



ST. MARY'S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF
MANAGEMENT

**ASSESSMENT ON CAUSES OF DELAY IN MANAGING
INTERNATIONAL BANKING TRANSACTION: THE
CASE OF LION INTERNATIONAL BANK S.C.**

BY;

ELSA GENET HAILE

**June 27, 2014
ADDIS ABABA**

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BY

ELSA GENET HAILE

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FACULTY OF BUSINESS

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ACCRONYMS/ABBREVIATIONS

LIB = Lion international bank

NBE = National Bank of Ethiopia

ICC = International Chamber of Commerce

TT =Telegraphic Transfer

L/C = Letter of Credit

CAD = Cash against document

Chapter One

Introduction

1.1. Background of the Study

International trade is the exchange of capital, goods, and services across international borders or territories. International trade is, in principle, not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, bank cost due to exchange of the currency and to delivery service, time costs due to border delays, and costs associated with country differences such as language, the legal system or culture (Keller, 2010).

Therefore, for banks, as facilitator of international trade, knowing these various methods of payment is equally important as for exporters and importers since having adequate knowledge on them helps the bankers to give quality service and support their customers in satisfactory manner by extending professional advice beyond simple effecting and receiving payments.

To facilitate international trade knowledge is a very essential for both parties. Such as the service giver that is the bank employee and the customer's knowledge gap also has own consequences. Their knowledge gap may happen because of insufficient training, lack of work experience, lack of education and lack of knowledge about law, rules, regulations and policies of international trade(Keller, 2010).

However when there is a knowledge gap on both parties they will face some drawbacks on their business. As an example, the bank will lose proper utilization of resource, time, equipment, opportunities and the customer will faced the lose profit, time, and getting for extra expenses.

Accordingly, there are five methods of international trade payment namely open account, cash in advance, consignment basis, documentary collection and documentary credit, one of which banks may use to facilitate import/export trade upon request of their customers (LIB, 2012 pp. 7-9).

Banks being one of the financial institutions facilitates payment for merchandise shipped and service rendered, layouts funds for buyer and sellers and gives its professional advices to traders. International banking, as the name indicates in a banking business that relates to handling of transactions that evolve out from international trade and others.

However the type of services that bank gives as facilitators of international trade are many, the major method of payment in LIB is letter of credit.

In spite of the fact, international trade is very important for every country and the letter of credit as well, otherwise it is very difficult to make an agreement between parties, and the process or letter of credit failed by either of the parties, problems are occur on the transaction or shipment of goods (LIB, 2012).

Thus this research deal with the different problems related with knowledge gap of the operations of international trade that LIB faces and proposes alternative management solutions.

Lion International Bank S.C. (LIB) was established in accordance with the proclamation no. 84/1994 and the commercial code of Ethiopia 1960 on October 02, 2006 with a subscribed capital of Birr 432.5 Million, having an initial paid up capital of Birr 108.2 Million and 3743 shareholders. LIB was established with a strong conviction and mission to contribute its own share towards the development of the national economy and the banking industry in the country. It has set its own mission and corporate objectives based on the assessment of the

industry and the environment at large, with the intention of providing all domestic and international banking service to the public.

1.2. Statement of the Problem

An international trade is the trade which involves in international transactions. It ruled by the dictation of international chamber of commerce (ICC) on which countries make many transactions with another country by enjoining the facilities of international trade. Banks usually involve in international trade on the handling of documents and payments activities. The method by which settlements may be secured is agreed by the buyer and the seller (LIB, 2012).

It is clearly defined having a good knowledge and understanding about international trade is important to achievement to the bank and the customer's goal. Lack of knowledge will lead the bank and the customer in high risk

Customers of the bank are satisfied by credit and domestic banking services. However, most of international banking customers complain that there is *delay* in the management of the transaction. Also the bank staffs who handle such transactions complain on customers' lack of awareness and detail knowledge about international banking.

However, the level of knowledge of employees of LIB on the roles of the bank, the requirements, and causes of delay in international trade is not studied yet.

Thus, as a student researcher and an employee of the bank the researcher had the chance to observe the customer's feedback about international trade service and the trend of LIB international banking process, the researcher raised interest to study this problem by posing the following research questions.

1.3. Research Questions

The researcher intends to answer the following questions:

1. What are the roles of bank in international trade (import/export)?
2. What are the causes of delay in managing opening import and export documentary credit?
3. What are the documentary requirements for opening letter of credit, advance payment & documentary collection?
4. What are the major knowledge gaps of the customer on international trade?

1.4. Objective of the Study

1.4.1. General objective

The general purpose of this study is to assess causes of delay in managing international banking transactions at Lion International Bank.

1.4.2. Specific objectives

The specific purposes of this study are:-

- To identify the roles of LIB in international trade (import/export) facilitation.
- To assess the causes of delay in managing opening import and export documentary credit
- To identify the documentary requirements for opening letter of credit, advance payment & documentary collection.
- To determine the major knowledge gap of the customer on international trade

1.5 Significance of the Study

The significance of this research has the following

- For the bank

- Provide information about managing international trade of the bank to interested parties and LIB high level management group to look at the current problem and take necessary action.
- For other stakeholders in international trade this study helps;
 - To create awareness on the part of buyer and seller on the importance of letter of credits as commitment they contracted
 - It will also be used as a secondary source of a data for further studies on this issue.
- For the researcher
 - To Partial fulfillment of BA degree.
 - It will be used to know how to organize a data and prepare a research.

1.6 Scope of the Study

The study specifically focuses on the assessment of managing international trade transaction in the case of Lion International Bank S.C. Even though the research directly relate to IBD department, Merkato branch, Raguel branch, Gofa Branch and different customers of international trade on LIB. The researcher selects the above places because of having high transaction by import export activities.

1.7. Research Design and Methodologies

1.7.1. Research Design

The researcher used descriptive analysis to get a clear picture of the phenomenon. The researcher can only describe what has happened or what is happening.

1.7.2. Population and Sampling Techniques

The researcher selected the representative of this study from the employee of LIB Branch foreign officers and IBD staffs. Currently, there are 25 employees who handle this transaction. From these employees the researcher selected ten representatives using judgmental sampling technique. From customers the researcher selected the representatives using quota sampling technique. This method is suitable for the researcher to get employees and customers who have good knowledge on the research topic and had willingness to the interview and fill the questioner. Currently, in the bank there are 120 foreign banking customers. Out of this, the researcher selected 36 representatives to conduct this research.

NO.	BRANCH	NO OF CUSTOMER	SAMPLE SIZE	NO. OF REPRESENTATIVE
1	IBD	50	30%	15
2	Merkato	25	“ “	8
3	RAGUEL	25	“ “	7
4	GOFA	20	“ “	6
TOATAL		120	30%	36

1.7.3. Data Source

The researcher used both primary and secondary source to conduct this research, primary data was collected from employee of LIB and Customers of LIB, while secondary data were collected from ICC, NBE directive, LIB training manual, Books and websites.

1.7.4. Data Gathering Tools

The researcher used questioners for the customers and interview for employees to conduct the research

1.7.5. Data Analysis and Presentation.

The researcher used tabular and graphics to analyze the collected data from survey.

1.8. Organization of the Study

This study is organized in four chapters: The first chapter consists of Introduction, it includes, background of the study, statement of the problem, objective of the study, significance of the study, methodology, scope and limitation. The second chapter deals with the review of the related literature. Chapter three related with data analysis presentation and findings. Chapter four presents summary, conclusion and recommendations.

CHAPTER TWO

2. Review of Related Literature

2.1. Theoretical Frame Work

2.1.1. International Trade

Trade, either domestic or international, is exchange of goods and services for other goods and services out of which gains from trade come in a form of economic utilities or satisfaction to customer. However, international trade, unlike domestic trade, is concerned with business transaction that takes place between different nations (Relph et al, 2010).

International trade is very important to countries; one specific country cannot specialize in producing all kind of goods and services. It has to exchange its products with another country's products. The other reason, which makes international trade important, is that every country doesn't have similar natural resources. One country may have a natural resource for one item and the other for another. In order to satisfy the need of the people these countries they have to exchange their goods (Relph et al, 2010).

International trade is not as simple as domestic trade due to various reasons. Since the seller and the buyer in such trade are separated in space and time, the opportunity of knowing each other from business angle is difficult and they have limited control over their business transaction. Both have needs, which they desire to be fulfilled. The seller wants to ensure receipt of payment for the goods shipped or services rendered to buyer while the buyer to receive the agreed goods and services in time with proper documentation. To meet these needs of the seller and the buyer, the participation of international trade facilitators is

unquestionable. These facilitators can be categorizing as financial institutions, transport companies, agents, and bank (Mathani, 2001).

Hence, the banks, as facilitator of international trade, knowing these various methods of payment is equally important as for exporters and importers since having adequate knowledge on them helps the bankers to give quality service and support their customers in satisfactory manner by extending professional advice beyond merely effecting and receiving payments (LIB, 2012).

The process is organized in a manner that ensures easy accessibility of the service to customers, maintenance of uniform service quality and standard processing time. It has also laid the ground by which service differentiation to customers can be made.

Therefore, international banking unit gives different type of services like letter of credit, documentary collection, advance payment, consignment payment methods, Guarantee, Franco valuta license (permit), small export items license (permit) (Relph et al, 2010).

2.1.2. Letter of Credit

Trade between countries is financed mainly through letter of credit. A letter of credit defined by the international chamber of commerce as:

“any arrangement however named or described whereby a bank (the issuing bank) acting at the request and in accordance with the instructions of a customer (the applicant of the credit), is to make payment to or to the order of a third party (the beneficiary) or is to pay, accept or negotiate bills of exchange (drafts) drawn by the beneficiary, or authorise such payments to be made or such drafts to be paid, accepted or negotiated by another bank, against stipulated documents and compliance with stipulated terms and conditions” (k.c. shekhar,1999).

The other activity that is related to letter of credits buyer and a seller

concludes a commercial contract requiring that the seller be paid by L/C. The buyer then applies to his bank to issue an L/C in favour of the seller (exporter). The buyer usually completes a detailed application form provided by the bank. This form enables the buyer to stipulate the terms of the L/C concerning the method of payment, and the documents the seller must present. It also contains terms and conditions intended to protect the issuing bank. Normally, the applicant undertakes to reimburse the bank if the bank obtains the required documents and agrees that the documents become the bank's property if he does not reimburse it. The actual reimbursement arrangements between the applicant and the bank will reflect the applicant's credit standing and their country's foreign exchange position but its control of the documents does represent some security for the bank.

The lesser is the margin percentage to be held by the bank, the more is the credit worthiness of the importer (applicant).

The issuing bank transmits the L/C to the advising (nominated) bank which is usually its correspondent bank or a bank with whom the issuing bank has a test key or bilateral key arrangement in the seller's country. The advising bank then advises the L/C to the beneficiary, adding its confirmation if asked to do so. The advice of the letter of credit imposes a contractual obligation upon the issuing bank to pay the exporter for the correct documents provided the documents are presented within the stipulated time limit. If the letter of credit is confirmed, the advice establishes the same obligation upon the confirming bank.

Similarly, after the establishment of a letter of credit, there may arise a need to change some terms and conditions of the letter of credit. This can be initiated either by the applicant or beneficiary. If both parties, i.e., seller and buyer, agree on the change, the applicant submits an application to the issuing bank to make the requested changes on the letter of credit. This alteration of terms and conditions on letter of credit

is known as amendment. Some types of amendments are:

Increase in letter of credit amount, extension of expiry date and shipment date, change in trade term, change in origin of goods, omission or addition of documents, change in payment condition.

Furthermore, settlement on dispatching the goods, the exporter sends the required documents to the advising (nominated) bank is another activity. The advising bank will then check the documents carefully to ascertain whether they are in accordance with the L/C's stipulations. If they are, the advising bank which usually becomes negotiating bank automatically in this case, will pay the beneficiary, or agree to pay him later in accordance with the terms of the letter of credit. Unless it has confirmed the L/C, the advising (negotiating) bank performs these services as agent of the issuing bank. If it has confirmed the letter of credit the advising (negotiating) bank checks and pays on its own account as the confirming bank.

The advising (negotiating) bank then sends the documents to the issuing bank, claiming reimbursement in accordance with the L/C's terms. If they are in order, the issuing bank reimburses the advising (negotiating) bank. It then passes the documents to the importer in return for sight or deferred payment (LIB, 2012).

However upon checking of documents, deviations from the terms and conditions of the letter of credit will be observed which usually are called as discrepancies. Some of the most frequent discrepancies are: credit has expired, shipment is late, partial shipment is effected, not allowed by credit, closed bill of lading- indicating that there is something wrong with the goods or their packing, marks and numbers differ between documents, not enough copies of documents, typing errors or misspellings required signatures have been omitted, description of goods differs from credit, insurance cover is insufficient.

If the advising (negotiating) bank finds discrepancies, it should arrange for their correction as far as possible. In the case of discrepancies, which can not be rectified, one of the following courses of action should be taken

- Send the documents for collection.
- If the discrepancies do not appear to be serious and the exporter has a good reputation, pay “under reserve”, i.e. with recourse. If the importer refuses the documents a refund will be claimed from the exporter.
- If the documents are very wrong, return them to the exporter.

Contact the issuing bank, explaining the nature of discrepancy and asking for an answer to the specific question “May we pay /negotiate/accept”. Do as the issuing bank instructs.

If rather the discrepancies are discovered by the issuing bank, the following actions should be taken (Mathani, 2001)

- Inform the advising bank details of the discrepancies asking them to contact the beneficiary for their rectification within seven banking days from receipt of documents.
- Advise the importer the arrival of documents giving detail of the discrepancies.

Take action according to the responses made by the importer and the advising bank. In response the advising bank may send revised documents or asks for the return of the set of documents. The options for the importer are either to accept or not to accept the discrepancies.

2.1.3. TYPES of Letter of Credits

The major three types of Letter of credits are:

(A).IRREVOCABLE CREDIT

An irrevocable letter of credit may be defined as an undertaking by an issuing bank (the importer bank) to an exporter, through an advising bank, normally in the exporter's country, that the issuing bank will pay for the goods, provided the exporter (the beneficiary) complies precisely with all the terms and conditions of the credit.

An irrevocable credit can be amended or cancelled only with the agreement of the issuing bank, the confirming bank (if the credit has been confirmed) and the seller (as beneficiary). Irrevocable credit gives the seller greater assurance of payment but he remains dependent on an undertaking of a foreign bank.

(B).CONFIRMED IRREVOCABLE LETTER OF CREDIT

Irrevocable credits can be either confirmed or unconfirmed, offering varying degree of security for an exporter. An unconfirmed irrevocable credit is a commitment on the part of the issuing bank in the overseas country whereas a confirmed irrevocable credit constitutes an undertaking on the part of the confirming bank as well as that of the issuing bank. When a credit is confirmed, the exporter is assured of payment provided, of course, that all the terms and conditions of the credit have been met.

(C).REVOCABLE LETTER OF CREDIT

A revocable credit can be amended or cancelled at any time without prior warning or notification to the seller.

Revocable credit involves risk, as the credit may be amended or cancelled while the goods are in transit and before the documents are presented; before payment has been made or in the case of deferred payment credit, before the documents have been taken up. The seller would then face the problem of obtaining payment directly from the buyer.

Apart from these three types of Letter of credits, there is **special Letter of credits** needed to meet uncommon transactions.

(D).REVOLVING LETTER OF CREDITS

A revolving credit is one where, under the terms and conditions thereof, is renewed or reinstated.

If a buyer and a seller agree to ship goods on a continuing basis, it may be more efficient and cost-effective if the buyer establishes one letter of credit for all shipment, rather than one letter of credit of each shipment. A special letter of credit for handling multiple shipments, renewable over an extended period of time, is a “Revolving Letter of Credit”.

(E).RED CLAUSE LETTER OF CREDIT

Red Clause Letter of Credit is a method of providing the seller with funds prior to shipment.

If a buyer wants to advance cash to the seller to purchase the goods or effect shipment under the letter of credit, the buyer may apply for a Red Clause Letter of Credit (LIB, 2012).

The “Red Clause” in a letter of credit authorizes the bank to make a cash advance (loan). It is referred to as a “Red Clause” because the

clause was originally written in red ink to draw attention to the unique nature of the credit (UCP 500, 1993).

(F).TRANSFERABLE LETTER OF CREDIT

A Transferable letter of credit is one that can be transferred by the original (first) beneficiary to one or more other parties (second beneficiary). Transferable credit may be transferred either in whole or in part to second beneficiaries (Transferees). However, Transferable Letter of Credit may be transferred only once.

(G).BACK-TO-BACK LETTER OF CREDIT

The seller may be unable to supply the goods and needs to purchase them from, and make payment to, another supplier. In this case, it may sometimes be possible to use a back-to-back credit. Beneficiary of an irrevocable letter of credit seeks to use the instrument issued in its favor as a basis for requesting a bank to issue a companion irrevocable letter of credit in favor of the supplier of those goods needed for shipment under the first letter of credit. In this case, the beneficiary of the irrevocable letter of credit (a broker or middleman) will become the applicant of the second letter of credit utilizing the first as collateral for the issuance of the second letter of credit. The two letter of credit used jointly to facilitate the purchase of the same goods are called Back-To-Back Letter of Credit (UCP 500, 1993).

Policy and procedure of the bank can also may affect or increase the foreign Banking service. If a bank has a progress policy and procedure activate facilitation service of the bank while, weak policy and procedure can affect service of the bank.

While processing TS request, care should be taken on adherence to International Chamber of Commerce publications on uniform rules

and practice of Trade service products so that the bank's service gets acceptance by foreign banks for list of major International Chamber of Commerce publications. Directives and circulars issued by the National Bank of Ethiopia as well as Commercial Bank of Ethiopia Trade Service policy and procedure should be strictly observed. For calculation of charges and commissions, the TS Tariff should be applied and the daily exchange rate that is issued by the Commercial Bank of Ethiopia should be used for converting foreign currencies in to Birr as well as to other currency taking due care for posting the specific entry on the same value date (LIB, 2012).

2.1.4 Methods of payment under documentary credit

There are four major methods of Payment under a documentary credit one of which has to be indicated in a letter of credit.

1) **Payment at Sight:** Under this method, payment is made without recourse to exporter or beneficiary. Means payment to the beneficiary is to be effected immediately upon presentation of complying documents.

2) **Negotiation:** Payment may be made by the negotiating bank (advising bank) with recourse to the exporter (beneficiary) unless the nominated bank (the advising bank) has confirmed the Letter of credit.

3) Acceptance of Term Draft (Bill of Exchange) : Under this method of payment draft(s) is accepted by the nominated, confirming or issuing bank. Whosoever accepts the draft, there is no recourse to the exporter and the draft must be paid at maturity.

Draft (bill of exchange) is unconditional order written from one person (the drawer), to another person (the drawee). It directs the drawee to pay a certain sum at "sight" or at a fixed or future determinable date, to the order of the party who is to receive payment (payee).

- 4) **Deferred Payment:** The exporter receives an undertaking, in return for the correct documents, that payment will be made at the date stated in the Letter of credits. There is no draft involved. Once issued, the undertaking must be honored at the due date (LIB, 2012).

Documentary Collection: is a method under which banks handle a seller's commercial documents with or without financial documents in accordance with instructions received from the seller in order to deliver the documents to buyer (importer) against payment and /or acceptance or against other terms and conditions.

2.1.5. Methods of payments under collection

1. Documentary against payment (D/P):- documents are released to drawee against payment.
2. Document against acceptance (D/A):- documents are release to drawee against acceptance of the time draft by drawee.
3. Acceptance D/P: - drawee accepts the time draft but does not get the documents until the draft is due and paid.

2.1.6. Parties to documentary collection

Documentary collection involves four parties. The first party is the Principal which is always the seller. The second is the drawee which is the buyer. The third party is remitting bank, which is seller's bank that sends documents for collection to the bank in buyer's country. The fourth party involved is collecting bank, a bank that presents collection documents to buyer for payment or acceptance.

2.1.7. **Advance Payment:** is a method under which a seller receives payment from a buyer prior to shipment or the agreed upon goods or rendering the agreed upon service.

2.1.8. Consignment Basis Payment: it is a method of payment in which the title to the goods remains with the seller until an agent (distributor) in foreign country sells them. Payment is made to the seller if and when the agent (distributor) sells the goods.

Guarantee: A letter of guarantee issued by an Issuing Bank/Guarantor is a written undertaking by the bank to compensate (pay a sum of money) to the Beneficiary (local or foreign) in the event that the obligor/Principal fails to fulfil his/her/its obligations in accordance with the terms and conditions of the guarantee/agreement/contract.

Franco Valuta License (Permit): is a license issued to importers of goods on which no foreign exchange is payable.

Small Export Items License (Permit): is a license issued for small export items. Therefore, Banks, which are licensed to operate in Ethiopia, are authorized to allow import and export against submission of the required documents by the importer and exporter (LIB, 2012).

Defining knowledge Gap

Since the World Bank published the 1998/99 World Development Report on Knowledge and Development (World Bank 1999), narrowing the knowledge gap between and within countries has become a prime target of international development agencies as well as of some national governments.

Knowledge has been widely recognized by economists as the most important factor of production in a “new economy”. The production and utilization of knowledge is therefore essential for development (Hovhanysham, 2013).

The World Bank report distinguishes two types of knowledge: knowledge about attributes leading to information problems and knowledge about technology (i.e. know-how), including knowledge gaps. “Typically, developing countries have less of this know-how than industrial

countries, and the poor have less than the non-poor. We call these unequal distributions across and within countries *knowledge gaps*” (Hans-Dieter Evers 2002).

“In any case, closing the knowledge gap is regarded as a necessary step towards economic development.

Knowledge is the most important factor of production and its growth is essential to push a country into self-sustained growth. Development agencies have been the most outspoken proponents of the gap-closing strategy.” World Bank President James Wolfensohn,

Knowledge has been widely recognized by economist as the most important factor of production in a “new economy”. The production and utilization of knowledge is therefore essential for development. Some countries have embarked on an ambitious plan to use knowledge as a base for economic development, by-passing earlier stages of industrialization. Some commentators have, in contrast, asserted “that it is doubtful that the knowledge revolution will let developing countries leapfrog to higher levels of development” as “the knowledge economy will actually expand the gap between rich and poor” (Ruppel, 2006).

We have argued that the k-gap is not a natural phenomenon, but is constructed by experts and organizations. It can be discussed in connection with development ethics and human rights issues: the right to education and information should be safeguarded. Otherwise it was shown that knowledge gaps are a precondition to development and innovation. Standardization of knowledge or total commercialization of knowledge under the guise of “relevance” is counterproductive to development. Drawing on various sources and data-sets it could be shown that the k- gap is widening even in those countries (like Malaysia), whose governments have embarked on a dynamic program of supporting a knowledge-based economy.

Devaluation of local knowledge by globally operating experts as well as marketing strategies of large corporations are as much responsible for the widening k-gap as other factors of global development and governance.

Knowledge gap management

An organization's knowledge asset has been perceived as a fundamental source of its wealth and success in the current globalizing and competitive environment (Helpman, 1984).

Knowledge Management is not a new phenomenon, but it has only recently emerged as an explicit area of enquiry for managing organizational knowledge (Helpman, 1984). Throughout the annals of history, knowledge has been transferred progressively from one generation to the next, mostly through informal channels (Helpman, 1984). Traces back the origins of knowledge transfer and sharing practices to the nomadic people who used to make sure that they transfer skills of hunting to each other to maintain the sustainability of their groups. Moreover, Gupta et al (2000) state that there always has been normal practice for good managers to use the "know-how", the skills and experience of their employees for effective management of their institutions.

Faced critical challenges related to the formation and management of knowledge: the shortage of national skills and knowledge resources, the continued need for investments in these resources, and the reliance on large number of foreign workforce and firms to fill the national skill-knowledge gap and to shoulder the implementation of ambitious economic development goals. In part, the region was able to afford this due to abundant financial resources, improved working and living conditions, and greater integration into the global economy.

Knowledge gap denotes a significant difference between indicators, measuring the properties of knowledge societies. These indicators

measure usually averages of IT infrastructure, human resources development, investments in research and development (R&D), and related fields. Indicators just “indicate” much more complex structures and institutions and have therefore to be supplemented by qualitative, analytically descriptive data. Optimistic commentators argue that the fast expansion of ICT (information and communication technology) has improved the access to knowledge. Especially the spread of personal computers and the internet has connected millions of people to the knowledge resources of the world-wide-web. In Malaysia e.g. the number of computers has risen from 37,3 per thousand people in 1995 to 103,1 in the year 2003 and the number of internet users has risen from 40 thousand to 3,7 million in the same period. As the late Professor Ishak Shari has argued, general development policies implemented under the New Economic Policy have had a major impact on reducing income inequality in Malaysia from the late 1970s. However, since 1990 there is a trend towards rising income inequality, both overall and with inter-ethnic as well as urban-rural income disparities. He suggested that the government policy reversal towards liberalization, deregulation and privatization since the late 1980s has contributed to this trend of increasing inequality” (Ruppel, 2006).

More and more people gain access to global knowledge resources and a fair proportion is probably making use of them. Comparing countries critical commentators are, however, not convinced that “the knowledge revolution will let developing countries leapfrog to higher levels of development.... In fact, the knowledge gap is likely to widen the disparities between rich and poor, imprisoning many developing countries in relative poverty”. It is equally uncertain that the new knowledge technologies will bolster democracy just on the basis of better access to information and improved knowledge of political issues.

In crucial sectors with export potential such as manufacturing and IT, gaps in understanding the commercial aspects of exporting are holding back firms from trading the world. These skills must be nurtured and embedded in higher and further education courses. Business degrees and further education qualifications focused on commercial subjects must include compulsory modules on international trade and exports so that incoming commercial staffs are export-ready as they enter the workforce over the next 2-5 years.

Gaps in commercial knowledge continue to hold back businesses wishing to export. This survey shows that knowledge of the commercial aspects of the process and difficulties sourcing market information hold back manufacturers, micro and smaller firms from exporting more than other types of business.

Perception can act as a barrier to exporting for the first time or expanding export volumes. Every market is different, and companies need to be sensitive to local ways of doing business - respecting differences even across different regions of the same country. Lack of awareness of local cultural norms can impede the development of a business relationship. Being able to speak the language of potential customers is very important - particularly outside the largest cities - and can help to establish mutual confidence. Language was cited as a barrier to trade (Ruppel, 2006).

Knowledge Management Processes

An individual's knowledge is essential for developing the overall organizational knowledge. However, organizational knowledge is not only limited to individuals' knowledge (Bhatt 2000, Thomas et al 2001). The

Knowledge management literature reveals that there are several “interactive” and intertwined processes that construct knowledge management. These processes involve the human, technological and operational aspects that drive the creation, capture, organization, access and the use of knowledge (Hans-Dieter, Evers and et al, 2002).

Ruppell (2006) argued that too much attention has been paid to the technical aspects of KM and less research has been conducted on the importance of human and social aspects of Knowledge management. Ruppell (2006) goes further to argue that the success of knowledge management initiatives is fundamentally reliable on having people who are able and know how to share knowledge.

Moreover, as Storey and Quintus suggest, the success of knowledge management initiatives needs employees who are “willing to share their knowledge and expertise. The creation of an environment and mechanisms that allow employees to both maximize the use of their talents and to easily share knowledge are among the main drivers of successful knowledge management programs.

The survey administered to participant organizations focused on measuring (1) the effectiveness of human resource development (HRD) activities in building skills and (2) the extent to which these resources are effectively utilized in the workplace.(Lohm and Ohman, 2011).

2.2.1. Major trends in the historical evolution of international banking

Lohm and Ohman (2011), in their study distinguished three “waves” that led to the development of modern international banking. The first wave, which started in the 1830s, was spurred by the underwriting securities business performed in the second half of by (JP Morgan, Lehman Brothers and Goldman Sachs; the 19th century). These firms helped finance US railroads, as well as states and municipalities, by selling the underwritten securities in London to European investors. The second wave, starting in the 1960s and lasting three decades, was mainly related to international banking transactions among developed countries. The third wave began in the second half of the 1990s. Like the first wave, it was associated with a concentration of branches and subsidiaries in developing countries. In comparison with earlier waves, it has been more oriented towards retail business.

International banking activity, after growing strongly in the past decades, further accelerated in the years before the financial crisis. Measured by the expansion of cross-border lending and the local claims of foreign banks, the scale of international banking changed dramatically between 1985 and 2009 .Total international bank lending as a share of GDP – a proxy for the globalization of banking activity – rose gradually (by 4% annually) from the mid-1980s to the early 2000s, before accelerating sharply in the years that followed. The measure almost doubled between 2002 and 2008 and, even though its growth was interrupted by the recent financial crisis, it still remains near peak levels (Herrero and Navia, 2003).

Until the early 2000s, international lending activity closely tracked the expansion of international trade. The rapid rise in international trade activity, with worldwide exports of goods and services accounting for an

ever increasing fraction of the world economy, reflects an increasing level of real economic integration.

After the early 2000s, by contrast, international banking activity has expanded much faster than trade. One possible explanation is that trade does not fully capture real economic integration. For instance, an international expansion of corporations via foreign direct investments may have led to an acceleration of international banking.

Another explanation is that the character of the expansion of the international component of financial firms' balance sheets has changed. Indeed, intermediation chains in international finance seem to have lengthened in the past decade, for instance with the emergence of risk transfer and securitization markets (discussed below). Thus, the recent acceleration in the growth of international banking activities might signal a divergence between real and financial integration.

International banking activity is an important component of a broader process of financial globalization and integration. The acceleration of financial globalization and integration on the basis of a measure is developed by Lane and Milesi-Ferretti (2007). This measure is constructed as the sum of country stocks of external assets and liabilities relative to GDP. Overall, international financial integration has accelerated since the mid-1990s in the industrialized countries, rising more gradually in the rest of the world. Other indicators of financial structure growth and composition, as detailed in Beck and Demirgüç-Kunt (2009) for example, show a deepening of both financial markets and institutions in the past decade. In the run-up to the recent crisis, this apparent deepening manifested itself in low net interest margins, rising profitability and, in retrospect, declining stability in the banking sectors of high-income countries. A key question is how this process has affected the contribution of international banking to real economic activity

2.2.2. Regional Composition of International Banking Activity

Not surprisingly, international bank claims on developed countries far exceed such claims on developing economies. Concretely, overall volumes vis-à-vis developing countries are less than one fifth of those applying to developed countries. Claims on developing economies have moved from a flat trajectory through the late 1990s to a more accelerated rate since then. The international lending by banks in BIS reporting countries exhibits a clear geographical pattern. Graph 5 shows that industrialized have been the primary destination for cross-border lending activity for the past three decades. The United States is the second largest destination, followed by other developed countries in the period since 1990. In the past decade, outstanding stocks of lending to offshore centers have been comparable to or even greater than lending to entire regions, for example to Asia and Pacific countries, emerging Europe, or Latin America.

CHAPTER THREE

Data Presentation, Analysis and Interpretation

3.1 General Characteristics of the Respondents

This chapter presents analysis and interpretation of data collected on managing international trade transactions. The information obtained from sample population involved in LIB international trade customer and staffs of LIB. The findings are made based on the responses in the questionnaires filled by customer and interviews by the staffs of international banking department staffs.

To collect the necessary data, so as to seek a solution for problems, mentioned in the statement of problems part, the researcher used three basic procedures preparing a questionnaire and interview & personal observation. A total of 36 questionnaires were distributed to the sample.

All (100%) of the distributed questionnaires were filled and returned to the researcher in clear way. As clearly indicated from the methodology part of the research the total sample drawn from the target population was 36.

3.2. Analysis of the Major Findings

3.2.1 Demographic Profile of Respondents

In table 3.1 summaries for demographic profile of respondents is presented.

Table 3.1 – Summary; Demographic profile of Respondents

No	Item		Frequency	Percentage
1.	Gender	a. Female	6	17
		b. Male	30	83
	Total		36	100
2.	Age	a. 18-24	2	5.54
		b. 25-34	8	22.2
		c. 35-44	20	55.6
		d. >45	6	16.66
	Total		36	100
3.	Educational Level	a. Elementary	6	16.67
		b. High school	16	44.44
		c. Diploma	3	8.57
		d. BA/BSC	5	13.88
		e. MA/MSC		
		f. Others	6	16.67
	Total		36	100

Source: Questionnaire

Table 3.1 illustrates demographic data of respondents. It is divided in to three items the first item illustrates the frequency and percentage of female and male respondents respectively out of 36 respondents the majority of 30 respondents were male, accounted for 83 percent and the rest 6 were female, accounted for 17 percent of the total respondents.

This indicates dominance of males in international and domestic business transactions. This reflects the country's culture that favored overwhelming participation of males in outdoor businesses. Second item illustrates frequency and percentage of respondents in terms of age in to four groups: 18-24, 25-34, 35-44 and 45 and above. The majority of 20 respondents lie in 35-44 age group accounted for 55.6 percent and 35-44 follow with 8 respondents accounted 22.2 and then 6 respondents accounted for 16.66 percent lies in age group more than 45 and the rest of two respondents accounted for 5.54 percent lies between 18-24 age group. Item 3 shows Educational level of respondents. Most of respondents were at high school a level with 44.44 percent (16 respondents), 16.66 percent (6 respondents) belonged to elementary level, 16.66 percent (6 respondents) have others type of educational level, 13.88 percent (5 respondents) belonged to BA/BSC Educational level The remaining 8.57 percent (3 respondent) diploma level. None of the respondents have attained MA/MSC educational level. Dominance of high school complete customers obviously has adverse impact on their knowledge about laws and processes pertinent to international trade transactions.

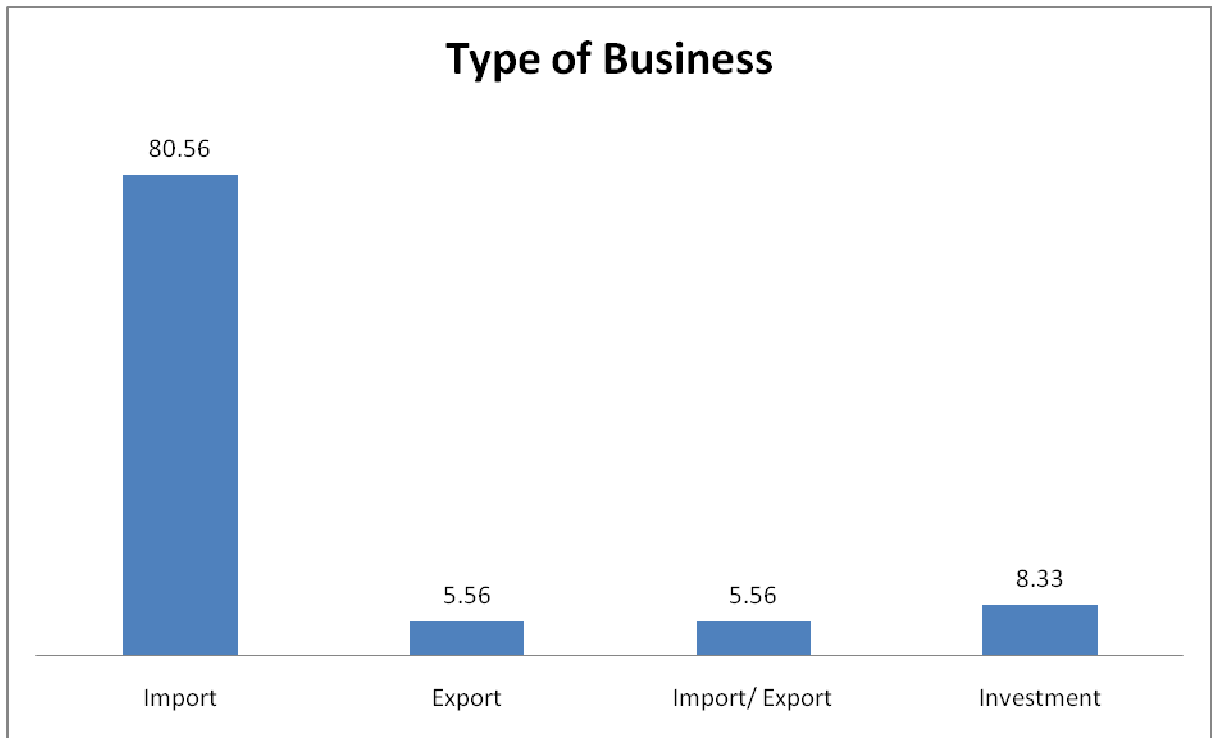


Figure one: - Type of Business

Source: Questionnaire

Figure one illustrated the type of business that the respondent engaged in. The majority of the respondents with 80.56 percent of leading engaged in importing goods and service , respondents with investment type of business follows with 8.33 percent; respondents engaged in export business type and import/export type have equal numbers with 5.56 percent. From this we can see majority of the banks customers are engaged in import type of business and customers engaged in export type of business are very few. It is well established fact that Ethiopia has a developing economy which demands much from other countries than it supplies to the international market. This results in increase in quantity of goods and services to be imported. This is manifested in many ways such as, increased demand for the import of investment and capital

goods. Therefore, dominance of import transaction can be accounted to this fact.

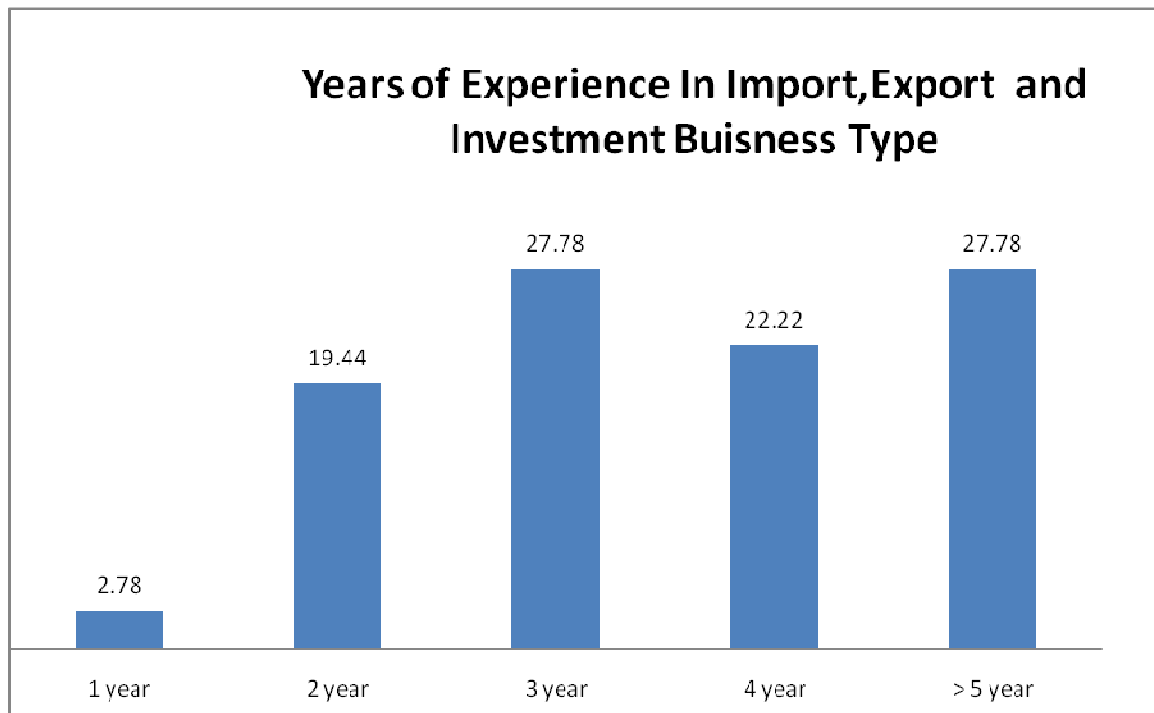


Figure two:-Years of Experience in the Business

Source: Questionnaire

Figure 2 illustrates years of work experience for import, export and investment business type. Majority of the respondents 27.78 percent are engaged in import, export and investment business for three and more than five years. Participants with 4 years, 2 years and 1 year experience account for 22.22%, 19.44 and 2.78% respectively. From this result it can be inferred that, much the traders are less experienced which in turn adversely affects successful transaction.

What is the Role of the bank in International Trade transaction?

Respondents were asked the above open ended question. Almost all the respondents converged to believing that bank plays crucial role in international trade by providing them foreign currency.

Source: Questionnaire

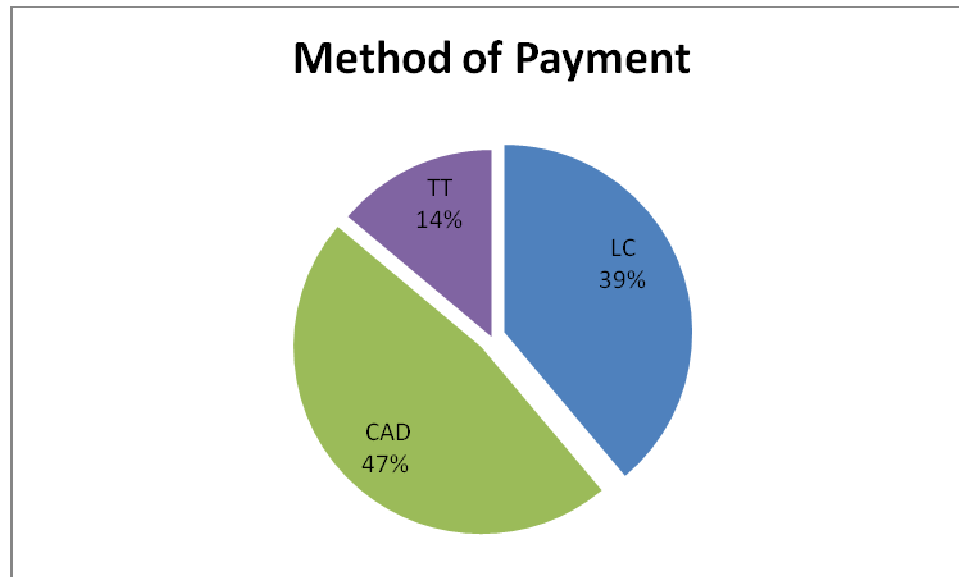


Figure three: - Method of Payment

Source: Questionnaire

Figure three illustrates the mode of payment customers use to undertake international transaction. Majority of respondents use cash against document /CAD/ method of payment leading with 47 percent, Letter of Credit /LC/ follows the lead with 39 percent. Only 14 percent of customers use Advance payment/TT/mode of payment. This indicates that high numbers of respondents prefer CAD mode of payment it's that is because it allows payment to be made at the end and it is also possible to change the goods imported after the transaction takes place. LC mode of transaction is undertaken under strict rules and banks charge importers interest on delay of settlement. Advance payment mode less preferred may be because it requires importers to make payment before

goods are shipped which entails high risk default from the exporter's side.

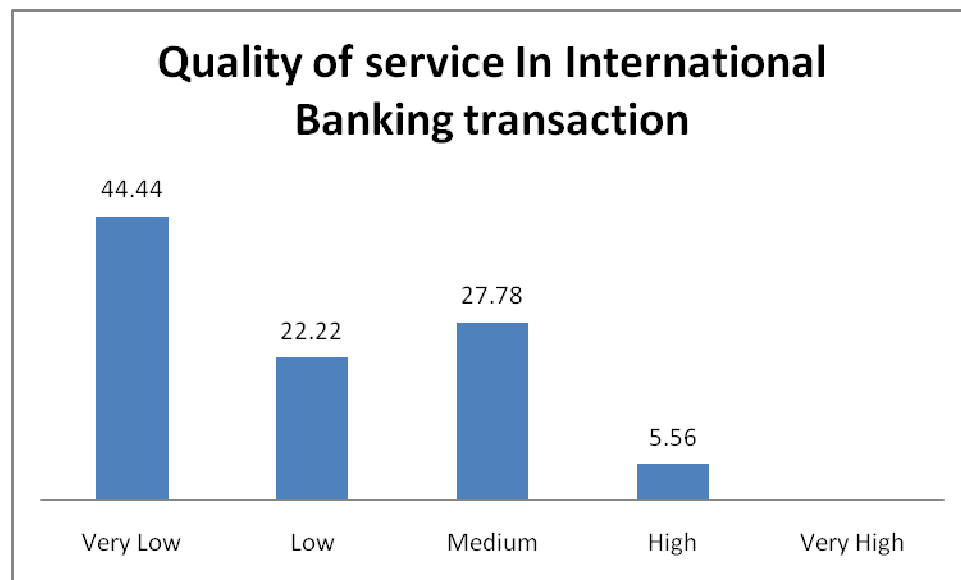


Figure four: - Quality of Service in International trade at LIB

Source: Questionnaire

Figure four illustrates the quality of the banks service in conducting for the international trade. The majority of the respondents accounted for 44.44 percent indicated that the bank have a very low quality of service 27.78 percent ,22.22 percent and 5.56 percent of the respondents indicate low, medium and high quality of service respectively. Many of the respondents have dissatisfaction on the quality of the international trade service only few of the respondents believe that the quality of service in international trade is high. This finding was supported by answers feedback collected through interview. In the interview sessions respondents' attributed the bank's low service quality to the staff's limited knowledge and the bank's limited capacity.

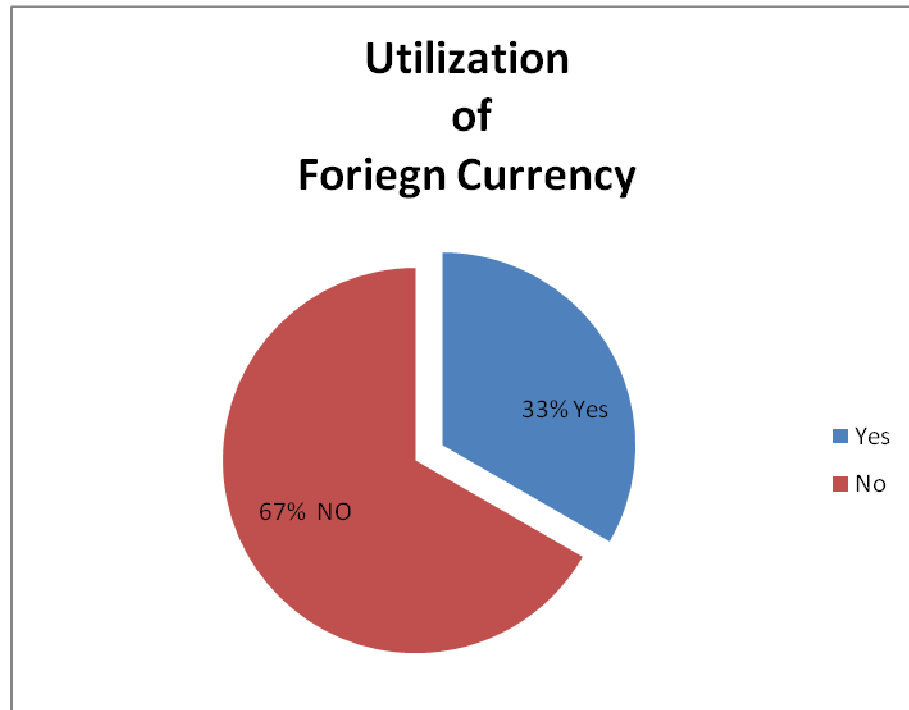


Figure Five: - utilization of foreign currency

Source: Questionnaire

Figure five illustrates the utilization of foreign currency the majority of respondents with 67 percent indicate that they don't use the foreign currency properly while 33 percent of respondents indicate that they use the foreign currency effectively/properly. From this we can understand that effective utilization of foreign currency is poor because the time limit for approval is only for ten days, if they don't bring the available document within these days the approval will be expired and this will lead them for not properly utilizing foreign currency.

Table 3.2: - Cause of Delay for Managing International Banking Transaction

Table 3.2 illustrates cause of delay in managing international banking

ITEM	Usually		often		sometimes		Rarely	
	Frequ ency	%	Frequ ency	%	Frequ- ency	%	Frequ- ency	%
Bank Problems								
Elongated business process	18	50	7	19.44	7	19.44	4	11.11
Incompetent staff/Bank/	13	36.11	9	25.00	1	2.78	13	36.11
Unclear/Imprecise bank procedure	7	19.44	8	22.22	9	25.00	12	33.33
Customer Problems								
Lack of knowledge /Customer/	23	63.89	5	13.89	2	5.56	6	16.67
Incomplete documents	20	55.56	6	16.67	9	25.00	1	2.78

transaction the researcher prepared 36 questionnaires and distributed for all selected respondents. The first question delivered to the respondents and almost all (99%) of the respondents accepted delay of managing international trade transaction.

As indicated in the above table , regarding the possible causes of delay in managing international banking transaction the selected customers of

the respondents replied that the causes of delay in managing international banking transaction are elongated business process, (50%) of them are selected usually, (19.44%) of them are respond say often, (19.44%) sometimes and the other remaining (11.12%) of them selected rarely. respondents incomplete documents, (55.55%) of them usually, 16.67 % of them often, (25%) of them sometimes and the other remaining (2.78%) say rarely. Unclear/imprecise bank procedure, (19.44%) of responded usually while (22.22%) of them response often. On the other hand (25%) of them are replied sometimes and the remaining 33.33% of them are replayed rarely. incompetent staff/bank, (36.11%) of responded usually (25%) of them response often. On the other hand (2.78%) of them are replied sometimes and the remaining (2.78%) of them are replayed rarely.

Lack of knowledge/ customer, (63.89%) of responded usually (13.89%) of them response often. On the other hand (5.56%) of them are replied sometimes and the remaining (16.67%) of them are replayed rarely.

The data in table indicated that lack of knowledge accounted the highest score as cause delay. This can be justified by referring respondent's distribution education wise. As table 3.1 provided most customers were educated at a level of high school. This impacts the business's smooth and knowledgeable operation which in turn causes delay. In addition lack of knowledge aggravates the other causes of delay through different happenings such as; bringing incomplete documents, inadequate understanding of procedures which give rise to lengthening the process.

What are Documentary requirements for International Banking Transaction?

For the above research question, Questionnaire results showed that most customers respond that only the Performa invoice and the purchase order are the documents that are used to fulfill to undertake international trade. Only few customers respond that more documents are needed like insurance, shipping lines letter based on the product type and nature.

Documentary requirements for getting foreign exchange

As the questionnaire show, most customers respond that only the Performa invoice and the purchase order are the documents that are used to fulfill to get foreign exchange for their international trade. Only few customers respond that more documents are needed like insurance, shipping lines letter based on the product type and nature.

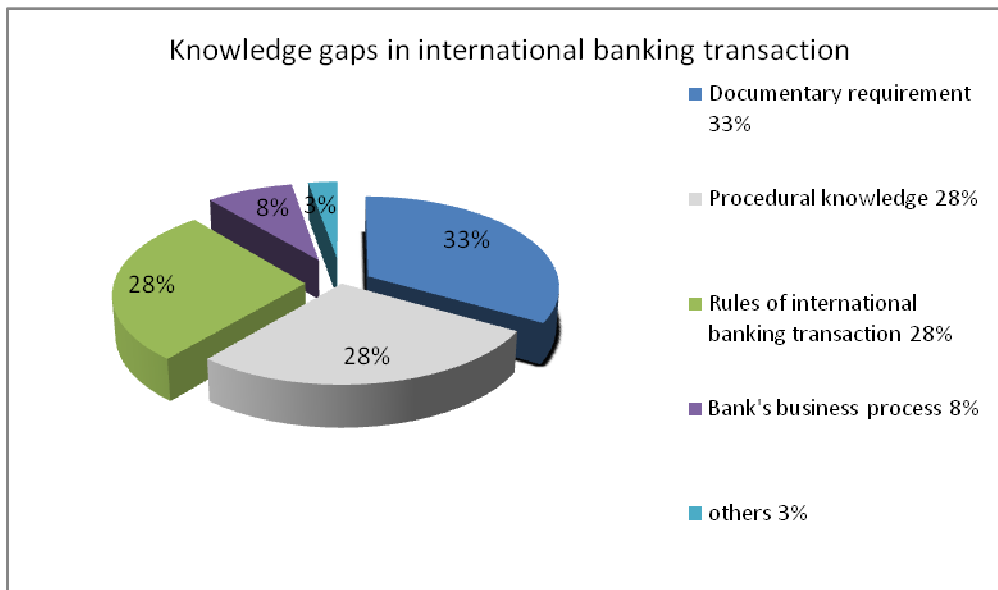


Figure six: - Major knowledge gaps in international banking transaction

Source: Questionnaire

Figure six illustrates Response of Lion international bank S.C international banking customers towards the major knowledge gaps in international Trade transaction. The majority of respondents 33% indicated that the major knowledge is misunderstanding the documentary requirement. As depicted in the figure knowledge of rules of international banking and procedural knowledge accounted 28% each. This can be taken as a basic reason for 33% score of knowledge on documentary requirements. That is if customers and staff lack knowledge on rules of international banking and procedures it is hardly that they know documentary requirements of the transaction. 8 % of respondents indicate their knowledge gap on banking business process. Whereas 3% percent of respondents did not express which type of knowledge gap there is. This indicates customer's lack of awareness on the process of banking transaction and various issues pertinent to international banking transaction. It signals that the bank must take a

step to increase customer's awareness in this regard to improve efficient delivery of its services.

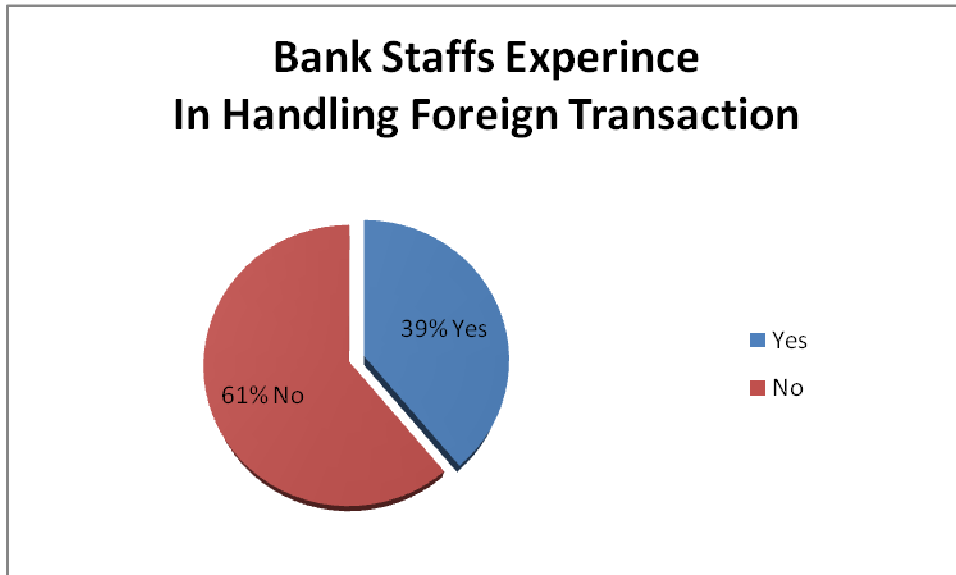
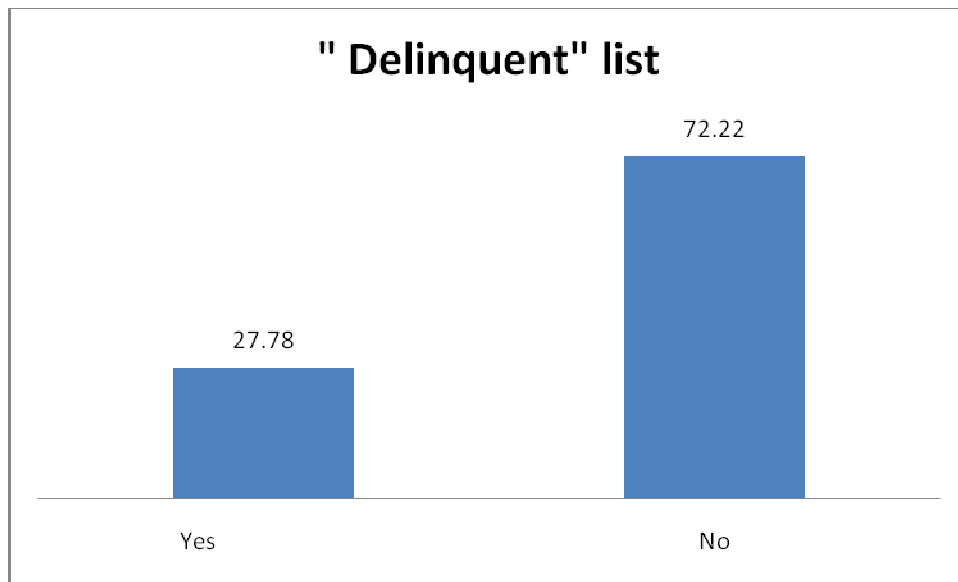


Figure seven: - Customer's perception on Bank Staffs' Experience and Competency.

Source: Questionnaire

Figure seven illustrates the bank staffs (who handle the foreign transaction) have experience or not (61.11%) said "no" the other (38.89%) of them said yes. From this result we understand in the bank staffs (who handle the foreign transaction) experience is not much in the area. The respondents observe the staffs are less experienced due to the staff themselves have lack of knowledge which is manifested by, they don't accurately know what document to bring or not, failure to ascertain whether documents from the correspondent country are genuine or not, This leads to delay of the business activity.

Figure eight: - Knowledge of customers on causes that lead to delinquency



Source: Questionnaire

A customer is referred as delinquent when it is prohibited from undertaking international banking transaction due to one of the reasons listed by national bank of Ethiopia as causes of delinquency.

Figure eight illustrated the answers for the question “do you know the reason that national bank of Ethiopia has listed you “delinquent” at the end of the month?”, (27.78%) of the respondent answer is yes, On the other hand (72.22%) of sample population replied no. Therefore many of the respondents have no clue of the reason they will be listed as a delinquent list. This could be attributed to low experience and educational qualification of the customers. On the other hand it could also be due to the bank’s failure to communicate such things to its customers.

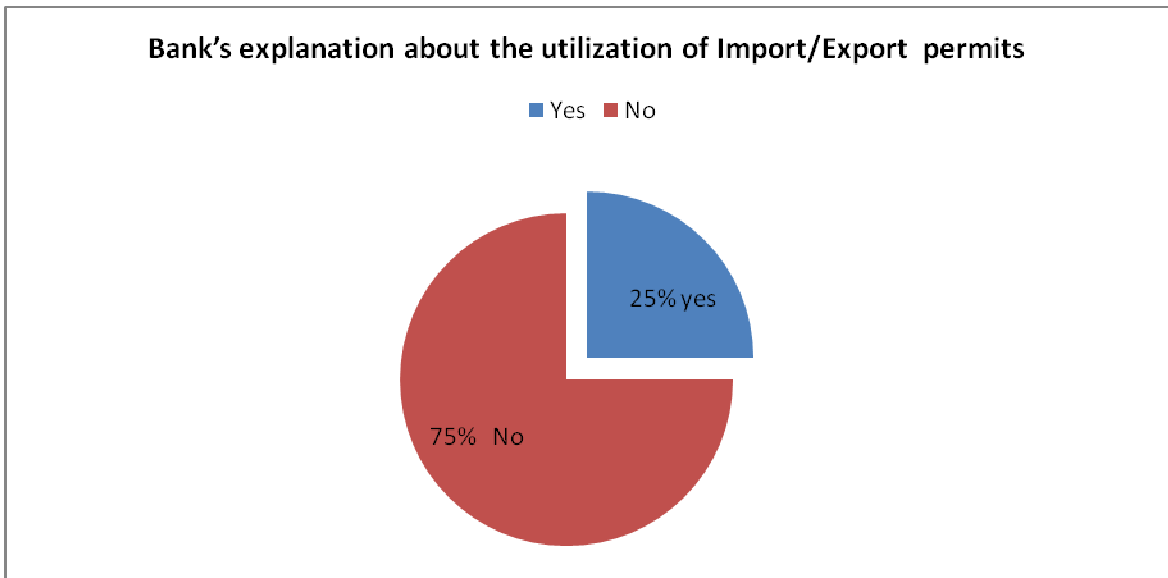


Figure nine: - Bank's explanation about the utilization of Import/Export permits

Source: Questionnaire

Figure nine illustrates the answer bank's explanation in the process of utilizing foreign currency permits. As depicted in the chart (25%) of the respondents answer is yes, on the other hand (75%) of sample population replied no. This indicates that the respondents don't get much explanation about the process even after they get permit. This indicates the bank's weakness in capacitating customers' knowledge and skills to utilize its services.

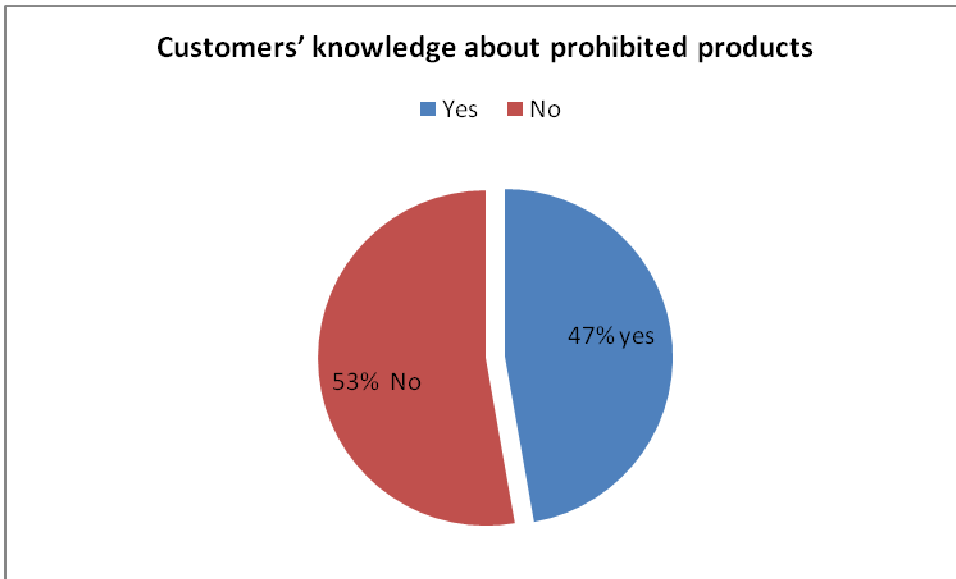


Figure Ten: - Customers' knowledge about prohibited products

Source: Questionnaire

Figure Ten illustrates the question if the respondents know the prohibited import/export product or not and most of the respondents with 53 percent don't know the prohibited products while the rest 47 percent know the prohibited product. The respondents have almost equal amount of knowing and not knowing the prohibited goods and service but most of the respondents don't know the prohibited goods and service. This can be asserted by referring to the customers' lack of information and bank's failure to inform these goods to the customers.

THE INTERVIEW IS CONDUCTED WITH THE EMPLOYEES OF LION INTERNATIONAL BANK S.C FOREIGN CLERK STAFFS.

1. GENDER

The respondents were six female and four male

2. How many years are you working in LIB?

Four years is the maximum work experience with in the bank.

3. How many years are you working as foreign clerk/officer?

Among the interviewees seven of them have an experience of 1-3 years, whereas 3 of them have experience of greater than 3 years.

4. Do you get adequate training before starting this position?

According to the interview most of the employees working as foreign clerk before starting the position don't get adequate training.

5. If you say "no" for question no 4 how you do handle it?

The employees get to Contact with the import export manager, IBD senior officers via telephone and going to other branches and meet with most experienced staffs in IBD.

6. Are you experienced on handling import/export transaction?

According to the interview made with employee and observation most of International banking officers or employees are less experienced. This mainly because of absence of professionals who specialized in the area and high turnover.

7. What is the role of Lion international banks S.C in international trade?

- Facilitate foreign currency
- Collect necessary document from customer
- Opened the LC, CAD OR TT
- The banker receives documents from mail division or any courier service offices, checks documents received against L/C instrument and rules and regulation in compliance with L/C, CAD and TT checking form.
- Payment execution

8. What is the delinquent list of importers/exporters which NBE sends to Lion international Bank S.C?

- The importer or exporter may not clear or settle the permit during one hundred twenty days.
- If the bank settlement advice and original permit are not sent to national bank of Ethiopia.
- Not renewing their trade license
- If they don't bring declaration paper
- If the commercial invoice is not genuine.
- If they don't bring the document requirements they promised to bring within thirty days

9. From the five payments mechanism which one of them is mostly practiced by customers of Lion International bank?

According to the interview made with employee and observation of International Banking Division, Import-Export foreign officers on how payment mechanisms are practiced by importers and exporters among the five alternative payment mechanisms, three are mostly practiced.

These are Advance Payment, Documentary Credits, and Documentary Collections. The other two payments i.e. open account and on consignment basis are not used because they evolve greater risk of non-payment to the exporters.

10. How do you rate the awareness of the customers about international trade?

Most of the time it's so poor, sometimes they didn't know even basic documents for import /export transaction, they are not well informed what action made them delinquent, and also it's hard to communicate with them for IBD officers because of their poor knowledge of import /export transaction.

11. What are the causes of delay in managing opening import and export documentary credit?

Employees of the lion international bank S.C, International banking division-import export department and branch officers were asked about the reason for the delay of transactions. Most of the respondents said the reason was due to lack of the customer awareness about the document requirement. Some of them said

that it is due to lack of the staff awareness about the process of international trade.

12. What are the Major Knowledge gaps in international banking transaction?

Our importers are normally less educated than those in overseas suppliers. There is breakdown of communication between the importer and exporter. Most of the buyer does not undertake serious follow-up after opening Letter of Credit or documentary collection. The Letter of Credit may require amendment on time. Moreover the importer is dealing with a seller subject to different in national custom, accounting practice, and different language and credit procedure. The amendment by itself is time taking. It has got an impact on the Letter of Credit to be expired, late shipment.

The majority of our importers or customers don't have sufficient knowledge about International Chamber of Commerce rules and regulation.

13. What are the document requirements to get import/export permit?

- Import or export account number from national bank of Ethiopia
- Trade license or investment license
- Tax identification number (TIN)
- Insurance certificate for import
- Performa invoice
- Purchase order
- Ethiopian shipping and logistics services enterprise letter (it depends)
- The letter of criteria for imported vehicles (from federal transport authority) it depends
- Original price for used vehicles

CHAPTER FOUR

Summary of Major Findings, Conclusion and Recommendations

4.1 Summary of Major Findings

Results of this study indicated that bank plays various roles in international trade. These roles are, facilitating foreign currency, collecting necessary documents from customers, opening LC, CAD OR TT, executing payments.

As to Causes of delay in international banking transactions, findings of this study indicated that elongated business process causes delay with varying frequency, which is 50% usually, 19.44% often, 19.44% sometimes and 11.12% rarely. For incomplete documents, the degree of frequency was 55.55% usually, 16.67% often, 25% sometimes and 2.78% rarely. As to frequency of unclear/imprecise bank procedure, 19.44% usually while 22.22% pointed often. On the other hand 25% of respondents replied sometimes and the remaining 33.33% rarely. Regarding frequency of incompetent staff/bank as cause of delay the finding was, 36.11% usually, 25% often. While 2.78% sometimes and 2.78% replayed rarely.

Findings on Incompetent staff/bank indicated that for 36.11% usually, 25% often, 2.78% sometimes, 2.78% of them are replayed rarely.

Incomplete documents as cause of delay accounted the following frequency, 55.55% usually, 16.67 % often, 25% sometimes, 2.78% rarely.

For lack of knowledge/customer the findings indicated that it happens in the following frequency, 63.89% usually 13.89% often, 5.56% sometimes and the remaining 16.67% rarely.

This study identified various documentary requirements to undertake international banking transactions. Which were, certificate of import or export account number from national bank of Ethiopia, trade or investment license, tax identification number (TIN), insurance certificate for import, Performa invoice, Purchase order, Ethiopian shipping and logistics services enterprise letter (it depends), The letter of criteria for imported vehicles (from federal transport authority) it depends, Original price for used vehicles.

With regard to Major Knowledge gaps in international banking transactions this study identified the followings: documentary requirement, procedural knowledge, rules of international, banking business process.

4.2 Conclusions

4.2.1 Conclusion on the first research question; *what are the roles of bank in international trade (import/export)?*

According to findings of this study respondents answers indicate that bank's major role in international trade is availing foreign currency. Amidst of availing this service the bank also undertakes various activities that facilitate international trade. Therefore, based on this it will be sound to conclude that bank plays roles of facilitating foreign currency, collecting necessary document from customer, opening LC, CAD OR TT and payment execution in international trade.

4.2.2 Conclusion on the second research question; *what are the causes of delay in managing opening import and export documentary credit?*

This study has surveyed the extent to which various factors cause delays in international banking transaction. Accordingly, for one of the research question; finding out causes of delay in international banking transaction, we can conclude that the following factors cause delay with different degree and frequency.

- Lack of knowledge/ customer,
- Respondents' incomplete documents
- Incompetent bank staff
- Lack of knowledge/ customer
- Elongated business process

4.2.3 Conclusion on the third research question; *what are the documentary requirements for opening letter of credit, advance payment & documentary collection?*

Documentary requirements in international banking transaction were also investigated in this history. Based on the findings, it can be concluded that, the followings are documentary requirements in international banking transaction.

- Import or export account number from national bank of Ethiopia
- Trade license or investment license
- Tax identification number (TIN)
- Insurance certificate for import
- Performa invoice
- Purchase order
- Ethiopian shipping and logistics services enterprise letter (it depends)
- The letter of criteria for imported vehicles (from federal transport authority) it depends
- Original price for used vehicles

4.2.4 Conclusion on the fourth research question; *what are the major knowledge gaps of the customer on international trade?*

This study has attempted to identify major knowledge gaps that customers and staff of the bank have in international banking transaction. Based on the findings it will be sound to conclude the followings as the major knowledge gaps.

- Documentary requirement
- Rules of international banking
- Procedural knowledge accounted

- Banking business process
- Others

4.3 Recommendations

This topic offers the researcher's recommendation to improve the problems identified in managing international banking transactions. It is subdivided based on the research conclusions.

The researcher recommends the followings to the bank and customers;

- The bank should aware its customers with the variety of services it provides. One way of doing this can be, giving adequate explanation about the roles and services of the bank. By doing so it will be possible to increase customer's awareness.
- The customers should inquire the roles bank can play in international trade while they come up with foreign currency requests so that they can optimally utilize the bank's services.
- The bank to improve and shorten its business processes as much as possible using various mechanisms such as business process reengineering.
- The bank to provide customers with checklist about documentary requirements and the customers to abide by the list.
- The bank to give necessary clarification about its procedures and the customers to inquire such clarifications before errors materialize.
- The bank to hire specialized and professional staff and continually offer them trainings based on competency gaps.

- The customers to identify their knowledge gaps and equip themselves with the necessary knowledge by taking trainings and referring to various sources.
- The customers to identify causes that lead to delinquency by communicating the appropriate bodies.
- The bank to brief customers all the necessary documentary requirements to improve their limited awareness as to what documents are required.
- The bank to provide appropriate trainings and furthers studies for its staff who execute international banking operation. And also to use various mechanisms that fill customers' knowledge gaps such as, offering trainings, counseling and the likes.
- The customers to fill their knowledge gaps by referring to various things as well as asking advices from experienced people and traders.

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Appendixes

St. Mary's University
Faculty of Business
Department of management

To be filled by Lion international Bank's foreign transaction customers

The purpose of this study is to investigate awareness problem for managing international trade transaction in the case of lion international bank S.C. The information you provide will be kept strictly confidential and the data will be used only for the study purpose. So please give your genuine reply as the success of the research highly depends on it.

General Direction

- You don't have write your name
- Sign ✓ mark in the box given to indicate your response.
- Respond to all open ended by written question your comments on the space provide.

Thank you in advance for your cooperation!

Personal Information

1. Sex Male Female

2. Age 18-25 25-35 5 5

3. Educational Level

Elementary High School Dip a
BA/BSC MA/MSC OTHERS

4. Which type of business you are engaged in?

Import expo Import- Export
Investment

5. How many years are you engage in import/export?

1 year 2 year 3 year
4 year more than 5 year

6. As customer what do you think the roles of the existence of a bank in international trade?

7. What type of payment method you used?

LC CAD TT

8. How do you rate the Banks fastest and quality service in international trade?

Very Low Low Medium
High Very high

9. Do you properly utilize the approved foreign currency?

Yes No

If "no" please specify _____

10. What are the possible causes of delay in managing international banking transaction?

	Usually	often	sometimes	rarely
Elongated business process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Incomplete documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unclear/Imprecise bank procedure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Incompetent staff/Bank/	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of knowledge /Customer/	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. What are the documents that fulfill to get foreign exchange?

12. What are the Major Knowledge gaps in international banking transaction?

	Very high	High	medium	low
Documentary requirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Procedural knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rules of international	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Do you think the bank staffs (who handle the foreign transaction) have experienced on the basis of foreign transaction?

Yes No.

If "no" please specify _____

14. Do you know the reason that National bank of Ethiopia has listed you "Delinquent" at the end of the month?

Yes No.

15. When you get import/export permit license does the bank give sufficient explanation about the process?

No. Yes

If "no" why?

16. Do you know prohibited export and import products?

Yes No.

INTERVIEW QUESTIONS

1. Sex Male Female
2. How many years are you working in LIB?
3. How many years are you working as foreign clerk/officer?
4. Do you get adequate training before starting this position?
5. If you say “no” for question no 3 how do you handle it?
6. Are you experienced on handling import/export transaction?
7. What is the role of Lion international banks S.C in international trade?
8. What is the delinquent list of importers/exporters which NBE sends to Lion international Bank S.C?
9. From the five payments mechanism which one of them is mostly practiced by customers of Lion International bank?
10. How do you rate the awareness of the customers about international trade?
11. What are the causes of delay in managing opening import and export documentary credit?
12. What are the Major Knowledge gaps in international banking transaction?
13. What are the document requirements to get import/export permit?

**STATEMENT
OF
CERTIFICATION**

This is to certify that Elsa Genet has carried out her research work in the topic entitled “causes of delay in managing international banking transaction”, **case** in Lion International bank S.C” for the partial fulfillment of the requirements for the award of Bachelor of Arts degree in Management at S’T Merry University. This study is original work and has not been submitted for any degree in this University or any other Universities and is suitable for submission of Bachelor of Arts degree in Management.

Advisor: Muse Mendaye

STATEMENT OF DECLARATION

I Elsa Genet, declare that this research work entitled “causes of delay in managing international banking transaction, **case** in Lion International bank S.C is outcome my own effort and that all source of material used for the study have been duly acknowledged. I have produced it independently except for guidance, consulting and suggestion of the research advisor.

This study has not been submitted for any degree in this university or any other university. It is offered for the partial fulfillment of the requirements for the award of Bachelor of Arts degree in Management.

Elsa Genet Haile

Signature -----

Date -----

Advisor: Mussie Mendaye

Signature -----

Date -----