supply of foreign currency is widening through time.

The directives that have been issued by regulatory body of Ethiopia banking system (i.e. NBE) are challenging development of the banking systems, fair competition and equal treatments amongst the participants of the banking industry. The study mainly focused directives on NBE-Bill and Short-term loans to total loans ratio constitutes and found that NBE directives as challenging. Finally, study recommended that the future researchers to assess NBE directives and government foreign trade policies in with activities of private banks (Eskinder 2015).

The Office of Foreign Assets Control Department of Treasury is responsible for the managing, imposing economic and trade sanctions based on U.S. foreign policy. It blocks the assets that are of individuals as well as businesses, organizations, banks and vessels that are owned or controlled by targeted countries or individuals in the United States or coming to the United States. Like any relations on transaction with Syria or Iran, the assets of these parties are frozen and trade is restricted to any party on the list. The department gives license in written letter and request to provide complete details regarding the transaction including payment mechanisms, since only certain payment mechanisms may be allowed (Bade 2015).

Training and development helps employee performance for the businesses at all levels and in all sectors. Service sectors such as banking sector should give high attention for employees training and development due to the role of banks in the economy of any country is important. It is most vital for services businesses to keep their employees' knowledge and competencies up to the spot because of the global saturation are occurring in services sector today. This study was being shown through previous researches that training the staffs are inevitable for all the organizations keeping aside their size, scope, and geographical boundaries. This is due to the increased requirement for innovation and increased expectations from the customers today. The globalization and industrial revolution have initiated competition among the corporate companies. Training and development of employees is improving existing skills and introducing new skills that aid in the job tasks. Finally, study concluded that training and development for banking employees becomes crucial to be trained well because training and development has positive impact on employee's performance in the banks of Pakistan. As most of respondents/employees/ agreed that training and development had a positive impact on their Job knowledge, service quality and quantity, functional skills, and their motivation and loyalty (Imran and Tanveer 2015).

The increase in marketing and trading requires recognition of the need for improved English communication skills has been growing between banking experts. The study was done in order to know to what extent bank employees of Saderat bank in Mashhad need to use

English at the present day, future and find out what problems in using English they have during their work in bank. The study incorporated management department, inspection department, financial marketing and 10 branches with Foreign Exchange departments, Accounting department, Transfer department and Loan department employees with different job positions. The study found that most employees incorporated in the sample need speaking skill but have problems with English skills and they demand Bank to provide English training to them. The results revealed that strong needs of the English language in banking professions and it gives impression that useful English language instruction is highly necessary to do the job effectively (Mohammadzadeh and Fatemi 2015).

Correspondent banking requires identifying the parties involved in payment processing (know their customers' customers) for many reasons: risk management, regulatory requirements, to facilitate AML/CFT/FATF compliance in order to combat illegal activities like money laundry, terrorist financing, human trafficking and other illegal acts beyond jurisdiction in the world (Infrastructures Committee on Payments and Market 2016).

AML/CFT practice and management system in Ethiopian commercial banks is not satisfactory because of low level of emphasis among senior management on issue, lack of technological advancement, low level of cooperation with law enforcement agencies. As result, the study recommended that banking sector specifically and country in overall are exposed to money laundering and terrorist financing risks unless adequate emphasis is given by all concerning bodies to stress AML/CFT management in the financial sector and in the country (Amannuel 2016).

Domestic sound regulation can have unintentional effects on across borders and may be less effective in an environment where banks operate globally (Berrospide et al. 2016).

As the world evolved, people needed to trade, they needed to communicate. How could they communicate if people did not know each other's languages? At this point, the second Language came in. There are several languages that can be regarded as second languages around the world but for this specific study, it is English. Constitution of Namibia applied English as medium of instruction in schools and tertiary institutions, but some students' English skill is relatively poor, particularly in writing and speaking communication skills (Frans 2016).

Correspondent banking is a bilateral arrangement mostly involves cross-border relationship with multiple currencies, enables domestic and cross-border payments. In the most traditional form of correspondent banking, a respondent bank enters into an agreement with the correspondent bank to execute payments on behalf of the respondent bank and its customers.

However, correspondent banking is severely due to the Weaknesses in AML compliance are straining the correspondent banking to the closure of nostro accounts. In addition, the presence of offshore financial sectors in several jurisdictions increased the risk of AML/CFT which is non-compliance with the U.S. Foreign Account Tax Compliance Act and leads respondent banks termination with correspondent banks. This, paper stressed banks' to hold and provide KYC of their customer in order to mitigate negative consequences of money laundering (Alwazir et al. 2017).

According to study by Kagunda (2017) International dealers receive payments in foreign currencies for their export as well as imports through banks. Numerous commercial banks provide long-term and short-term loans to international businesses. International trade also improves correspondent banks to network with foreign banks and exchange foreign currencies by enhancing business transactions. However, developing international trade has facing challenges such as default risk, language/cultural barriers, knowledge gap, foreign currency variations, political instability. Finally, study recommended all significant players to adopt the strategy on international trade dealings.

Study by Moyano and Ross (2017) recommends that a financial institution to use distributed ledger technology that reduces the costs of the core KYC verification process and improves the customer experience. Authors proposed system, have core KYC verification process and only conducted once for each customer the irrespective of the number of financial institutions with which that customer intends to work. This system allows for efficiency gains, cost reduction, improved customer experience, and increases transparency of customer.

The 35% of trade shipping documents contained discrepancies and did not comply with terms and conditions of L/C, 53% of documents contained discrepancies and did not comply with UCP 600 and 12 % of discrepancy of documents contained clerical errors as evidenced from Commercial Bank of Ethiopia (Banchalem 2017).

Training and development are very vital for ensuring success of the employees in an organization. The organizations have pushed to understand their most precious asset is human capital and invest on employees training and development (Kumar and Siddika 2017).

The foreign currency shortage has stressed to long delays in accessing foreign currency to import goods and services, business do not always receive full foreign request per demand. Due to this companies can wait foreign currency approval to open L/C. The commercial banks approve dollars based on priority of items essence (Teshome and Lloyd 2018).

The BBC correspondent from Addis Ababa Emmanuel (2018) reported that ''Ethiopia's prime minister has warned that there will be no quick fix to the scarcity of foreign currency in the country. Yet it seems that some sectors of the economy are getting preferential treatment when it comes to accessing hard foreign cash''.

The 2019 survey shows that a decrease in the average size of transactions processed compared to the previous survey conducted on 2016. Due to number of banks that are using correspondent banking services are increasing regulatory requirements related to anti-money laundering and combating the financing of terrorism (AML/CFT), including know your customer procedures (European Central Bank 2019).

International trade has contributed significant role to the economic growth of New Hampshire State. The progress in import and export of the state in the last decade and a relatively steady exchange rate indicated a sustainable foreign trade and economic growth to the state. This study suggested that no state can sustain itself with its local products or trade only rather oversea imports and exports are necessary for their functioning and growth. Exports and imports are economically helpful and generate huge employment opportunities while imports improve the standard of living of people in the state, especially for individual consumers. Consumers can make choices and manage their limited household budgets with products cheaply manufactured overseas than their locally produced equivalents. Finally, the study stressed the government and lawmakers to make the right trade reform policies for the state's economy (Adeniyi 2020).

The study by Ahn (2020) recommends that banks to screen their business customers due to the counterparty default risks. In normal conditions, banks will maintain a higher precision screening test for domestic companies and a lower precision screening test for foreign companies because of different nature of domestic and international trade finance.

Rising of conflict and political instability in developing countries over the past several decades has increased occurrence of banking crises. The study provided strong evidence that conflicts and political instability are indeed associated with higher probability of systemic banking crises. The duration of a conflict is positively related with rising likelihood of a banking crisis. Conflicts and political instability can have a negative impact on the productive capacity of a country and it in turn can reduce government revenue and increase military or other unproductive expenses, leading to fiscal crises. Generally, it leads to government dysfunctionality and weakening of institutions. The conflict and political instability have harmful and broad socio-economic impacts. The study advised governments facing conflict and/or political instability essential to address their root causes and try to mitigate their negative effects with the appropriate design and implementation of economic policies. Creating adequate fiscal space in normal times can reduce the likelihood of fiscal crises and in turn lower the probability of systemic banking crises. Study also suggested that policy makers should give attention to conflicts in neighboring countries even if they themselves are not conflict-afflicted as their banking systems may suffer negative spillovers from their neighbors (Compaoré et al. 2020).

In Europe those countries which have high withdrawal of correspondent banking relationships have lower export growth compared to those which maintain correspondent relationships. Withdrawal of correspondent banking increased local banks due diligence costs, financial crime compliances and created difficulty in accessing of US dollar and study advises local banks to use new technologies with high regulatory standards to safeguard the financial stability. Furthermore, study recommended local banks to act compliance procedures up to required international standards and hire professionally certified staffs in due diligence, financial crime prevention and anti-money laundering risks in correspondent banking (Borchert et al. 2021).

Regulation affects the banks operation and performance negatively for one or more countries bank in the world when it is weak and too strong. This study argued that the international accord regulations could not boost the banking industry of all member countries or any country which complies with the regulations or those who set their regulation parallel with the international regulation for political proud purpose without risk and size consideration of same (Simeneh 2020).

The economic resistances such as information asymmetries and economic forces such as economies of scale and scope give more rises to financial intermediaries and shapes market structure. The technological advancements are not new to finance, digital innovation has brought major improvements in connectivity of systems, computing power, cost, and created new usable data. These improvements have eased transaction costs and given rise to new business models and new entrants to the new business today (Feyen et al. 2021).

Banking environment has become very competitive nowadays. To be able to survive and grow in the changing market situation banks are going for the modern technologies, which is being perceived as an 'enabling resource' that can help in developing learner and more flexible structure that can respond quickly to the dynamics of a fast-varying market situation. It is also viewed as an instrument of cost reduction and effective communication with people and organizations associated with the banking business. Information Technology enables sophisticated product development, better market infrastructure, and implementation of reliable systems for control of risks, aids the financial intermediaries to reach geographically distant and diversified marketplaces. Internet has significantly influenced delivery channels of the banks. Internet has begun as an important medium for delivery of banking products and services. Today technology is used for banks as innovative, creates competition, reduces customer visit to banks or physical presence, inter-branch reconciliation and to customize customer services (MBA Knowledge Base 2021).

In Ethiopia shortage of foreign currency has been creating a big challenge for import sector and recommended that banks to entertain exporters by providing loans, advances, technical assistance, giving awards they to use legal remittance system and by advancing technology like international payment cards to bring the more foreign currency earning (Yordanos 2021). Typically, the economy of the country's GDP is measured by the value of the import- export trade balance. The increasing of export than import earns higher foreign currency reserve on the country's economy. These export-imports are facilitated through financial institutions and financial institutions are regulated by NBE. The study was focused foreign currency coming through the banks and its constraints because of the regulations that the NBE issued on foreign currency control and its impact on banks performance. The study revealed that regulation issued by NBE forced banks to transfer/surrender their foreign currency to the NBE is too high (Birhanne 2021).

Due to presence of different challenges in the international banking service operations and absence of sufficient studies undertaken on the topic in Ethiopia, this study was tried to assess and identify challenges face in international banking services operations in case of Development Bank of Ethiopia by incorporating challenges shown by Surafael and Bamlaku (2014) along with challenges collected informally in advance through researcher's own observation, personal interview and discussions made with international banking service officers of DBE.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the methodologies that were used for data collection, data analysis and interpretations. It explains the research design, details about the population, sample design, sampling techniques, sources of data and instruments used in collecting data for the study as well as method of data analysis, validity and reliability tests with justifications, and ethical considerations.

3.2. Research Design

The research was used descriptive research design because the main objective of this study was to assess, identify and describe challenges face in international banking service operations in Development Bank of Ethiopia. The study used both qualitative and quantitative research (Mixed Research Approach). Using mixed research approach helps the study to fill the gap that maybe created of applying only single research approach and balances the weakness inherent in a single research approach with the strengths of the other approach. Thus, the study was tried to identify the challenges that Development Bank of Ethiopia faces in international banking service operations.

3.3. Population, Sample Design and Sampling Technique

3.3.1. Population

The population of the study was Development Bank of Ethiopia. DBE was selected because of the bank is oldest in its establishment, has long banking experience and gives services small to large companies in the country since 1909. The DBE has playing a significant role in promoting overall economic development of the country since its establishment. Thus, due to absence of previous study in case of DBE on this tittle the study was assessed and identified the major challenges face in international banking service operations in detail. Total of 48 respondents (i.e.43 questionnaire respondents and 5 interview respondents) who were directly involving in international banking service operations of Development bank of Ethiopia are purposively selected samples.

3.3.2. Sample Design

In designing the sample the study has taken into consideration the need to make inferences from the sample to the population in order to answer the research questions and to meet the research objectives as much as accurately. The study was conducted from the Bank side (i. e.

intermediation, international settlement and trade financing services provider). Thus, the international banking department staffs, team managers and its director located at main office of the Development Bank of Ethiopia were selected samples. The DBE branch staffs were not included in the sample because of the DBEs international banking service is centralized and all branch customers has getting service at main office.

3.3.3. Sampling Technique and Method

In order to get relatively accurate result for the study the Development Bank of Ethiopia staffs who are directly involving in the activities of the international banking service operations were selected for sample purposively. Thus, the purposive sampling method was used for sample selection. This method is a non-random sampling technique which devoid randomness for selecting the sample. In the purposive sampling the sample is going to be chosen to fit the purpose of the study. This method was selected because of the samples are intended to answer the research questions objectively to achieve the research objectives.

3.4. Sources of Data

This study was used both primary and secondary source of data. The primary data was collected from the Staffs, team Managers and Director of international banking department in DBE located at main office of the bank using questionnaires and interviews. The secondary data was gathered from different essential documents reviewed.

3.5. Data Collection Instruments

3.5.1. Questionnaires

Questionnaires were structured with closed ended questions using Likert scale type choices. The questions were arranged in closed ended or forced choice-format which is easy and quick to fill and minimizes judgments of respondent. The self-administered questionnaires were distributed to respondents to mark the questionnaires on hard copy and the researcher was collected questionnaires in person.

The researcher was prepared structured questionnaires through reviewing different related literatures by aligning questions with research questions and research objectives. Before distributing the questionnaires to the respondent the questionnaires were evaluated by advisor and senior bank experts so as to answer research questions objectively and to achieve research objectives.

3.5.2. Interviews

The structured interview data was collected from Team Managers and Director of International Banking Department in person. Interview was used for the study in order to cover the gap which may not be addressed by questionnaires and to ensure the respondents answer is objectively with the questions in the questionnaire. Interview also allows the researcher some degree of flexibility while interviewing and gives unexpected line of inquiry which results progress for the study.

The bank managers were experts and expected to give relatively accurate information because of they are very close to bank's information and they may have enough experience and better understanding for the subject under the study.

The interviewer constructed the interview questions by reviewing of different literatures, and aligning interview questions with research questions and objectives of the study.

3.5.3. Document Reviews

The international trade and international banking services procedures and publications, National Bank of Ethiopia directives and regulations, Development Bank of Ethiopia international banking service procedures, related theoretical and empirical evidences necessary for the study were reviewed so as to support the questionnaire and interview results. The study was tried to review only essential documents for study.

3.6. Method of Data Analysis

The data analysis reduces the raw data into a manageable size, by developing summaries and applying statistical inferences. The data collected by questionnaire was coded by researcher to enable the respondents answer grouped into limited number of categories and the responses from interview was analyzed using qualitative research approach. The study employed latest version of research data analysis software SPSS version 26 to analyze quantitative data which was collected through questionnaire.

The quantitative data was analyzed and interpreted using descriptive statistical tools such as frequency, percentage, mean and standard deviation in table forms. The descriptive statistics was chosen because of its simplicity and clarity to drawn and describe findings easily.

3.7. Validity and Reliability Test

The data collection instrument is supposed to be valid, representative of the population and measures objectively what it was intended to measure.

The questionnaires and interview questions were examined by senior bank experts at IBD (such as senior officers, managers, Director) and by advisor before distributing questionnaires and interviewing. Accordingly, some questions are rearranged by incorporating of comments before distributing to the respondents and interviewing. Thus, the questionnaires prepared are said valid, standard and properly answered research questions and achieved the research objectives.

The study reviewed essential documents for study only and tried not to include unnecessary evidences.

Cronbach’s alpha was used to test how well the items used in the scale measure the same concept and internally consistent.

Cronbach's Alpha value above 0.6 is considered high reliability and acceptable (Pallant 2001, as cited by Daud et al. 2018). Cronbach’s Alpha value less than 0.6 are considered low, range 0.60 - 0.80 are considered good and acceptable, ranage 0.8 - 1.00 is considered very good (Nunnally and Bernstein 1994, as cited by Daud et al. 2018).

Accordingly, the Cronbach’s alpha value of all factors in this study ranges from 0.703 to 0.839. Thus, the instruments/measurements used in the study were reliable and internally consistent. All Likert scale questions prepared for each factor fitted the goodness of Cronbach’s Alpha value.

Table 3. 1. Cronbach's Alpha-Reliability Test

Reliability Statistics		
Factors	Cronbach's Alpha	No. of Items
Lack of Advanced Technology	0.779	4
Insufficient Training to Staffs	0.759	3
Foreign Currency Shortage	0.732	3
Bank's limited Capacity of Trade Financing	0.740	3
Lack of Maintaining of customers KYC	0.703	4
NBE Regulations and Directives	0.831	3
Customers Knowledge Gap	0.731	3
Discrepancy on Shipping Document	0.772	3
Political Risk	0.839	3
Non- Payment/Defaulting	0.709	3
Language Difference	0.718	4

Source: Survey result 2022

3.8. Ethical Considerations

The researcher was kept and taken into consideration the respondent's right to privacy and confidentiality while distributing questionnaires, interviewing and collecting the data. The questionnaire was not designed respondents to fill their personal privacy like name and telephone address. The respondents were not forced to respond questionnaires and interviews but researcher convinced the respondents feel free to respond as the purpose of the research is for academic purpose only.

The sensitive bank documents which were reviewed for the study are kept in confidentially. All literatures and documents reviewed for the study were cited and acknowledged.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION

4.1. Introduction

This chapter presents the data analysis, interpretation and findings of the study based on the data collected from questionnaire, key informant interviews and document reviews. The quantitative data collected from the respondents through questionnaire were coded and entered in to available software statistical package for social science (SPSS) version 26 and descriptive statistics outputs were analyzed and interpreted properly.

This chapter presents the response rate of respondents, the background information of the respondents, rates the level of agreement or disagreement of respondents on statements concern to challenges in international banking service operations with detail interpretations and discussions by triangulating data collected through questionnaire, interview and document reviews. Finally, the study attempted to achieve the objective of the study and answered the research questions.

4.2. Response Rate

The total of 43 questionnaires containing 36 closed ended Likert scale questions were distributed to respondents, and 43 of the respondents with response rate of 100% were filled and returned the questionnaires properly.

The total of 5 key interview informants were voluntarily responded all interview questions with 100% response rate. Thus, there was no missing value recorded. Selected documents such as procedures, NBE directives and regulations, theoretical and empirical literatures necessary for study were reviewed.

All of survey respondents were staffs in IBD at the Development Bank of Ethiopia Main Office located in Addis Ababa, Ethiopia.

4.3. Background Information of the Respondents

In this part background information of the respondents like gender, age, educational level, experience and positions were presented and discussed under.

Table 4. 1. Background Information of the respondents

<table>
<tr><td colspan="4">Background Information of questionnaire respondents</td><td colspan="2">Background Information of Interviewees</td></tr>
<tr><td colspan="2"></td><td>Frequency</td><td>Percent</td><td>Frequency</td><td>Percent</td></tr>
<tr><td rowspan="3">Sex</td><td>Male</td><td>30</td><td>69.8</td><td>3</td><td>60</td></tr>
<tr><td>Female</td><td>13</td><td>30.2</td><td>2</td><td>40</td></tr>
<tr><td>Total</td><td>43</td><td>100.0</td><td>5</td><td>100</td></tr>
<tr><td rowspan="4">Age</td><td>Below 26 years</td><td>1</td><td>2.3</td><td></td><td></td></tr>
<tr><td>26-40 year</td><td>40</td><td>93.0</td><td>4</td><td>80</td></tr>
<tr><td>41 and above years</td><td>2</td><td>4.7</td><td>1</td><td>20</td></tr>
<tr><td>Total</td><td>43</td><td>100.0</td><td>5</td><td>100</td></tr>
<tr><td rowspan="3">Educational Level</td><td>Degree</td><td>19</td><td>44.2</td><td></td><td></td></tr>
<tr><td>Master</td><td>24</td><td>55.8</td><td>5</td><td>100</td></tr>
<tr><td>Total</td><td>43</td><td>100.0</td><td>5</td><td>100</td></tr>
<tr><td rowspan="4">Experience</td><td>5-10 years</td><td>29</td><td>67.4</td><td></td><td></td></tr>
<tr><td>11-16 years</td><td>10</td><td>23.3</td><td>4</td><td>80.0</td></tr>
<tr><td>Above 16 years</td><td>4</td><td>9.3</td><td>1</td><td>20.0</td></tr>
<tr><td>Total</td><td>43</td><td>100.0</td><td>5</td><td>100.0</td></tr>
<tr><td rowspan="4">Position</td><td>Jr.Bank Officer</td><td>3</td><td>7.0</td><td colspan="2" rowspan="4">4(80%) Managers, 1 (20%) Director</td></tr>
<tr><td>Bank Officer</td><td>24</td><td>55.8</td></tr>
<tr><td>Sr.Bank Officer</td><td>16</td><td>37.2</td></tr>
<tr><td>Total</td><td>43</td><td>100.0</td></tr>
</table>

Source: Survey result 2022

Table 4.2. Above shown analysis of respondents' profile as follows: -

The gender of the questionnaire respondents shown that 69.8% of respondents were males and the remaining 30.2% were females whereas the interviewees gender wise shown that 60% were males and 40% were females. The overall gender wise result shown that majority of the respondents working in IBD at DBE were males.

The age of the questionnaire respondents shown that 2.3% were below 26years, 93% were 26-40years and the remaining 4.7% were 41 and above years old whereas the interviewees profile shown that 80% were 26-40years old, 20% are 41 and above year's old category. Overall age wise results shown that majority of respondents were within 26-40years old age category.

The educational qualification of the questionnaire respondents shown that 44.2% were Degree holders while the remaining 55.8% were master's degree holders whereas the interviewees educational result shown that all of (100%) respondents have master's degree holders. The overall result shows that the majorities of staffs working in IBD were master's degree holders. So, they can read and understand questions in questionnaire.

The work experience of the questionnaire respondents shown that 67.4% have 5-10years work experience, 23.3% have 11-16years work experience while the remaining 9.3% have above 16 years work experience whereas the interviewees experience result shown that 80% have 11-16years and 20% have above 16 years' experience. Therefore, majority of respondents have good work experience ranging from 5-10years and expected to respond objectively.

The current position of the questionnaire respondents shows that 7% were Junior Bank officers, 55.8% were Bank Officers and the remaining 37.2% were Senior Bank Officer Position. The result show that majority of employees in IBD at DBE have Bank Officer Position. The interviewees' current position shows that 80% have managerial position and the remaining 20% have Director Position in IBD.

- Educational background of the respondent shown that all employees working in IBD were degree and masters holders. The majority of respondents have good work experience. Thus, their response given for questionnaire and interview was said objectively.

4.4. Descriptive Statistics Analysis and Discussion

In this part of the study descriptive statistics on challenges in international banking service operation were analyzed and discussed. Descriptive statistical tools such as frequency, percent, mean and standard deviations generated by using SPSS version 26 were presented in table form. Tables are rearranged to show SPSS results in one table. Results were presented by triangulating quantitative data outputs with interview result with document review and supporting previous literatures. Note: 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SD), Number of Respondents(N), Minimum (Min.), Maximum (Max.), Frequency (Freq.), Percent (Pct.), Standard Deviation (Std.Deviation) were assigned values and abbreviations.

4.4.1. Technological issues

Banking environment has become very competitive nowadays. In order to survive and grow in the changing market situation banks are going for modern technologies. Technology reduces cost, minimizes risk, and creates effective communication with individuals and organizations associated with the banking business, and aids the financial intermediaries to reach geographically distant and diversified marketplaces (MBA Knowledge Base 2021).

Table 4. 2. Technological issues

No	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
1	DBE has advanced and adequate technology	43	1	4	2.28	0.984	Freq.	8	**23**	4	8	-	43
							Pct.	18.6	**53.5**	9.3	18.6	-	100
2	DBE uses modern technology which reduces manual task load	43	1	4	2.3	1.036	Freq.	9	**21**	4	9	-	43
							Pct.	20.9	**48.8**	9.3	20.9	-	100
3	Bank uses simple, fast, smooth and secure technology which competes with locally and internationally	43	1	4	2.19	1.052	Freq.	12	**19**	4	8	-	43
							Pct.	27.9	**44.2**	9.3	18.6	-	100
4	Bank has advanced technology which easily displays sanction listed companies and customers KYC data	43	1	5	2.4	1.003	Freq.	6	**23**	6	7	1	43
							Pct.	14	**53.5**	14	16.3	2.3	100

Source: Survey result 2022

Table above shows the result of technological issues as follows

For No.1 statement (i.e. DBE has advanced and adequate technology): 18.6% of respondents were strongly disagreed, 53.5% of the respondents were disagreed, while 9.3% of the respondents were neutral and the remaining 18.6% agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.28 and the Std. deviation of 0.984.

For No.2 statement (i.e. DBE uses modern technology which eases manual task load): 20.9% of respondents were strongly disagreed, 48.8% of the respondents were disagreed, while 9.3% of the respondents were neutral and the remaining 20.9% were agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.3 and Std. deviation of 1.036.

For No.3 statement (i.e. Bank uses simple, fast, smooth and secure technology which competes with locally and internationally): 27.9% of respondents were strongly disagreed, 44.2% of the respondents were disagreed, while 9.3% of the respondents were neutral and the remaining 18.6% of the respondents were agreed. The results shown that majority of respondents were disagreed with mean value of 2.19 and the Std. deviation of 1.052.

For No.4 statement (i.e. Bank has advanced technology which easily displays sanction listed companies and customers KYC data): 14% of respondents were strongly disagreed, 53.5% of the respondents were disagreed, 14% of the respondents were neutral, while 16.3% of the respondents were agreed and the remaining 2.3% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.4 and the Std. deviation of 1.003.

- Overall result implied that majority of the respondents responded disagreed for all questions and is supported by the key informant interviewees.

Overall summary of key informants' interview result shown that even bank is using T-24 software, the bank's current technology is not adequate, not internationally competent and the bank's interface is not displaying all necessary data as required.

Study by Amannuel (2016) revealed that AML/CFT practice and management system in Ethiopian commercial banks is not satisfactory because of lack of technological advancement in banks and lack of attention of banks senior management on issue. Study by Moyano and Ross (2017) recommends that a financial institution to use distributed ledger technology that reduces the costs of the core KYC verification process and improves the customer experience.

NBE Directive No.SBB/83/2022 instructs all banks operating in Ethiopia to include role of information technology in their business strategy, and fully automate at minimum its core business processes so as to improve the efficiency and effectiveness of its operations, customer service delivery and risk management which was effective from April 1,2022 (National Bank of Ethiopia 2022). Thus, the researcher found it good step.

4.4.2. Lack of sufficient Staff Training

Training is a vital tool for the organization to restore the performance of all the employees for organizational growth, success and useful to both employers and employees. An employee will become more efficient and productive if he/she is trained well. If institutions are capable to support all their employees meeting all requirements both employees and organizations will get the long-term benefits at the end (Kumar and Siddika 2017).

Table 4. 3. Lack of sufficient Staff Training

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
5	The bank gives enough training for IBD staffs periodically	43	1	5	2.28	1.054	Freq.	7	**26**	4	3	3	43
							Pct.	16.3	**60.5**	9.3	7	7	100
6	IBD staffs are familiar with local and international rules in the perspective of international banking service, international trade and related governing rules.	43	1	5	2.19	1.258	Freq.	14	**19**	2	4	4	43
							Pct.	32.6	**44.2**	4.7	9.3	9.3	100
7	IBD staffs are competent and no knowledge gap	43	1	5	2.26	1.136	Freq.	11	**20**	4	6	2	43
							Pct.	25.6	**46.5**	9.3	14	4.7	100

Source: Survey result 2022

For No.5 statement (i.e. the bank gives enough training for IBD staffs periodically): 16.3% of respondents were strongly disagreed, 60.5% of the respondents were disagreed, 9.3% of the respondents were neutral, while 7% of the respondents were agreed and the remaining 7% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.28 and the Std. deviation of 1.054.

For No.6 statement (i.e IBD staffs are familiar with local and international rules in the perspective of international banking service, international trade and related governing rules): 32.6% of respondents were strongly disagreed, 44.2% of the respondents were disagreed, 4.7% of the respondents were neutral, while 9.3% of the respondents were agreed and the remaining 9.3% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.19 and the Std. deviation of 1.258.

For No.7 statement (i.e IBD staffs are competent and no knowledge gap): 25.6% of respondents were strongly disagreed, 46.5% of the respondents were disagreed, 9.3% of the respondents were neutral, while 14% of the respondents were agreed and the remaining 4.7% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.26 and the Std. deviation of 1.136.

- For all statements majority of respondents responded disagree with different frequencies and also it is supported by the key informants interview result.

Overall summary of key informants interview result shown that the training given to staffs is not sufficient and regular, key informants not believe that IBD staffs are familiar with local and international trade and banking rules, and concluded as there is knowledge gap on majority of employees working in IBD even their education level is good.

Study by Imran and Tanveer (2015) shown that training and development had a positive impact on employees job knowledge, service quality and quantity, functional skills, and their motivation and loyalty on job as evidenced from banks in Pakistan.

4.4.3. Shortage of Foreign Currency

Study by Tesfaye (2015) shown that shortage of foreign currency is one of the features of developing countries and the study point out that the reasons for the foreign currency liquidity problems in Ethiopia are: massive demand for strategic goods (like petroleum), increasing of public investment, imported inflation, inconsistent foreign aid inflow, increasing of demand for non-strategic imports and weak foreign currency earning capacity.

The demand for foreign currency to finance import bills has growing from year to year, mostly due to increase of public and private investment on capital goods, intermediate inputs, and consumer goods. In contrast, the supply side for hard currency is challenged by poor export sector performance and inconsistent foreign aid inflow. Due to this the demand for and supply of foreign currency gap is widening time to time.

Table 4. 4. Shortage of Foreign Currency

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
8	DBE has enough foreign currency which satisfies the import-export customers demand	43	1	4	1.4	0.76	Freq.	**31**	9	1	2	-	43
							Pct.	**72.1**	20.9	2.3	4.7	-	100
9	Import-export customers of DBE get foreign currency as requested timely	43	1	4	1.47	0.702	Freq.	**27**	13	2	1	-	43
							Pct.	**62.8**	30.2	4.7	2.3	-	100
10	The supply of foreign currency in DBE is greater than demand of its customers most of the time	43	1	4	1.49	0.883	Freq.	**30**	8	2	3	-	43
							Pct.	**69.8**	18.6	4.7	7	-	100

Source: Survey result 2022

For No.8 statement (i.e DBE has enough foreign currency which satisfies the import-export customers' demand): 72.1% of respondents were strongly disagreed, 20.9% of the respondents were disagreed and 2.3% of the respondents were neutral, while the remaining 4.7% of the respondents were agreed. The results shown that majority of respondents were strongly disagreed with mean value of 1.4 and the Std. deviation of 0.76. For No.9 statement (i.e Import-export customers of DBE get foreign currency as requested timely): 62.8% of respondents were strongly disagreed, 30.2% of the respondents were disagreed and 4.7% of the respondents were neutral, while the remaining 2.3% of the respondents were agreed. The results shown that majority of respondents were strongly disagreed with mean value of 1.47 and the Std. deviation of 0.702. For No.10 statement (i.e. the supply of foreign currency in DBE is greater than demand of its customers most of the time): 69.8% of respondents were strongly disagreed, 18.6% of the respondents were disagreed and 4.7% of the respondents were neutral, while the remaining 7% of the respondents were agreed. The results shown that majority of respondents were strongly disagreed with mean value of 1.49 and the Std. deviation of 0.883.

- Majority of respondents chosen strongly disagree on foreign currency statements with different frequencies and the same is supported by key informants interview result.

Overall summary of key informants result shown that as there is problem of foreign currency shortage in the bank, mismatch of foreign currency demand with supply, as customers were waiting long time to get foreign currency approval, and foreign currency approval is based on 1st, 2nd and 3rd priority of foreign currency allocations.

The study by Teshome and Lloyd (2018) shown that the foreign currency shortage has stressing to long delays in accessing foreign currency in Ethiopia to import goods and services, businesses do not always receive full foreign request per demand. Due to this companies can wait foreign currency approval to open letter of credit long time and the banks approve foreign currency based on ordering by priority of items essence.

4.4.4. Bank's Limited Capacity of Trade Financing

The study by Ageev (2014) shown that the advantage of foreign trade financing increases competitiveness, and nowadays payment conditions are used as instruments of competition in contract negotiations and it further increases exports and the growth of national income.

Table 4. 5. Bank's Capacity of Trade Financing

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
11	Bank's import-export financing capacity is enough	43	1	4	2.47	1.077	Freq.	8	**18**	6	11	-	43
							Pct.	18.6	**41.9**	14	25.6	-	100
12	Bank's Import-export financing is enough and responded as per the customers' demand as requested.	43	1	5	2.37	1.196	Freq.	11	**17**	5	8	2	43
							Pct.	25.6	**39.5**	11.6	18.6	4.7	100
13	Bank has no problem of liquidity to finance its international trade customers	43	1	5	2.26	1.093	Freq.	11	**18**	8	4	2	43
							Pct.	25.6	**41.9**	18.6	9.3	4.7	100

Source: Survey result 2022

For No.11 statement (i.e. Bank’s import- export financing capacity is enough): 18.6% of respondents were strongly disagreed, 41.9% of the respondents were disagreed and 14% of the respondents were neutral, while the remaining 25.6% of the respondents were agreed. The results shown that majority of respondents were disagreed with mean value of 2.47 and the Std. deviation of 1.077.

For No.12 statement (i.e. Bank’s import- export financing is enough and responded as per the customers’ demand): 25.6% of respondents were strongly disagreed, 39.5% of the respondents were disagreed, 11.6% of the respondents were neutral, while the remaining 18.6% of the respondents were agreed and the remaining 4.7% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.37 and the Std. deviation of 1.196.

For No.13 statement (i.e. Bank has no problem of liquidity to finance its international trade customers): 25.6% of respondents were strongly disagreed, 41.9% of the respondents were disagreed, 18.6% of the respondents were neutral, while the remaining 9.3% of the respondents were agreed and the remaining 4.7% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.26 and the Std. deviation of 1.093.

- On banks capacity of trade financing statements majority of respondents were responded disagree and the same is supported by key informants interview result. The summary of the key informants interview result revealed that the bank’s capacity to finance import-export customers is limited and not matches with demand due to liquidity problems. So that bank has limitation in providing working capital to international customers.

Post 2008 financial crisis study by Malouche (2009) Shown that firms which rely mostly on the banking system for trade finance have suffered more due to problems such as poorly developed banking system and trade finance institutions, and macroeconomic imbalances. On the bank level, the extreme decline in global financial liquidity and the number of intermediary players has pushed banks in developing countries to become more cautious, risk averse and selective, narrowing trade finance circumstances. The study shown that most governments have taken actions to mitigate the impact of the financial crisis making available liquidity in the financial system to alleviate pressure on domestic banks and supporting medium to long term exporters and the competitiveness of domestic firms.

According to fortune staff writer Bersabeh (2021) the central bank was issued a directive ordering all insurance companies to surrender a minimum of 15% of their net income to purchase DBE bonds whereas Commercial banks are also mandated to invest 1% percent of their annual loans in DBE bonds. Central bank used it as administrative policy to rise up the financial position and boost the liquidity level of policy bank DBE.

4.4.5. Lack of Maintaining KYC Data

Report by Infrastructures Committee on Payments and Market (2016) shown that correspondent banking requires identifying the parties involved in payment processing (know their customers' customers) for many reasons: risk management, regulatory requirements, to facilitate AML/CFT/FATF compliance so as to combat illegal activities like money laundry, terrorist financing, human trafficking and other illegal acts beyond jurisdiction in the world.

Table 4. 6. Lack of Maintaining KYC Data

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
14	IBD files customers back ground information strictly	43	1	5	2.26	1.049	Freq.	8	**25**	3	5	2	43
							Pct.	18.6	**58.1**	7	11.6	4.7	100
15	Due diligence of customers is registered carefully	43	1	5	2.3	0.939	Freq.	6	**25**	6	5	1	43
							Pct.	14	**58.1**	14	11.6	2.3	100
16	Money laundry issues are carefully followed up and any requests of compliance issues are responded timely to correspondent banks	43	1	5	2.35	1.044	Freq.	6	**26**	3	6	2	43
							Pct.	14	**60.5**	7	14	4.7	100
17	All customers data and their transactions are documented seriously, bank's documentation and internal control system is strong	43	1	5	2.28	1.12	Freq.	11	**19**	4	8	1	43
							Pct.	25.6	**44.2**	9.3	18.6	2.3	100

Source: Survey result 2022

For No.14 statement (i.e. IBD files customers back ground information strictly): 18.6% of respondents were strongly disagreed, 58.1% of the respondents were disagreed, 7% of the respondents were neutral, while the remaining 11.6% of the respondents were agreed and the remaining 4.7% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.26 and the Std. deviation of 1.049.

For No.15 statement (i.e. Due diligence of customers is registered carefully): 14% of respondents were strongly disagreed, 58.1% of the respondents were disagreed, 14% of the respondents were neutral, while the remaining 11.6% of the respondents were agreed and the remaining 2.3% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.3 and the Std. deviation of 0.939.

For No.16 statement (i.e. Money laundry issues are carefully followed up and any requests of compliance issues are responded timely to correspondent banks): 14% of respondents strongly were disagreed, 60.5% of the respondents were disagreed, 7% of the respondents were neutral, while the remaining 14% of the respondents were agreed and the remaining 4.7% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.35 and the Std. deviation of 1.044.

For No.17 statement (i.e. All customers data and their transactions are documented seriously, bank's documentation and internal control system is strong): 25.6% of respondents were strongly disagreed, 44.2% of the respondents were disagreed, 9.3% of the respondents were neutral, while the remaining 18.6% of the respondents were agreed and the remaining 2.3% of the respondents were strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.28 and the Std. deviation of 1.12.

- In regard to experience of bank in maintaining the customer's KYC data the majority of respondents were disagreed for all questions and the same is supported by key informants interview result. The summary of the key informants' interview response shown that the Bank's experience in maintaining KYC data exists but most of the customers profile is not updated periodically. Bank experienced that customer KYC data is updated upon request of correspondent banks for their compliance requirement while bank gives international trade service on behalf its import-export customers, and also key informants not believed that bank's internal control system is strong.

Basle Committee on Banking Supervision has issued framework and principles for member countries to enhance internal control system as the effective internal control system has a basic component of bank management as well as a foundation for safe and sound operation of banking institutions (Bank for International Settlement 1998).

Correspondent banking is strictly due to the weaknesses in AML compliances, and damaging the correspondent banking to the closure of nostro accounts. Non-compliance with the U.S.

Foreign Account Tax Compliance Act leads respondent banks termination with correspondent banks. This study stress banks to hold and provide KYC of their customers to mitigate negative consequences of money laundering (Alwazir et al. 2017).

4.4.6. NBE Regulations and Directives

Supervising and regulating of financial institutions are the basic functions of the central banks. The political pressure and laws that require forced over protect may be also influence the safety and soundness of banks. So regulation and supervision is what is thought of prudential rules which involve with safety, soundness and stability of supervised institutions. The main purpose of prudential rules is to make institutions strong enough to carry-out its role in the economy by keeping them solvent and adequately liquid (Mancera et al. 1991)

Table 4. 7. NBE Regulations and Directives

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
18	The NBE regulations and directives are consistent with international banking Service practices, international trade laws and related governing rules	43	1	4	2.28	0.984	Freq.	8	**23**	4	8	-	43
							Pct.	18.6	**53.5**	9.3	18.6	-	100
19	Most regulations and directives issued by NBE are not create challenges on the IBD operation	43	1	5	2.35	1.066	Freq.	8	**22**	4	8	1	43
							Pct.	18.6	**51.2**	9.3	18.6	2.3	100
20	NBE regulations are not contradicting with IBD operations	43	1	4	2.19	1.052	Freq.	12	**19**	4	8	-	43
							Pct.	27.9	**44.2**	9.3	18.6	-	100

Source: Survey result 2022

For No.18 statement (i.e. The NBE regulations and directives are consistent with international banking Service practices, international trade laws and related governing rules): 18.6% of respondents were strongly disagreed, 53.5% of the respondents were disagreed, while 9.3% of the respondents were neutral and the remaining 18.6% agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.28 and Std. deviation of 0.984.

For No.19 statement (i.e. most regulations and directives issued by NBE are not create challenges on the IBD operation): 18.6% of respondents were strongly disagreed, 51.2% of the respondents were disagreed, 9.3% of the respondents were neutral while 18.6% agreed and the remaining 2.3% strongly agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.35 and Std. deviation of 1.066.

For No.20 statement (i.e. NBE regulations are not contradicting with IBD operations): 27.9% of respondents were strongly disagreed, 44.2% of the respondents were disagreed, while 9.3% of the respondents were neutral and the remaining 18.6% agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.19 and Std. deviation of 1.052.

- On the NBE regulations and directives statements majority of respondents were disagreed for all statements with different frequencies, and the key informants were also responded that some regulations and directives issued by NBE are challenging international banking operation, some regulations and directives are not consistent with international chamber of commerce laws like payment modes.

  Especially, foreign currency surrender directives were challenging the bank and its customers not to get enough foreign currency, some of regulations and directives made by political decisions are challenging the banks international banking operations and restricts bank not to compete internationally. Key interview informants further briefed that prudential regulations and directives are important to stabilize overall banking system and all of respondents agreed for prudential regulations and directives issued by NBE.

As the key informants said some international trade and banking activities which are allowed by international chamber of commerce (ICC) were not allowed by DBE like payment modes. Applicable modes of payments in export permit issuance at DBE are letter of credit, cash against document, consignment sales and advance payment modes but other modes of payments like transferrable letter of credit, supplier credits maybe allowed when approved by NBE only. Applicable mode of payments in issuance of import permit L/C, CAD and Advance payment but other those stated are allowed only by NBE.

Study by Simeneh (2020) based on his literature review approach shown that banks regulation affects the banks operation and performance negatively for one or more banks in the world when it is weak and too strong. The study by Birhanne (2021) on foreign currency surrender revealed that NBE regulations forced banks to transfer their foreign currency to the NBE is too high and it has negative impact on banks performance. The study by Eskinder (2015) shown that directives on NBE-Bill and short-term loan to total loan constitutes are some of challenging on development of the banking systems and finally study recommended that the future researchers to assess government foreign trade policies within activities of private banks.

National Bank of Ethiopia (2022) under directive No.FXD/79/2022 forced banks to surrender 70% of the foreign currency earnings from export and remittances to NBE, gives right to beneficiary to hold and use 20% of foreign currency indeterminately and the remaining 10% shall be surrendered to the respective banks by paying the equivalent birr to eligible customer immediately.

According to fortune staff writer Bersabeh (2021) the central bank was issued a directive ordering all insurance companies to surrender a minimum of 15% of their net income to purchase DBE bonds whereas Commercial banks are also mandated to invest 1% percent of their annual loans in DBE bonds up to their total bond holding equals 10% of its total outstanding loans and advances. It serves the administration's policy, which is determined to rise up the financial position and boost the liquidity level of policy bank DBE.

Even DBE bond directive is good for DBE, it creates liquidity problem on insurance companies. Researcher believes that this directive creates private sectors not to develop and lowers their liquidity and limits their activities, and this study believes that DBE which is government policy bank only cannot achieve country’s development without involvement of strong private sector.

4.4.7. Customers Knowledge Gap

Grath (2016) revealed business have face elements of risk; mainly in international trade the risk profile changes its dimension. Because of this international chamber of commerce (ICC) has established common trade laws, practices and conventions. An effective trade transaction depends on the knowledge of these established practices, and ensures contracts are in line with international such practices. Grath said that every stage of international trade transaction requires its own knowledge and expertise starting from contract of two parties to final payment in order to make transaction dispute free.

Table 4. 8. Customers Knowledge Gap

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
21	The bank's Customers are familiar with international trade laws and Procedures	43	1	5	2.28	1.278	Freq.	**16**	12	3	11	1	43
							Pct.	**37.2**	27.9	7	25.6	2.3	100
22	The bank's customers are familiar with international chamber of commerce governing rules and laws	43	1	5	2.44	1.221	Freq.	12	**13**	6	11	1	43
							Pct.	27.9	**30.2**	14	25.6	2.3	100
23	The bank's customer has enough knowledge of local and international banks regulations and laws	43	1	5	2.23	1.269	Freq.	**16**	13	4	8	2	43
							Pct.	**37.2**	30.2	9.3	18.6	4.7	100

Source: Survey result 2022

For No.21 statement (i.e. The bank's Customers are familiar with international trade laws and Procedures): 37.2% of respondents strongly were disagreed, 27.9% of the respondents were disagreed, while 7% of the respondents were neutral, 25.6% agreed for the statement and the remaining 2.3% strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.28 and Std. deviation of 1.278.

For No.22 statement (i.e. The bank's customers are familiar with international chamber of commerce governing rules and laws): 27.9% of respondents were strongly disagreed, 30.2% of the respondents were disagreed, while 14% of the respondents were neutral, 25.6% agreed for the statement and the remaining 2.3% strongly agreed. The result shows that the majority of respondents were disagreed with mean value of 2.44 and Std. deviation of 1.221.

For No.23 statement (i.e. The bank's customer has enough knowledge of local and international banks regulations and laws): 37.2% of respondents were strongly disagreed, 30.2% of the respondents were disagreed, while 9.3% of the respondents were neutral, 18.6% agreed for the statement and the remaining 4.7% strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.23 and Std. deviation of 1.269.

- On the statements regarding to customers knowledge gap, majority of respondents were responded strongly disagree and also it is supported by key informant interview result. Overall key informants interview result shown that the bank's customers have knowledge gap problem, customers were not familiar with local and international banking, international trade governing rules and laws. Majority of banks customer owners were not come to the bank rather they send delegated person. Those delegated persons who come to the bank have no knowledge of international banking and trade service. Due to this the processing time takes long period to complete the tasks.

Study by Surafael and Bamlaku (2014) found that customers' knowledge gap is one of the challenging issues in international banking service operation as evidenced from United Bank Share Company.

4.4.8. Discrepancy on Shipping Document

In the UCP600 autonomy principle states that a L/C is a separate and independent transaction from the contract of sale or other transaction on which it is based, whereas according to the doctrine of strict compliance a bank is entitled to reject documents which do not strictly conform to the terms and conditions of the letter of credit. The doctrine of strict compliance requires that the stipulated shipping documents which are presented by the beneficiary should be strictly conforming to the terms and conditions of the L/C. There is no obligation on the bank to honor non-complying documents. The Bank has an obligation to examine the documents with reasonable care to ascertain whether the documents appear on their face to be in accordance with the terms and conditions of the L/C with in internationally allowed bank examination date. If documents are found to be discrepant the issuing bank is not obliged to effect the payment to beneficiary unless documents must be complied. However, not all discrepancies shall be entitled a bank to reject the documents. Slight discrepancies must be disregarded if found to be acceptable (Moens and Gillies 2000).

Table 4. 9. Discrepancy on Shipping Document

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
24	Most import-export shipping documents are complying with term and conditions of letter of credit and Purchase order/CAD	43	1	5	2.3	1.145	Freq.	9	**23**	3	5	3	43
							Pct.	20.9	**53.5**	7	11.6	7	100
25	Most shipping documents there is no problem of clerical errors	43	1	5	2.49	1.142	Freq.	6	**24**	1	10	2	43
							Pct.	14	**55.8**	2.3	23.3	4.7	100
26	Most shipping documents presented in your bank are free of discrepancy	43	1	5	2.37	1.176	Freq.	9	**22**	1	9	2	43
							Pct.	20.9	**51.2**	2.3	20.9	4.7	100

Source: Survey result 2022

For No.24 statement (i.e. The bank's customer has enough knowledge of local and international banks regulations and laws): 20.9% of respondents were strongly disagreed, 53.5% of the respondents were disagreed, while 7% of the respondents were neutral, 11.6%

agreed for the statement and the remaining 7% strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.3 and Std. deviation of 1.145.

For No.25 statement (i.e. Most shipping documents there is no problem of clerical errors): 14% of respondents were strongly disagreed, 55.8% of the respondents were disagreed, while 2.3% of the respondents were neutral, 23.3% agreed for the statement and the remaining 4.7% strongly agreed. The result shows that the majority of respondents were disagreed with mean value of 2.49 and Std. deviation of 1.142.

For No.26 statement (i.e. Most shipping documents presented in the bank are free of discrepancy): 20.9% of respondents were strongly disagreed, 51.2% of the respondents were disagreed, while 2.3% of the respondents were neutral, 20.9% agreed for the statement and the remaining 4.7% strongly agreed. The results shown that majority of respondents were disagreed with mean value of 2.37 and Std. deviation of 1.176.

- The data analysis results on shipping document discrepancy shown that majority of respondents on all statements responded disagree with different frequencies and the same is supported by key informants interview result. Overall summary of key informant interview result revealed that most of shipping documents presented for payment and negotiation were not clean and not complying with terms of credit and contracts or with UCP600. Some of the discrepancies were created due to clerical errors. As result, payments are most of the time delayed until some regulatory discrepancies were rectified. In case the discrepancy is not acceptable the documents shall be refused and returned back where as if discrepancy is acceptable the documents are released to customer and payments shall be effected.

Study by Banchalem(2017) revealed that 35% of trade shipping documents contained discrepancies and did not comply with terms and conditions of L/C, 53% of documents contained discrepancies and did not comply with UCP 600 and 12 % of discrepancies on documents were due to clerical errors as evidenced from Commercial Bank of Ethiopia.

4.4.9. Political Risk

Rising of conflict and political instability in developing countries over the past several decades has increased occurrence of banking crises. Conflicts and political instability can have a negative impact on the productive capacity of a country and it in turn can reduce government revenue and increase military or other unproductive expenses, leading to fiscal crises. The study advised governments facing conflict and/or political instability essential to address their root causes and try to mitigate their negative effects with the appropriate design and implementation of economic policies. Creating adequate fiscal space in normal times can reduce the likelihood of fiscal crises and in turn lower the probability of systemic banking crises (Compaoré et al. 2020).

Table 4. 10. Political Risk

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
27	Either importer's or exporter's country political risks have not challenge international banking services operations	43	1	4	1.44	0.796	Freq.	**30**	9	2	2	-	43
							Pct.	**69.8**	20.9	4.7	4.7	-	100
28	Political problems have not challenge in international banking services operations of bank	43	1	5	1.44	0.854	Freq.	**30**	10	1	1	1	43
							Pct.	**69.8**	23.3	2.3	2.3	2.3	100
29	Countries political issues are not challenging international banking service operations	43	1	3	1.37	0.618	Freq.	**30**	10	3	-	-	43
							Pct.	**69.8**	23.3	7	-	-	100

Source: Survey result 2022

For No.27 statement (i.e. either importer or exporter country political risks have not challenge international banking services operations): 69.8% of respondents strongly were disagreed, 20.9% of the respondents were disagreed, while 4.7% of the respondents were neutral, the remaining 4.7% agreed for the statement. The results shown that majority of respondents were strongly disagreed with mean value of 1.44 and Std. deviation of 0.796.

For No.28 statement (i.e. Political problems have not challenge in international banking services operations of bank): 69.8% of respondents were strongly disagreed, 23.3% of the respondents were disagreed, 2.3% of the respondents were neutral, while 2.3% agreed and the remaining 2.3% of respondents were strongly agreed for the statement. The results shown that majority of respondents were strongly disagreed with mean value of 1.44 and Std. deviation of 0.854.

For No.29 statement (i.e. Countries political issues are not challenging international banking service operations): 69.8% of respondents were strongly disagreed, 23.3% of the respondents were disagreed, while 7% of the respondents were neutral. The results shown that majority of respondents were strongly disagreed with mean value of 1.37 and Std. deviation of 0.618.

- The data analysis result on political problems shown that: the majority of respondents responded strongly disagree for all statements with the same frequency and is supported by the key informants interview result. The summary of interview result shown that: political risks are challenging international banking operations of the bank. They presented concrete examples as follows: recent political unrest in some regions of Ethiopia created clients not to collect shipping documents presented to the bank, delayed settlement and some customers were defaulted to settle due supplier credit payments due to the destruction of business located at unstable area. As result, some of CAD documents were retuned back to supplier bank and some supplier banks were still requesting payments and some L/C payments were settled by bank by creating receivable account.

Yahya et al (2014) found that performance of Islamic banks in Yemen from 2010–2014 in the period of Arab spring uprising confirmed Yemen Islamic banks profitability has been poor. The study found that political instability has significant impact on Yemen banks’ profitability at that time.

4.4.10. Non- Payment/Defaulting

The author Ahn (2020) recommends banks to screen their business customers at optimum due to the counterparty default risks. In normal conditions, banks will maintain a higher precision screening test for domestic companies and a lower precision screening test for foreign companies because of different nature of domestic and international trade finance.

Table 4. 11. Non- Payment/Defaulting

No	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
30	Bank's importers have no problem of settlement delay/ defaulting	43	1	5	2.23	1.02	Freq.	7	**27**	4	2	3	43
							Pct.	16.3	**62.8**	9.3	4.7	7	100
31	Bank's import-export customers payment agreements are successful, as agreed and no problem of non-payment	43	1	5	2.19	1.075	Freq.	11	**22**	2	7	1	43
							Pct.	25.6	**51.2**	4.7	16.3	2.3	100
32	Bank's import-export customers supplier-credit mode of payments are settled on due date as agreed.	43	1	5	2.33	1.128	Freq.	10	**19**	6	6	2	43
							Pct.	23.3	**44.2**	14	14	4.7	100

Source: Survey result 2022

For No.30 statement (i.e. Bank's importers have no problem of settlement delay/ defaulting): 16.3% of respondents were strongly disagreed, 62.8% of the respondents were disagreed, 9.3% of the respondents were neutral, while 4.7% agreed and the remaining 7% of respondents were strongly agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.23 and Std. deviation of 1.02.

For No.31 statement (i.e. Bank's import-export customers payment agreements are successful, as agreed and no problem of non-payment): 25.6% of respondents strongly disagreed, 51.2% of the respondents were disagreed, 4.7% of the respondents were neutral, while 16.3% agreed and the remaining 2.3% of respondents were strongly agreed for the statement. The results shown that majority of respondents were disagreed with mean value of 2.19 and Std. deviation of 1.075.

For No.32 statement (i.e. Bank's import-export customers' supplier-credit modes of payments are settled on due date as agreed.): 23.3% of respondents strongly disagreed, 44.2% of the respondents were disagreed, 14% of the respondents were neutral, while 14% agreed and the remaining 4.7% of respondents were strongly agreed for the statement. The result shows that the majority of respondents were disagreed with mean value of 2.33 and Std. deviation of 1.128.

- The majority of respondents on non-payment/defaulting statements responded disagree and is supported by interview result. The key informants' interview result shows that: non-payment, delay of payments and defaulting were happened due to the customers' liquidity problems at time of settlement. Rarely freezing of accounts by court cases is other challenging issues not to effect payments per L/C terms and conditions. Defaults on its obligations within the payment system arise due to inadequate liquidity at the time of settlement; such financial pressures lead to delay in or default of settlement (Gieve 2008).

4.4.11. Language Difference

As the world evolved, people needed to trade, they needed to communicate. How could they communicate if people did not know each other's languages? At this point, the second Language came in. There are several languages that can be regarded as second languages around the world but for this specific study, it is English. In Nambia schools, students' English skill is relatively poor, particularly in writing and speaking skills (Frans 2016).

Table 4. 12. Language Difference

No.	Statements	N	Min.	Max.	Mean	Std. Deviation	Freq.	SD	D	N	A	SA	Total
33	Language difference not matters the IBDs operation	43	1	5	2.3	1.081	Freq.	8	**24**	3	6	2	43
							Pct.	18.6	**55.8**	7	14	4.7	100
34	English as medium of international business communication is not create problem of misunderstanding in IBD operations	43	1	5	2.47	1.008	Freq.	4	**26**	3	9	1	43
							Pct.	9.3	**60.5**	7	20.9	2.3	100
35	Correspondent banks are well understood with your communication exchanged on SWIFT system	43	1	5	2.28	0.959	Freq.	5	**30**	7	1	-	43
							Pct.	11.6	**69.8**	16.3	2.3	-	100
36	Most shipping documents presented on your bank are well understandable and clear	43	1	5	2.49	1.099	Freq.	6	**23**	2	11	1	43
							Pct.	14	**53.5**	4.7	25.6	2.3	100

Source: Survey result 2022

For No.33 statement (i.e. Language difference not matters the IBDs operation): 18.6% of respondents strongly disagreed, 55.8% of the respondents were disagreed, 7% of the respondents were neutral, while 14% agreed and the remaining 4.7% of respondents were strongly agreed for the statement. The result shows that the majority of respondents were disagreed with mean value of 2.3 and Std. deviation of 1.081. For No.34 statement (i.e. English as medium of international business communication is not create problem of misunderstanding in IBD operations): 9.3% of respondents strongly disagreed, 60.5% of the respondents were disagreed, 7% of the respondents were neutral, while 20.9% agreed and the remaining 2.3% of respondents were strongly agreed for the statement. The result shows that the majority of respondents were disagreed with mean value of 2.47 and Std. deviation of 1.008. For No.35 statement (i.e. Correspondent banks are well understood with your communication exchanged on swift system): 11.6% of respondents strongly disagreed, 69.8% of the respondents were disagreed, 16.3% of the respondents were neutral and the remaining 2.3% of respondents were agreed for the statement. The result shows that the majority of respondents were disagreed with mean value of 2.28 and Std. deviation of 0.959.

For No.36 statement (i.e. most shipping documents presented on your bank are well understandable and clear): 14% of respondents strongly disagreed, 53.5% of the respondents were disagreed, 4.7% of the respondents were neutral, while 25.6% agreed and the remaining 2.3% of respondents were strongly agreed for the statement. The result shows that the majority of respondents were disagreed with mean value of 2.49 and Std. deviation of 1.099.

- Majority of the respondents responded disagree for statements on language difference and is supported by interview results. Interview results shown that: English as international medium of communication in the international business is some challenging and it creates misunderstanding on interpretation, communicating by English with international banks is not easy for some employees to exchange messages on bank-to-bank SWIFT system. Customers were also facing the same issues while interpreting messages they communicated on email with their supplier. However, interviewees further briefed that some employees and customers were good understanding skill in English language.

The study on employees of Saderat bank in Mashhad by Mohammadzadeh and Fatemi (2015) found that most employees need speaking skill but have problems with English language skill and they demand bank to provide English training. The results revealed that strong needs of the English language in banking professions and it gives impression that useful English language instruction is highly necessary to do the job effectively.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents summary of major findings, conclusions and forwards recommendations to the DBE, regulatory bodies of NBE, government, policy makers, Import–export Customers and stakeholders to reduce challenges identified by this study and enhance international banking service operation of the banks cooperatively so as to boost country's international trade and international banking service activity. As the international trade and banking sector is one of the main tools for economic growth of one country, it is better all participants to take identified major challenges into consideration and take remedial actions to enhance international banking service operation and international trade services as much as possible. Lastly, this chapter puts directions for future researches on this topic.

5.2. Summary of Major Findings

Based on data analysis results the following summaries of major findings were drawn:-

Data analysis on technological issues shown that even bank has using T-24 software system; the bank's current technology is not adequate, not competent and not displays data as required. Still many works are manual in the bank. It is creating bank not to give quick service with quality and quantity to its trade customers. Study by Amannuel (2016) revealed that AML/CFT practice and management system in Ethiopian banks is not satisfactory because of lack of technological advancement in banks.

Data analysis on lack of sufficient staff straining shown that training given to staffs is not sufficient and regular. Majority of staffs are not familiar with international banking and trade governing laws, and there is knowledge gap even education level is good. Study by Imran and Tanveer (2015) shown that training and development have positive impact on employees job knowledge as evidenced from banks in Pakistan.

Data analysis on shortage of foreign currency shown that bank has problem of foreign currency shortage, demand is greater than supply, customers wait long time to get foreign currency, and foreign currency is permitted based on priority order set by NBE per essence of goods. Study by Teshome and Lloyd (2018) shown that foreign currency shortage has stressing long delays in accessing foreign currency in Ethiopia to import, businesses not always get full foreign currency requested and banks approve foreign currency based on priority of items essence.

Data analysis on banks capacity of trade financing shown that bank has limited capacity of trade financing, demand greater than supply due to liquidity problems on bank. So that bank has limitation of in working capital to finance international trade. Study on post 2008 financial crisis by Malouche (2009) Shown firms which depend mostly on banking system for trade finance have suffered more due to poorly developed banking system and macroeconomic imbalances.

Data analysis on KYC issue shown that bank has experience in maintaining KYC but not update regularly. Bank has experienced that KYC is updated upon request of correspondent banks for compliance requirement, bank's internal control and money laundering control system is not strong. According to Alwazir et al. (2017) shown that correspondent banking is severely due to the weaknesses in AML compliances. Study stress banks to hold and provide KYC of customers to mitigate negative consequences of money laundering.

Finding of the study on NBE directives and regulations shown that some NBE regulations and directives are challenging. Especially, foreign currency surrender directives are challenging the bank and customers' capacity, some restrictive regulations and directives are challenging bank not to compete internationally like mode of payments. Study by Simeneh (2020) argued that banks regulation affects the banks operation and performance negatively for one or more banks in the world when it is too weak or too strong.

Data analysis result on customers' knowledge gap shown that majority of bank customers were not familiar with international banking and trade governing laws. Company owners were not come to the bank rather they send delegated persons who have no know how on international banking and trade governing laws. In turn it delays service delivery in the bank. Study by Surafael and Bamlaku (2014) found that customer's knowledge gap is challenging issue in international banking service as evidenced from United Bank S.Co., in Ethiopia.

Data analysis result on discrepancies on shipping document shown that most shipping documents presented on bank were not complying with terms of credit or with UCP600 or due to clerical errors. Study by Banchalem (2017) revealed that 35% of trade documents did not comply with terms and conditions of L/C, 53% of trade documents did not comply with

UCP600 and 12 % of documents discrepancies were due to clerical errors as evidenced from Commercial Bank of Ethiopia.

Finding of the study on political risk shown that political risks such as political instabilities and political decisions are challenging issues in international banking service operations of bank. Even recent political unrest in some regions of Ethiopia are created clients not to collect documents, delayed settlements, and some customers were defaulted to settle payments due to destruction of business located at unstable area. Study by Yahya et al (2014) found that performance of Islamic banks in Yemen from 2010–2014 during Arab spring uprising confirmed banks profitability has been poor and study found that political instability has significant impact on bank profitability.

Finding of the study on non-payments/defaulting shown that nonpayment is challenging issue in international banking service operations. Mostly it is happened due to customer liquidity problems at time of settlement or freezing of accounts by court cases or political decisions. Gieve (2008) revealed defaults on its obligations arise due to inadequate liquidity at the time of settlement; such financial pressures lead to delay in or default of settlement.

Finding of the study on language difference shown that: English as medium of communication in the international banking and trade is not easy for majority of employees and customers. The study on employees of Saderat bank in Mashhad by Mohammadzadeh and Fatemi (2015) found that most employees need speaking skill but have problems with English language skill. The result revealed that strong needs of the English language in banking professions are useful to do the job effectively.

Therefore; lack of adequate technology, lack of adequate training, foreign currency shortage, bank's limited capacity of financing international trade, inadequacy in maintaining KYC, NBE regulations and directives particularly foreign currency usage directives, customers knowledge gap, discrepancies on shipping document, political unrest in the country, non-payment/defaulting of customers and language difference are major challenges identified by this study. Shortage of foreign currency, customers knowledge gap, political unrest have got high score response from respondents as major challenges.

This study was further confirmed findings shown by unpublished study by Surafael and Bamlaku (2014) which was found NBE regulations, insufficient financing capacity of bank, shortage of foreign currency, lack of advanced technology, customers knowledge gap, lack of sufficient training to bank employees and KYC issues as challenging issues in international banking service operation. Furthermore, this study was also confirmed challenges collected informally in advance by self-observation, personal interview and discussions with international banking department staffs at Development Bank of Ethiopia such as non-payment/defaulting, discrepancies on shipping document, political risks and language differences as challenging issues in the international banking service operation (K. Yigezu et al., personal interview, 20 December 2021).

5.3. Conclusions

Based on data analysis and summary of findings the following conclusions were shown:-

The study shown that even bank have T-24 bank system, the bank's current technology is not adequate and advanced, not internationally competent and the bank's interface is not displaying all necessary data as required and most tasks were performed manually.

The bank has not giving sufficient, regular and periodic training to international banking department employees. Majority of staffs were not familiar with local and international banking and trade guiding laws and rules. Interview result shown that there is knowledge gap on majority of employees working in IBD but not all of staffs.

The bank has problem of foreign currency shortage, mismatch of foreign currency demand with supply, customers are wait long time to get foreign currency permit and not get timely as requested, and foreign currency is permitted based on 1st, 2nd and 3rd priority set by NBE per essence of goods.

The bank's capacity to finance import-export customers is limited, and trade finance supply not matches with demand due to liquidity problems on bank. Therefore, this study concludes that bank has limitation on providing working capital for its international trade customers.

The Bank has experience in maintaining KYC data but most of the time the KYC on customer is not updated periodically. Bank experienced that customer KYC data is updated upon request of correspondent banks for their compliance requirement. Weakness in anti-money laundry control leads termination with correspondent banks, and also damages the bank and the country.

Some regulations and directives issued by NBE are challenging international banking operations: As per interview result shown some NBE regulations and directives are not consistent with ICC laws like mode of payment in issuance of import and export permits. Especially, foreign currency surrender directives is challenging bank and customer not to get enough foreign currency, NBE regulations and directives made by political decisions are challenging the international banking operations. Central banks strict control on bank's activities restricts banks not to compete internationally. However, study found that prudential NBE regulations and directives issued are important to stabilize overall banking system.

Study found that majority of the bank's customers have knowledge gap problem, most of customers were not familiar with local and international banking and trade governing laws and rules. Majority of bank's customer owners were not come to the bank rather they send delegated person. Most of those delegated persons who come to the bank have knowledge gap problem. Due to this the processing time takes long period to complete the tasks and delays international trade transactions.

Finding of the study shown that most of shipping documents presented on bank are not clean, not complying with terms and conditions of contracts or with UCP600. Some of the discrepancies were created due to clerical errors. As result, payments are delay until regulatory discrepancies were rectified, and some of documents are rejected depending on the nature of discrepancy. In case discrepancy is not regulatory and acceptable, the payments are effected and documents are released.

Local and/or foreign country political issues are challenging international banking service operation of the banks. Political unrest in supplier country or buyer country creates supplier not to send the goods and the buyer not settle the payments as agreement. Some customers' accounts including their properties are suspended by political decisions of the government. As result, bank fails to meet the payment agreements made previously on behalf of its customers in the meantime bank becomes liable. Bank's failure to act as per international standard banking practice in turn damages bank's relationship with its correspondent banks and future deals, and damages country's diplomacy and image in general and finally it may lead to international court of arbitration.

Study found that delay of payments and non-payments/defaulting due to the customers' liquidity problems or freezing of assets by government due to political reasons or court cases are challenging issues in international banking operations. In turn it leads bank not to settle due payments per credit terms and conditions or contracts made. Consequently, not acting as per international standard banking practice creates damages on banks relationship with its correspondent banks, damages bank's reputation and negative image on the country at whole and finally it may lead to international court of arbitration.

Study revealed that English as international medium of communication in the international business is some challenging, it creates misunderstanding on interpretation of words, and English as medium of communication across international banks is not easy for majorities of employees to exchange messages on bank to bank financial communication SWIFT system. Customers were also facing the same issues while exchanging messages with their supplier on email. However, key informants result shown that some employees and customers are good English language skill.

5.4. Recommendations

Based on summary of major findings and conclusions this study forwards the following recommendations: -

The study recommends the bank to use advanced technology which is fast, adequate, and competent locally and internationally as the today's world has full of competition. Furthermore, study recommends bank to invest more on technology, and develop paperless system by reducing manual tasks so as to give fast service with quality to customers in dynamic business environment.

The study suggests bank to give sufficient, regular and periodic training to international banking employees in order to familiarize their staffs with local and international banking and trade related governing laws and rules by considering strong human capital is valuable asset for institutions success and performance. So, it is better human resource management of bank to do more on training and development of man power.

The study recommends bank to find out additional foreign currency sources, encourage and support exporters to do more on export to generate more foreign currency. As the Development Bank of Ethiopia is government owned policy bank which serves countries small to large companies, it is better government to access additional foreign currency sources to Development bank of Ethiopia linking with international financial institutions.

The study advises bank to increase its capacity of trade financing by selling different debt securities which increases its liquidity, and to keep its asset and liability optimum level. The study further recommends NBE to link DBE with local and foreign finance providing institutions so as to solve its liquidity as DBE is policy bank. According to fortune staff writer Bersabeh (2021) the central bank was issued a directive ordering all insurance companies to surrender a minimum of 15% of their net income to purchase DBE bonds whereas Commercial banks are also mandated to invest 1% percent of their annual loans in DBE bonds up to their total bond holding equals 10% of its total outstanding loans and advances. It is better NBE to create conducive environment commercial banks to purchase DBE bonds voluntarily without mandate so as to increase DBE's liquidity. Even NBE directive is good for DBE, it is better NBE not to force private banks and insurance companies to purchase DBE bond because only state owned bank can't achieve country's growth and development without involvement of strong private sector.

The study recommends bank carefully to maintain the customer's KYC data by updating periodically because terrorist financing and money-laundering issues are increasing and changing its demission today. So that, it is better bank to keep KYC data carefully and strictly by assigning KYC handling team and assess its internal control system.

The study recommends bank to take consideration in its business as some regulations and directives issued by NBE are challenging international banking service operations especially foreign currency surrender policy. It is better NBE regulatory bodies to take care of while issuing directives and regulations which restrict banks and customers activity. It is better regulatory bodies to issue optimum, wise and prudential regulations which are good to stabilize overall financial system and country's monetary system rather than issuing too weak or too strong strict regulations so as to create competitive and ready financial institutions for emerging market.

The study recommends bank to give periodic training to its customers in order to familiarize its customers with local and international banking and trade related governing laws and rules. The study also recommends import-export individuals and companies to hire competent and knowledgeable staffs, and give periodic trainings to their employees considering strong human capital is vital for company's success and performance.

The study recommends bank to give consultation service for its exporters to prepare clean shipping documents before sending for collection to foreign importer, and local importers also to check shipping documents by receiving through email before documents come to bank for collection from supplier so as to minimize discrepancies on document.

The study suggests bank to take into consideration of uncertainties and political instabilities including political decisions which maybe sever its business, and prepare possible recovery plans and strategies for such incidents. The study also recommends government to identify root causes of political instabilities in the country and create stable environment. Study also recommends government to take care of while issuing decisions which cause economic transactions. Study further recommends international trade customers to do their business with politically stable countries so as to reduce such uncertainties as much as possible.

The study suggests before issuing letter of credit or on account purchase orders, it is better the bank to assess creditworthiness and previous cash flow history of its customers, and check foreign customer's credit worthiness through its correspondent banks so as to safe its exporters.

The study suggests that as international banking service and international business medium of communication is English, it is better bank to give English language training to employees periodically for short run. As English is internationally common medium of communication, it is better government policy makers also to issue strong English language curriculum policy which shall be implemented from lower class to higher education so as to graduate English language fluent personnel for long run.

5.5. Directions for Further Study

The study looked challenges of international banking service operations by evidencing from the Development Bank of Ethiopia only. As absence of previously done sufficient published literatures on this topic in Ethiopia further studies have to be expected by extending the scope of study to other local banks and import- export customers. Therefore, this study is expected as good starting point for future researches to take the identified challenges that influence international banking service operations. Finally, the analysis is not limited to the challenges found by this study rather this study suggests potential future researches to include other factors that affect international banking service operations of the banks by extending the scope of the study to other local banks and import-export companies.

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APPENDICES

College of Finance, Management and Development

Department of Accounting and Finance

Master's program

Questionnaires

Dear Respondents,

The main objective of the study is to assess and identify challenges facing in international banking service operations of Development Bank of Ethiopia.

The feedback you provide shall be used for academic purpose only for the partial fulfillment of requirement for a Master's degree in Accounting and finance, and response you fill in the questionnaire are kept in confidential. So, kindly requests you to fill all questions by putting "X" mark on your choice for the questions.

No need of writing your private information like name and mobile address. If you have any questions with regard to this questionnaire or other related questions, please call to my mobile address: +251932225420 or through email: bogdbe32@gmail.com feel free.

I would like to thank you in advance for sharing time to fill out the questionnaire and your objective feedbacks!

Thank you,

Bogale Asress

Part-I. General Background of the Respondent

1. Sex: Male ☐ Female ☐
2. Age: Below 26 ☐ 26-40 ☐ 41 and above ☐
3. Education level:

Diploma and below ☐ Masters ☐

Degree ☐ PhD and above ☐

6. Work Experience:

Less than 5 years ☐ 11-16 years ☐

5-10 years ☐ More than 16 years ☐

5. Your current position: ___________________________________

Part-II. Questions about the Challenges Facing in International Banking Service Operations in Development Bank of Ethiopia.

For question under 1 - 36, please express your degree of agreement or disagreement using the representative Likert scales such as: 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral(N), 4- Agree (A) or 5- Strongly Agree (SA) by putting 'X' mark on your choice.

No.	**Lack Advanced Technology**	**SD**	**D**	**N**	**A**	**SA**
1	DBE has advanced and adequate technology					
2	DBE uses modern technology which reduce manual task load					
3	Bank uses simple, fast, smooth and secure technology which competes with locally and internationally					
4	Bank has advanced technology which easily displays sanction listed companies and customers KYC data					
	Lack of Sufficient Training to Bank Staffs					
5	The bank gives enough training for IBD staffs periodically					
6	IBD staffs are familiar with local and international rules in the perspective of international banking service, international trade and related governing rules.					
7	IBD staffs are competent and no knowledge gap					
	Foreign Currency Shortage					
8	DBE has enough foreign currency which satisfies the import-export customers demand					
9	Import-export customers of DBE get foreign currency as requested timely					

10	The supply of foreign currency in DBE is greater than demand of its customers most of the time					
	Bank's Limited Capacity of Trade Financing					
11	Bank's import- export financing capacity is enough					
12	Bank's import- export financing is enough and responded as per the customers' demand as requested.					
13	Bank has no problem of liquidity to finance its international trade customers					
	Lack of Maintaining Customers KYC Data					
14	IBD files customers back ground information strictly					
15	Due diligence of customers is registered carefully					
16	Money laundry issues are carefully followed up and any requests of compliance issues are responded timely to correspondent banks					
17	All customers data and their transactions are documented seriously, bank's documentation and internal control system is strong					
	NBE Regulations and Directives					
18	The NBE regulations and directives are consistent with international banking Service practices, international trade laws and related governing rules					
19	Most regulations and directives issued by NBE are not create challenges on the IBD operation					
20	NBE regulations are not contradicting with IBD operations					
	Customers Knowledge Gap					
21	The bank's Customers are familiar with international trade laws and Procedures					
22	The bank's customers are familiar with international chamber of commerce governing rules and laws					
23	The bank's customer has enough knowledge of local and international banks regulations and laws					

	Discrepancies on Shipping Document					
24	Most import-export shipping documents are complying with term and conditions of letter of credit and Purchase order/CAD					
25	In most shipping documents there is no problem of clerical errors					
26	Most shipping documents are free of discrepancy					
	Political Risk					
27	Either importer's or exporter's country political risks have not challenge international banking services operations					
28	Political problems have not challenge in international banking services operations of bank					
29	Countries political issues are not challenging international banking service operations					
	Non- payment of importer to supplier					
30	Bank's importers have no problem of settlement delay/ defaulting					
31	Bank's import -export customers payment agreements are successful, as agreed and no problem of non-payment					
32	Bank's import-export customers supplier-credit mode of payments are settled on due date as agreed.					
	Language Difference					
33	Language difference not matters the IBDs operation					
34	English as medium of international business communication is not create problem of misunderstanding in IBD operations					
35	Correspondent banks are well understood with your communication exchanged on SWIFT system					
36	Most shipping documents presented on your bank are well understandable and clear					

3. Structured Interviews to the Managers and Director of International Banking Services Department at DBE.

1. Do you think that the bank's current technology is advanced and adequate? Is system helps in checking sanction listed companies and individuals? Is the bank's system competent, secure and fast while processing international settlements and bank to bank communications? Please tell any technological gaps which challenge IBDs operations?
2. Is there any knowledge gap in IBD staffs? Are the bank gives sufficient and regular training for IBD staffs? Can you believe that IBD staffs are familiar with International and local laws in relation to international banking and international trade service governing procedures, rules and laws?
3. How do you see that your bank's capacity of foreign currency? Can you say DBE has sufficient hard currency which satisfies the demands of its import customers?
4. Does DBE has enough capacity to finance international trade customers? Can you believe that DBE provides enough working capital for import-export customers?
5. How is IBDs experience in maintaining of KYC data and compliance issues? Please share IBDs experience in keeping customers profile, daily transaction documentation and internal control system? How IBD controls money laundering issues?
6. Can you believe that the NBE regulations and directives are creating challenges in international banking service operation? Is NBE directives and regulations consistent with rules issued by ICC international banking and trade governing laws? What are major challenges you faced with NBE directives?
7. Can you believe that the import- export customers are well informed of international and local governing laws in relation to international trade and banking? Are IBD customers updated and familiar with international governing rules set by international chamber of commerce and NBEs frequently changing directives? Are customers easily understood all documentation systems required in all levels of stages from contract to settlement of international trade transactions?
8. Are most of shipping documents presented in your bank are comply with letter of credit and purchase order issued? What are possible reasons that create discrepancies on shipping documents?
9. Are political unrest of either supplier or buyer side challenges international banking service operations? What are challenges you see in your experience in IBD?
10. Is importers settle shipping documents without delay and on due date? Is your import customers settle and collect shipping documents timely and international settlement standard

time? Is your exporters' getting remittance for their export timely and without delay? What are possible challenges in relation to payment delay/defaulting of customers?

11. Is correspondent banks are well understood with your communication exchanged on international network SWIFT communication system? Are your department staffs easily understand terms and conditions indicated on shipping document in English? What about IBD customers in international language English understanding? Are language challenges and matters the IBD's operation?