

**YANGON UNIVERSITY OF ECONOMICS  
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MASTER OF BANKING AND FINANCE PROGRAMME**

**SATISFACTION OF EXPORTERS AND IMPORTERS  
ON TRADE FINANCING SERVICES OF UAB BANK**

**KHIN SWE AYE  
(EMBF-5<sup>th</sup> BATCH)**

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# **SATISFACTION OF EXPORTERS AND IMPORTERS ON TRADE FINANCING SERVICES OF UAB BANK**

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**Supervised by:**

Dr. Daw Soe Thu  
Professor & Head  
Department of Commerce  
Yangon University of Economics

**Submitted by:**

Khin Swe Aye  
Roll No. 16  
MBF- 5thBatch  
2017-2019

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**ACCEPTANCE**

Accepted by the Board of Examiners of the MBF Programme, Department of Commerce,  
Yangon University of Economics, in partial fulfillment for the requirements of the Master Degree,  
Master of Banking and Finance (MBF).

.....

(Chairman)

Prof. Dr. Tin Win

Rector

Yangon University of Economics

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(Supervisor)

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(Examiner)

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(Examiner)

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(Examiner)

December, 2019

## **ABSTRACT**

This study investigated the satisfaction of exporters and importers on trade financing services providing by uab Bank. The main objective of the study are to identify trade financing services on Exporters and Importers, satisfaction towards Trade Financing Services provided by uab Bank. Both primary and secondary data are used in this study. Primary data was mainly collected from 120 importers and exporters by using sample random sampling method. Secondary data was acquired from journal, articles, website and relevant books. This collected primary data was analyzed using description means to present the satisfaction of exporters and importers on Trade Finance Services provided by uab Bank. The majority of respondents are doing imports and doing trading at least three years. Most of the respondents are doing well by using uab Bank All of the uab Bank trade financing services achieved the moderate levels of satisfaction. In order to improve the customer satisfaction, uab Bank should mainly focus on importer and their common products and services in order to update more attractively. uab bank should offer more flexible exchange rate based on customer frequency of using the services and amounts transferred. uab Bank should make the flexible policy for documentation process. In addition, uab Bank should increase the number of correspondences by focusing the importers and exporters. It is also needs for focus creating loyalty or membership programs for importers and exporters by offering special service charges in order to retain its major customers. The bank offers the loans without collaterals if the customers agree to use the uab Bank account to make the transaction when they sell the products imported.

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# **CHAPTER 1**

## **INTRODUCTION**

World's economy gets boost from the activity of international trade. Due to international trade prices of the goods that are traded and the supply and demand of goods are highly affected by the global events. The consumers of different countries get an opportunity to use the goods and services that are not available in their home country. Any product sold in the global market by the home country is an export and any product purchased from the global market by the home country is import (Parikh, 2004).

Trade finance as a means of promoting financial import and export trade, both for banks or enterprises are of great value, with a wide range of business development space. First of all, the banks in terms of trade finance and other business compared to a less risky, relatively safe credit behavior. Banks to provide trade financing to enterprises in terms of risk, repayment sources, guarantee methods, effective supervision and so on are better than the general loan, the bank is an effective way to effectively use the funds; trade financing is also a high profit, Business. In addition to the deposit and loan spreads, the trade finance business can bring a variety of benefits: the bank can earn various fees by providing credit facilities to the enterprises and handling the documents in the settlement.

In modern business practice, banks have provided trade finance as an important means to compete for customers and business, and enhance the competitiveness of banks. Trade finance is actually a loan under settlement, which is directly linked to a particular sales activity. Once the sale is realized, the bank providing the loan can deduct the principal and interest from the funds recovered from the settlement, and the loan and recovery time is usually not more than three months.

International trade finance is a kind of financial support means which can meet the needs of both importers and exporters. It can eliminate the worries of importers and exporters by

providing financial services such as financing, insurance and guarantee to importers and exporters to help enterprises enter the international Market development business, improve competitiveness, promote international trade development. In short, the international trade financing has the advantages of small risk, high profitability, strong liquidity can bear the risk of transfer or defuse the risk of the buyers and a seller provide financing and financial services, and has been widely cultivated as an international business in the tide of economic globalization Bank of the benefits of new points.

## **1.1 Rationale of the Study**

Trade is an important driver of development – but, to be effective, adequate financing and capacity-building assistance is essential. Credit and credit insurance help to oil the wheels of trade by bridging the gap between exporters’ and importers’ differing expectations about when payment should be made.

Trade finance may be a greater concern for businesses in developing countries, and particularly in emerging market economies as they account for an ever-increasing share of global trade. In developing countries, many firms may face some of the same obstacles as their counterparts in developed countries, such as recognition of creditworthiness, but they also face new challenges, such as smaller, more selective and perhaps less advanced local financial industries. A key challenge in many developing countries is access to the knowledge and skills required for handling trade finance instruments. Adequate provision of trade finance is essential as developing economies seek to benefit from the trade opportunities offered by shifting patterns of production.

Myanmar is a new “frontier” country for trade. As Myanmar’s economy opens its doors, there are many new instruments that local companies must grasp in order to prosper from global trade. In Myanmar, some local companies complain about banks’ excessive oversight, failure to meet their specific borrowing needs, and lack of flexibility regarding the use of alternative financing sources. Local importers and exporters’ perceptions of trade finance are very important for banks. Local banks too will benefit from working with the TFP because staff will deepen their trade finance expertise through greater international exposure. We have been impressed by the

knowledge of bank staff about trade finance. Now senior management need to take the next step to build client relationships by understanding their business, identifying a trading company's needs and offering well thought-out products.

Trade finance will play an increasingly important role in emerging economies like Myanmar. This is an ideal time for the TFP to expand into Myanmar, supporting businesses as they seek to share the country's bright economic prospects. By knowing customers' satisfaction, uab Bank could really improve competitive advantage in the industry. Banks in the industry are trying to get more customers' satisfaction and competitive advantage. In order to achieve those goals, uab Bank needs to know the satisfaction of its employees in order to retain its key customers. Therefore, this study finds out the customer satisfaction of trade finance by uab Bank. To be a good service provider in the banking industry, uab Bank needs to focus to meet the customer's real needs better than any competitor can.

## **1.2 Objectives of the Study**

The main objectives of the study are:

- (1) To identify the trade financing services offered by uab Bank and
- (2) To examine the satisfaction of Exporters and Importers, towards Trade Financing Services provided by uab Bank.

## **1.3 Scope and Method of the study**

This study only focuses the customer satisfaction towards the trade financing services of uab Bank and does not cover those of other banks in Myanmar. Descriptive research method is applied for this study. To achieve the main objective of the study, both primary data and secondary data are utilized. Primary data are acquired from an in-depth interview with responsible persons. Among 350 exporters and importers at uab Bank head office, 120 customers approximately 34 percent of total customers are collected. Simple Random Sampling method is applied in this study. The secondary data will also be used such as lecture books, reference books, previous research papers, website and annual reports of uab Bank.

#### **1.4 Organization of the Study**

This researched is organized into five chapters. Chapter 1 is an introductory one that presents rationale of the study, objective of the study, scope and method of the study and organization of the study. Chapter 2 presents with literature view of the trade financing. Chapter 3 describes about the trade financing services of uab Bank. Chapter 4 presents analysis of customer satisfaction on the trade financing services of uab Bank. Chapter 5 consists of findings and discussions, followed by suggestions and recommendations. Furthermore, it presents needs for further research based on the survey results.

## **CHAPTER (2)**

### **LITERATURE REVIEW**

This chapter describes the related literature review towards international trade financing. The purpose of this study is to review the theory and concept of Trade Financing Services. In addition, it presents the conceptual framework of the study based on the literature review.

#### **2.1 Trade Financing.**

Trade finance refers to a wide range of tools that determine how cash, credit, investments and other assets can be used for trade. Typical trade-related financial services include letters of credit (L/Cs), import bills for collection, import financing, shipping guarantees, L/C confirmation, checking and negotiation of documents, pre-shipment export financing, invoice financing, and receivables purchase.

International trade is a vital source of economic growth. Basic economic theory explains why cross-border trade flows are important for each country's wealth and development. However, international trade bears more risks than domestic trade as there might be different institutional and law systems abroad and it might be harder to enforce trade contracts with a foreign counterparty. Every trade transaction entails economic, exchange rate, transpiration and political risks.

Trade finance instruments can be structured to include export credit guarantees or insurance. Trade finance facilitates trade by helping overcome the information asymmetry between buyers and sellers, enabling them to trust a system whereby sellers will be paid under certain conditions and buyers will get the products they paid for. Trade finance contributes to international trade in four areas: payment facilitation, risk mitigation, and financing and the provision of information about the status of payments or shipments. Every trade finance

transaction involves some combination of these four elements, adjusted to suit the circumstances of a particular market or of a trading relationship.

Trade finance is the lifeline of trade because more than 90% of trade transactions involve some form of credit, insurance or guarantee. The financial crisis is striking at the heart of the global economic system. Many normally stable banks are wary of capital depletion and are consolidating balance sheet positions, often in response to regulatory imperatives, thereby limiting the amount of money available to be lent against the reduced capital base. Trade finance is not exempt from this liquidity crunch.

Trade finance mechanism provides some combination and degree of support in the following four areas (ITC, 2009):

- (1) Payment facilitation, enabling secure and timely payment across borders, for example through proven communication methods such as SWIFT (a secure bank to bank messaging system used to transmit bank instruments such as letters of credit, as well as payments between financial instructions).
- (2) Financing to one or more parties in a trade transaction, whether it is the importer, exporter, or one of the banks.
- (3) Risk mitigation, either directly through the features available in a trade financing mechanism, or indirectly through insurance or guarantee products designed to meet the needs of importers and exporters.
- (4) Providing information on the movement of goods and/or the status of the related financial flow.

Trade finance (TF) supports international trade mainly by mitigating the counterparty risk, i.e the risk of non-payment or importer delivery, and by providing trade financing (helping traders with liquidity gaps inherent in trade transactions). Trade finance signifies financing for trade, and it concerns both domestic and international trade transactions. A trade transaction requires a seller of goods and services as well as a buyer. Various intermediates such as banks and financial institutions can facilitate these transactions by financing the trade. Trade financing is often taken for granted in developed countries because importers and exporters are backed by mature financial industries. But trade financing may be a great concern for SMEs in developing countries

and particularly in emerging market economies as they account for an ever-increasing share of global trade. A key challenge in many developing countries is access to the knowledge and skills required for handling trade finance instruments. Trade Finance Products are specialized bank products designed to reduce the risks and uncertainties associated with commercial transactions thus, facilitating trade. For banks to compete successfully in the ever-expanding international trade arena, which requires the financial ability to minimize the buyer's cost, maximize the seller's offer, and manage the commercial, political and currency risks on both sides, trade finance is necessary.

Trade finance is used to describe various operations, including the financing undertaken to facilitate trade or commerce, which generally involves the movement of goods and services between two points- it can therefore be domestic or international. The trade finance element may only be part of the overall financial component and may have multiple variations, e.g, a domestic trade finance transaction could support an International movement of goods or on occasion only services may be involved.

### **2.1.1 Common Payment Terms in International Trade Transactions**

In the trade business all over the world, the following are the useful common payment terms in International Trade Transactions.

- **Advance payment**

A method of payment where and immediate transfer of funds takes place between two bank accounts. In this case, the buyer will have no control over the receipt of the goods once they have made the payment. With cash-in-advance payment terms, the exporter can avoid credit risk because payment is received before the ownership of the goods is transferred(Trade Service Process-Procedure, 2012). Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. However, requiring payment in advance is the least attractive option for the buyer because it creates cash-flow problems. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, exporters who

insist on this payment method as their sole manner of doing business may lose to competitors who offer more attractive payment terms.

- **Open account**

In contrast to the cash-in-advance method, the supplier first ships the goods and then the buyer effects payment under the open account method of payment. Since the exporters incur production and distribution costs before receiving the payment, they are actually pre-financing the transaction. The risk to the exporter materializes when the importers fail to make payment for the goods after receiving them (Niepmann, 2014). Since high risk is associated with the open account method, it is usually exercised between affiliated companies or when the buyer and seller have had a long-standing business relationship.

- **Documentary Collection**

The Uniform Rules for Collection (URC) defines documentary collection as “the handling of documents (financial and or commercial) by banks in accordance with instructions received, in order to: Obtain payment and/or acceptance, or Deliver documents against payment and/or against acceptance, or Deliver documents on other terms and conditions” Therefore, banks are only agents (of Exporters) in collections, they are bound to follow the instruction of whoever their principal is. A process governed by international rules by which the supplier is able to collect from an overseas buyer through an intermediary (i.e. banks). It comprises between open account and advance payment but less secure than letter of credit (CBE training manual).

The two types of collections are clean collection and Documentary collection as follow:

- (i) **Clean collection**

It contains financial documents only. It is an alternative of open account where seller ships, sends commercial documents to buyer but sends financial documents such as draft through

the banks for collection. The payment is affected without reservation and conditions by the principal or their banks. Some element of trust exists between buyer and seller (CBE training manual).

**(ii) Documentary Collection (DC)**

It contains financial and commercial documents where seller ships and then sends all documents (both financial and commercial) through the banks for handling such as seller still retains a constructive control over goods through the banks. (CBE training manual)

- **Letter of credit (LC)**

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

According to Niepmann2015, banks do not only hand over documents to the importer as in a DC when a trade is settled with an LC, but they may also advance the importer's payment. The exporter is paid as soon as it proves that it has delivered the goods. Because banks may incur a loss if the importer does not pay, they screen importers much more actively when they issue an LC than when they engage in a DC. Accordingly, the share of importers that try to get away without paying decreases by more with an LC than with a DC. At the same time, the fixed fee that the bank charges for an LC to cover screening, monitoring and document handling costs is higher than for a DC.

- **Export letter of credit-(“Documentary Letter of Credit”)**

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

- **Consignment 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. (Trade Service Process Procedure, 2012)

- **Letter of Guarantee**

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

## **2.2 Trade Financing services**

Trade Finance Services is partnered with several financial institutions around the world to offer services that include international project and trade finance products.

### **2.2.1 Exchange Rate**

The exchange rate is defined as "the rate at which one country's currency may be converted into another. Typically, these rates fluctuate daily in response to the forces of supply and demand for different countries' currencies. Increasing the value of trade (export/import) depends on the exchange rate and also fluctuation of the exchange rate is depending on other economic factors such as incomes of investors, currency speculation and other dummy variables regarding international trade policy studied by Jonathan E Leightner (2015). Other important factors that affect exchange rates include:

**Inflation rates:** Inflation is a major determinant of exchange rates. Countries with low inflation usually see the value of their currency rise compared to others. Those with higher inflation, meaning each unit of their currency buys fewer goods and services over time, usually see their exchange rates fall.

**Interest rates:** Interest rates are also closely tied to foreign exchange and inflation rates. If the rate a country pays when it borrows rises relative to other countries, more money seeking higher returns will flock to that country, demand for its currency will rise and the currency's value will

rise with it. Likewise, if interest rates fall, money will flee in search of higher returns and the exchange rate will drop.

**Current account:** A country's current account includes its balance of trade and earnings on foreign investment. Its trade balance reflects its exports versus its imports and foreign debt. A current account deficit may occur when a country imports more than it exports, and this in turn can cause its currency to depreciate.

**Government debt:** When government issues new debt, interest rates may rise to attract bond buyers, leading to more demand for its currency. But if investors fear that the government has taken on too much debt and may default, they may sell whatever government bonds they hold, undercutting demand for its currency and causing its exchange rate to decline. This, in turn, may cause inflation to spike.

**Political and economic stability:** This is another important factor, since foreign capital will gravitate towards countries where investments are secure and the business landscape offers few surprises. Money flees to countries where the business climate is predictable and flees countries roiled by uncertainty. This favors the former's exchange rate and undermines the latter's currency.

**Speculation:** Investors looking for profits through currency trading can also play a role, especially when a turn of events is deemed likely to have an outsized impact on a country's currency. If that country is on the brink of a recession, for example, speculators may see its currency as vulnerable and sell it short. This can amplify any decline in its value.

With all these factors at play, an SME involved in import or export businesses could be tempted to simply adjust its prices to compensate for currency exchange rate shifts and leave it at that. Economists, however, suggest thinking first about how a price change will affect the business' relationship with its customers.<sup>6</sup> If import prices rise and the business keeps its prices constant, that may help to grow its market share. If the company has to raise its prices, it may be able to compensate by offering better terms or higher levels of service. If the dollar's rise against the yen makes it harder to sell in Japan, there may be other markets with stronger currencies where the business can pick up the slack. (Sherman,2018)

A forward rate is an interest rate applicable to a financial transaction that will take place in the future. Forward rates are calculated from the spot rate and are adjusted for the cost of carry to

determine the future interest rate that equates the total return of a longer-term investment with a strategy of rolling over a shorter-term investment. The term may also refer to the rate fixed for a future financial obligation, such as the interest rate on a loan payment. forward rates are widely used for hedging purposes in the currency markets, since currency forwards can be tailored for specific requirements, unlike futures, which have fixed contract sizes and expiry dates and therefore cannot be customized. To mitigate reinvestment risks, the investor could enter into a contractual agreement that would allow him or her to invest funds six months from now at the current forward rate. (investopedia,2018)

### **2.2.2 Documentation**

The importance of the documentation is stated in UCP 600 article 5, as Banks deal with documents and not with goods, services or performance to which the documents may relate. In addition, every condition stated in the letter of credit must be connected to a document. This point is also clearly indicated in UCP 600 article 14, if a credit contains a condition without stipulating the document to indicate compliance with the condition, banks will deem such condition as not stated and will disregard it.

The documentation is the proof that the exporters are owed a specific sum of money on a specified date. Wherever possible, exporters should secure negotiable instruments, which are unconditional, irrevocable and freely transferable, such as promissory notes or bills of exchange, as evidence of the debt. Also, because these instruments are sold without recourse, the exporters who sell them can effectively remove themselves from any further involvement with the financial aspects of the transaction, including the risk as well as the administration and collection.

This is another very important inclusion in the export import documents list. It refers to a written commitment by a bank on the importer's side to ascertain that payment is made in full for goods supplied. Documentation is a set of documents provided on paper, or online, or on digital or analog media, such as audio tape or CDs. Examples are user guides, white papers, on-line help, quick-reference guides. Paper or hard-copy documentation has become less common. Documentation is often distributed via websites, software products, and other on-line

applications. Documents Most Frequently Used Under Letters of Credit Transactions are as follow;

- (i) **Financial Documents:** Bill of exchange (Draft) (Sample)
- (ii) **Commercial Documents:** Proforma Invoice, International Sale Contract, Commercial Invoice, Packing List; Weight List, Inspection Certificate, Certificate of Analysis, Pre-Export Verification of Conformity (PVoC) Certificate, Fiata Documents which are not considered as a transport document: FCR, FCT, FWR, SD, Shipment Advice
- (iii) **Official Documents:** Certificate of Origin, Health Certificate, Consular Invoice, Legalized Invoice (Sample)

**Table (2.1) Importance of documentation under Letters of Credit**

<b>Importance of documentation under Letters of Credit (Main Document Group)</b>		
<b>Shipment</b>	Transport Documents	Approving That The Goods
	Bill of Lading	Shipped on time.in good condition and deliver to the carrier for transportation as indicated in the Letter of Credit
	Airway Bill	
	Road transport Document	
	Rail transport document	
	Cargo receipt	
<b>Insurance</b>	Insurant Document	Approving That The Goods
	Insurant Policy	Are insure with an appropriate cargo insurance as per letter of credit terms and insurance premium has been paid by the exporter
	Insurance Certificate	
	Open Cover	
<b>Commercial Condition</b>	Commercial Document	Approving That The Goods
	Commercial Insurance	Are shipped according to commercial terms of the letter of credit such as value of goods, origin of goods, quality of
	Packing List	

	Inspection Certificate ate	goods, weight of goods and packing of goods etc.
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Source from: letterofcredit.biz

### 2.2.3 Correspondence Bank

A correspondent bank is a bank that provides services on behalf of another, equal or unequal, financial institution. It can facilitate wire transfers, conduct business transactions, accept deposits, and gather documents on behalf of another financial institution. Correspondent banks are most likely to be used by domestic banks to service transactions that either originate or are completed in foreign countries, acting as a domestic bank's agent abroad. Generally speaking, the reasons domestic banks employ correspondent banks include the limited access to foreign financial markets and the inability to service client accounts without opening branches abroad. (investopedia,2019)

Correspondent banks can act as intermediaries between banks in different countries or as an agent to process local transactions for clients when they are traveling abroad. At the local level, correspondent banks can accept deposits, process documentation, and serve as transfer agents for funds. The capability to execute these services relieves domestic banks of the need to establish a physical presence in foreign countries.

The accounts held between correspondent banks and the banks to which they are providing services are referred to as Nostro and Vostro accounts. An account held by one bank for another is referred to by the holding bank as a Nostro account. The same account is referred to as a Vostro account by the counter party bank. Both banks in a correspondent relationship hold accounts for one another for the purpose of tracking debits and credits between the parties.

### 2.2.4 Services Charges

Trade finance pricing is an area of increasing uncertainty in international trade and supply chain finance, amid changing regulatory, market, and technology conditions, according to a recent report from the International Chamber of Commerce's (ICC's) Banking Commission. By the ICC's estimate, "bank-intermediated transactions now represent more than a third of world trade, equal to trillions of dollars each year.

Trade Finance Services is partnered with several financial institutions around the world to offer services that include international project and trade finance, online client accounts, corporate prepaid MasterCard, money remittance and SWIFT financial messaging with individual charges. Documentary credits are sent out through both SWIFT and TELEX. With an international network of more than 10,000 financial organizations, securities, institutions and corporate SWIFT can help businesses to create new opportunities and revenue streams all around the world.

### **2.2.5 Trade Financing Facility Service**

Import and export are loans based on the goods being delivered and proof of the transaction agreement. Because the loans are based on transactions, the lender will generally place less importance on your business's credit history when considering their loan application. However, the lender will want to see that they have been in business for at least a year and have made other, similar transactions in the past. The credibility of the specific transaction, and the ability of the receiving company to make good on payments, are also factored into the equation, since the loan is financing the receivables before they are collected. The most important documents the lender will need to review are the contract and/or other documentation providing proof of the transaction, as well as the details of the specific transaction.

Like other types of business loans, you will generally have some leeway in negotiating loan terms and fees. Loan terms will include a repayment schedule for the loan and the interest rate. Be sure to perform some due diligence on the lender you choose. When handled properly, an import or export loan can provide the working capital they needed to keep their business going and growing. The followings are the services of Trade Financing;

- **Import letter of credit issuance:** Import letter of credit gives buyer (Importer) the assurance from a world class bank when dealing with unfamiliar suppliers, buyer can be confident that payment will not be made until the documents are received and verified to be in order. Under the Import letter of credit, Bank also support through Import Loans, paying the letter of credit when it falls due to match the business working capital cycle.
- **Import invoice financing:** It provides financing solutions to pay for the supplier's documents under letter of credit or import collections. To facilitate trade, upfront payment

is required before goods/services delivery. Payment is made directly to the buyer and a credit period matching the business working cycle is given.

- **Import bills collection services:** Suppliers send their shipping documents to buyers, seller will enjoy prompt advice upon receipt of documents and efficient payment according to seller instructions. Banks are also able to give import financing under the bills when they are due or at sight.
- **Shipping guarantee:** To operate business efficiently, buyers' goods is vital to be cleared expeditiously. By issuing a shipping guarantee in the shipper's favor, bank will facilitate prompt clearance of goods until bills or ladings are received.
- **Bank Guarantee Services-** Banks are offering tailored solutions to meet your entire performance bond and guarantee needs.
- **Export letter of credit:** An export letter of credit is a document whereby buyer instructs their bank to pay seller, assuming that the agreed conditions specified in the original documentary credit are met.
- **Export (Pre-shipment) financing:** Pre-shipment finance against irrevocable letters of credit from or purchase orders in a number of currencies to allow seller to trade with confidence. If seller needs to fulfil a sales contract but need funds to purchase raw materials or process goods for export, bank offer pre-shipment export financing in a variety of currencies.
- **Export Invoice Financing:** When goods/services are supplied in credit, the bank advances financing on invoice seller submit to bank so as to bridge the working capital gap created.
- **Export collection services:** Under the Export Bills Collection, bank also offer discounting of the bills when supply is made in credit until maturity of the bill.
- **Discounting of Aailed Draft:**It provide discounting of aailed drafts without needing collateral depending on the bank that has aailed the bills. (Range of export &import trade products and services by Standard Chartered Bank)

### 2.3 Customer (Importers /Exporters) Satisfaction

Customer satisfaction is the major role in the today chaining business. Customer satisfaction provides an essential link between cumulative purchase and post-purchase phenomena in terms of attitude change, repeat purchase and brand loyalty (Churchill & Surprenant, 1982). According to World Trade Organization (1985), customer satisfaction is psychological concept that involves the feeling of well-being and pleasure that result from obtaining what one hopes for and appealing products and/ or consumer product interactions (Youjae Yi 1990).

The party bringing in the good is called an importer. An import in the receiving country is an export from the sending country. An Export or sells goods made in one country for delivery in another country is called an exporter. To get the Importers & Exporters satisfaction, Capiel (1974) suggested to record customers response to attribute different products and services by using overall measurement.

#### **2.4 Importance of Trade Finance Services in International Trade**

International trade requires efficient handling and professional of the company's business. Customers can fulfil these requirements with the trade finance in banking services. Trade finance allows us to handle efficiently and international transactions quickly. It provides a clear overview of business' financial position and transactions.

Banks are the key financial institutions that play a vital role in the country's economy. Globalization in the banking sector has thrown up opportunities as well as challenges. Competition is getting an edge day by day. It paces with the continuous development occurring in the tremendous competitive environment. It is a financial intermediary accepting deposits and granting loans offers the widest menu of services of any financial institution. They are the principle source of credit for millions of individuals and firms and for many units of government.

As global economic growth occurs, understanding trade is increasingly important. Trade finance signifies financing for trade and it concern both international trade transactions and domestic transactions. A trade transaction required a seller (Exporters) of goods and services as well as a buyer (Importers). Various intermediates such as financial instruction and banks can facilitate these transactions by financing the trade. Trade financing products are specialized bank

products designed to reduce the risks and uncertainties associated with commercial transactions, thus facilitating trade. For banks to compete successfully fully in the ever-expanding international trade area which requires the financial ability to minimize the buyer's cost, maximize the seller's offer and manage the commercial, political and currency risks on both sides trade finance is necessary. Banks rely mainly on trade finance income sources so that they can achieve risk diversification. Thygeson (1995) argued that trade finance income is less susceptible to economic recession which may lead to loan delinquencies and losses, its then to offset loss brought by interest income.

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

Global and local banks support international trade through a wide range of products that help their customers manage their international payments and associated risks, and provide needed working capital. The term "trade finance" is generally reserved for bank products that are specifically linked to underlying international trade transactions (exports or imports).

One of the most common and standardized forms of bank-intermediated trade finance is a letter of credit, it reduces payment risk by providing a framework under which a bank makes (or guarantees). Banks play an important role in an economy of a nation. According to Sergeant (2001), banks contribute to investments, employment creation and the process of economic growth and development. They are the corner stone of an economy of a given nation. Global trading allows the different countries to participate in global economy encouraging the foreign direct investors.

Role of Export credit and Import Credit play a crucial role in enabling exporters and Importers in accepting and efficiently executing their export and import orders. Export credit and Import credit are required for short periods of time both before and after the dispatch/shipment of an order. Export credit plays an important role in risk management and obtaining contracts for exporters. It has the potential to augment the international competitiveness of a country by leading to geographical diversification of exports and developing new markets. It is important for a country to develop and maintain an efficient system of providing export credit lest it should become a bottleneck in winning an export contract and import Contract. In a way, it adds to

international competitive strength of exporters of a country. (2002, Suman Bery: Satisfaction with Export Credit Delivery System).

## **2.6 Payment Contracts in International Trade**

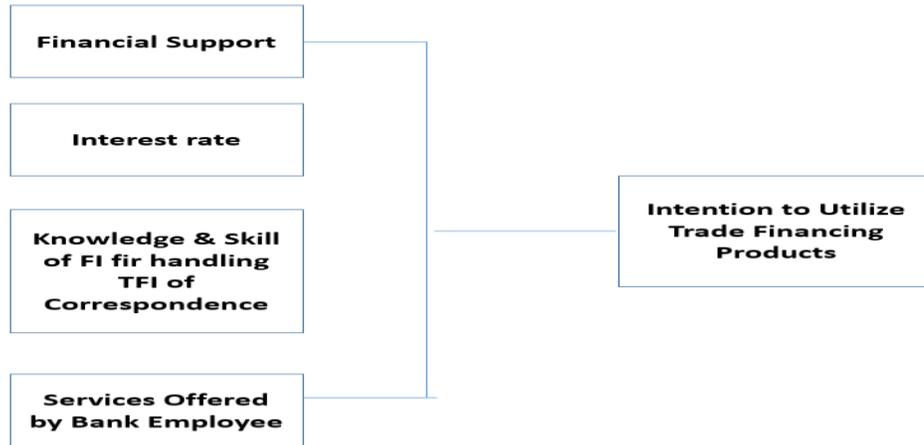
When an exporter and an importer trade they have to decide how to settle the transaction under one option, the exporter produces the good and the importer pays upon receipt (open account). Under another, the importer pays before the exporter produces the good (cash-in-advance). In each case, one of the trading partners bears substantial risk: With an open account, the exporter may never receive payment. Under cash-in-advance, the importer may never obtain the goods. To reduce the risk of the transaction for either party, firms can turn to banks, which can act as intermediaries and thereby attenuate enforcement problems.

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

## **2.6 Conceptual Framework of the Study**

Conceptual framework is formed based on the research objectives and research questions. It displays both dependent variables and independent variables. These variables are connected and linked to form a test on this study. Figure 2.1 is the conceptual framework that focuses on five dimensions that determines customer satisfaction towards trade financing service of uab Bank. The five dimensions of independent variables include exchange rate, documentation, correspondence bank, service charges and trade financing facility whereas the customer satisfaction towards trade financing service of uab Bank is dependent variable.

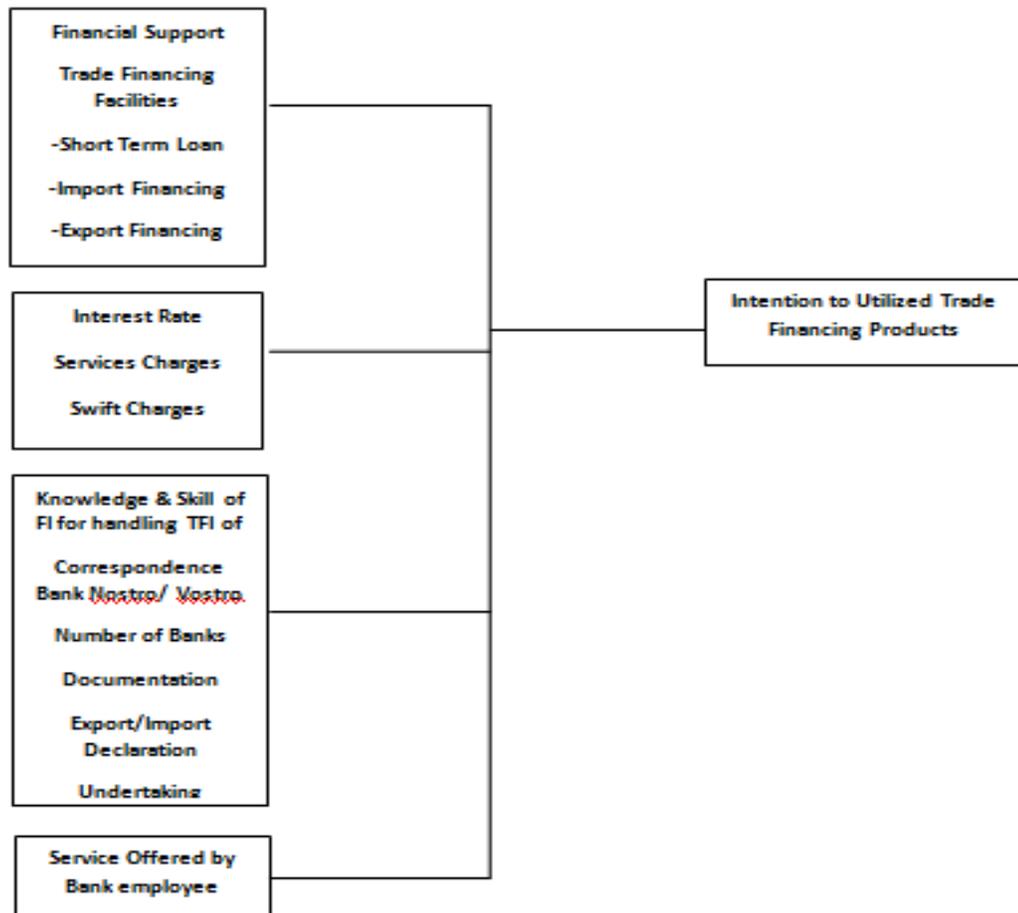
### **Figure (2.2) Conceptual Framework of the Previous Study**



Source: Md Mesbahul Haque (2012) Customer Perception towards the Trade Finance Services in HSBC Bank Hong Kong

It is posed that trade financing services influence on customer perception. Trade financing services was measured on strong financial support, interest rate, knowledge and skills of financial instructions for handling trade financing and services offered by bank employees. Customer perception on them was measured by the customer’s intension to utilize trade financing products.

**Figure (2.3) Conceptual Framework of the Study**



Source: Adopted from Md Mesbahul Haque (2012) Customer Perception towards the Trade Finance Services in HSBC Bank Hong Kong.

The following analysis of importers and exporters satisfaction of the trade finance services providing by uab Bank, based on the conceptual framework of the study.

### CHAPTER 3

## **PROFILE OF UAB BANK**

This chapter presents the profile of the uab Bank that includes vision, mission & vales of uab Bank and trade financing services & products for exporter and importers.

### **3.1 Profile of United Amara Bank (UAB)**

uab Bank is a leading bank in Myanmar. Established in 2010, it was serving customers from a growing network of over 78 branches in 47 townships across Myanmar. uab provides a wide range of financial services including consumer banking, premier banking, SME banking, corporate banking, trade finance and treasury services. Through our subsidiary, uab securities, we also provide brokerage services, corporate and financial advisory, investment banking and capital market activities.

uab Bank is trying to lead the way towards a better Myanmar, humanizing banking, connecting people, creating opportunities and changing lives. In December 2017, uab launched “Be The Change Myanmar” initiative that represents their commitment to driving change for a better Myanmar, specifically focusing on empowering women and children.

As a new generation bank, uab is one of the fastest growing institutions in Myanmar with a focus on safe and secure banking and cultivating a passion for customers’ as a full-fledged Domestic private bank. On 16<sup>th</sup> August 2010, first branch was opened in Nay Pyi Taw and the branch network has since grown to 78 branches across Myanmar. It is envisaged that the network will further expand to 100 branches by the end of 2020.

In 2011, an authorized Dealer License was obtained allowing the Bank to do foreign exchange transactions through its Money Changer Counters and subsequently on 9<sup>th</sup> July 2012, a Foreign Banking License was obtained which enabled the Bank to perform foreign banking transactions. The Bank is now fully licensed to make International money transfers and issue Letters of Credit.

On 27<sup>th</sup> December 2012, the Bank began inbound money remittance through its partnership with Western Union Payment Inc and in 2013, a principal license was obtained from VISA and Master Card for the acquiring business. Apart from the traditional branches which are presently linked on-line via a modern Core Banking system, the Bank currently deploys a number

of ATMs across the country and provides an Internet Banking facility for 24/7 access for its Customers.

uab Bank now operates a fully-fledged banking business both in domestic and foreign currencies serving its customers through its branches and electronic platform across Myanmar. Risk Management and Corporate Governance is a key component of the uab Bank's culture and the Bank holds a strong commitment to its Motto of "Safe, Sound and Trustworthy". Commitment to training of its employees is also a critical component in ensuring that the uab Bank is able to deliver quality services to Customers. To reflect its growing maturity, the uab Bank received a number of awards over 2016, 2017, 2018 and 2019 of recognition both domestically and internationally continues to grow. In the current situation, there are 78 branches, 35 branches for USD Trade exchange counters and 140 ATM machines all around Myanmar altogether in 2019.

### **3.2 Vision, Mission and Values of uab Bank**

The vision, mission & vales are developed and presented as follow;

#### **Vision**

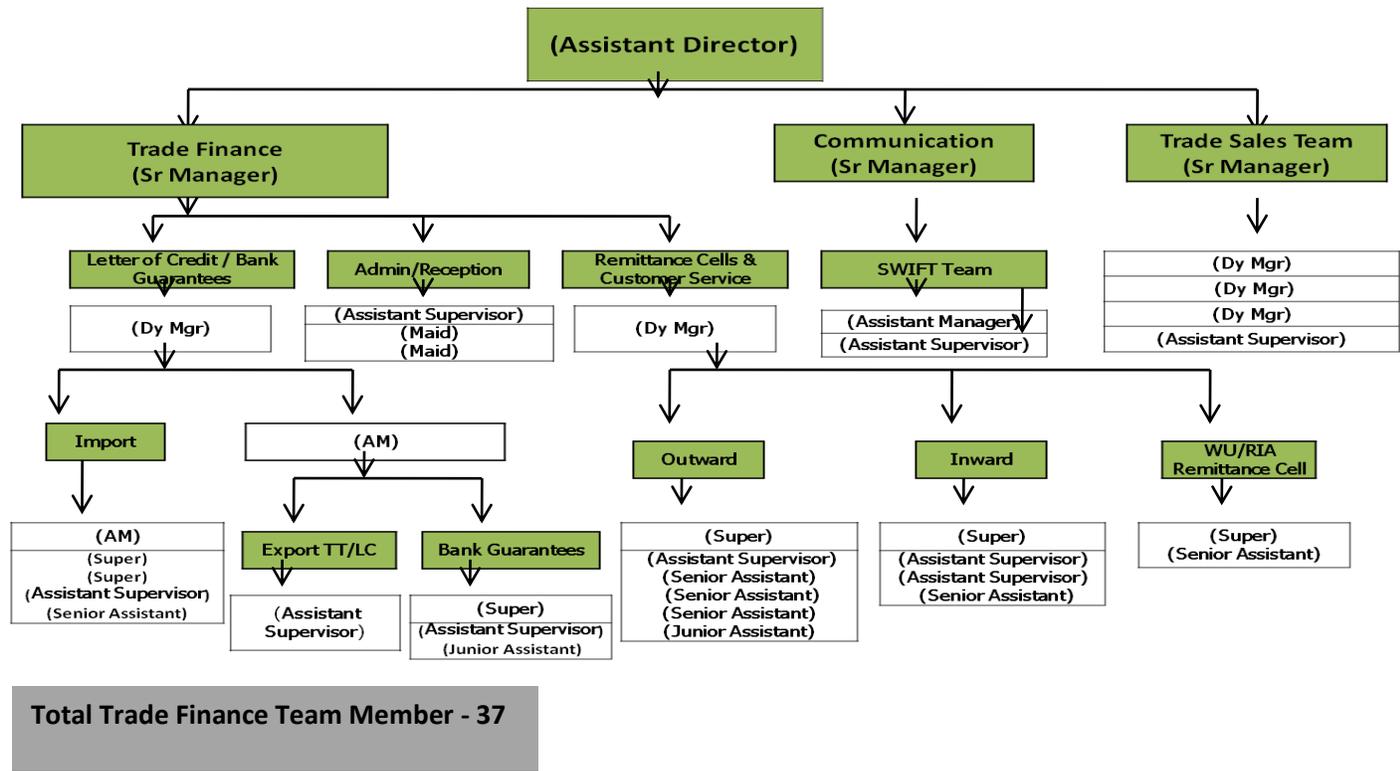
- "To lead the way towards a better Myanmar, humanizing banking, connecting people, creating opportunities and changing lives".**Mission**
- to lead changes in financial services. We are an institution of strength built on sound principles and good governance".
- to deliver banking with a heart, we care for our people and communities
- to connect people and build relationships to foster a stronger community spirit.
- to create opportunities and a better future for our staffs and our customers
- to empower the communities around us, and together enrich the lives of those we touch

**Values :** Connect.Create.Change.

### 3.3 Organization Structure of uab Bank (Trade Finance Department)

Figure (3.1) shows the Organization Structure of uab Bank (Trade Finance Department) and it is organized with one Assistant Director and three Senior Manager along with 34 Team members.

**Figure (3.1) Organization structure of uab Bank**



Source: uab Bank, 2019

### 3.4 Financial Services provided by uab Bank

The financial services provided by uab Bank are to achieve the convenience and satisfaction of the bank’s customers. The bank provides the more financial services year after year. uab provides the full range of retail and commercial banking services including deposits, loans, project financing, cash management, bank guarantees, remittance, project financing and other services.

### **3.4.1 Import Services and Financing**

uab Bank's Import Letter of Credit (LC) is a fast and efficient service which is used to facilitate international trade settlement by the buyer/importer for importation of goods into Myanmar. An LC is issued by the issuing bank, on behalf of the buyer/importer, in favor of the seller/exporter. At the request of a buyer, the LC is an undertaking by the issuing bank to honor claims by the seller, provided that the required documents are presented to the issuing bank within a specified time and in accordance to the terms and conditions of the LC.

LC can be used best where the buyer and seller do not trust each other and need the comfort of a reputable intermediary such as uab Bank. LCs is ideal for commercial businesses such as traders, wholesalers, manufacturers and contractors. Benefits for customers are the customer does not have to pay in advance for the goods purchased; customers can purchase goods from companies all over the world, even from sellers unknown to them; the customer can set conditions in the LC that the exporter must adhere to before payment is made; LCs are subject to UCP 600 (Uniform Customs and Practice for Documentary Credits), which are internationally recognized rules and standards governing LCs.

uab Bank provide services for LC only available for customer importer who has an approve facility with the bank. The basis of application for facility may be in two ways: Transaction Basis and Permanent Line. Transaction Basis is: where No trade line/facility is established, against 100% cash collateral, available on per transaction basis, transaction ends when settlement is made by payment against the cash collateral. Permanent Line is: where trade line/facility is established, usually against approved collateral with Cash Margin (up to 40%) and 60% is property or fixed deposits, available on continuing basis, facility subject to yearly review.

### **3.4.2 Collection of Import Bill**

Documentary collection is a trade transaction in which the exporter hands over the task of collecting payment for goods supplied to his or her bank, which sends the shipping documents to the importer's bank together with payment instructions. A documentary collection (D/C) is so-called because the exporter receives payment from the importer. Exchange for the shipping documents, with the funds and documents channeled through their respective banks. While D/Cs are less complicated and cheaper than letters of credit, they are riskier for exporters because they

do not have a verification process and offer limited recourse if the importer does not pay. They are therefore only recommended in situations where the exporter and importer have a long-standing trade relationship. uab Bank has correspondent relationship with reputed International Banks throughout the world and can thus provide valuable services to importers who may be importing from any part of the Global. The import bills drawn on customers of other branches are also collected through these branches.

### **3.4.3 Financing of Import Sight LC & Usance LC/ Facilities**

Import Usance LC is a letter of credit payable at a determined future date after presentation of conforming documents. uab Bank's Usance L/C facility (Sight & Usance) provides the importer an opportunity to avail credit from their supplier/supplier's bank.

### **3.4.4 Deferred Payment Guarantee/Standby LC**

Deferred Payment Guarantee is a payment guarantee issued to exporter for deferred or time payment of the goods, and corresponding interest. Standby letters of credit are created as a sign of good faith in business abilities. A standby letter of credit will typically be in force for about one year, allowing for enough time for payment to be made through standard contractual guidelines. Standby letters of credit are often in international trade transactions, such as the purchase of goods from another country. The seller will ask for a standby letter of credit, which can be cashed on demand if the buyer fails to make payment by the date specified in the contract. uab Bank's Deferred Payment Guarantee /Standby LC facility also provides the importer an opportunity to avail credit from their supplier/supplier's bank.

### **3.4.5 Shipping Guarantee**

Shipping Guarantees are indemnities given by the Bank to the carrier of goods, so that the goods can be released to the consignee without producing the Bill of Lading or Air Waybill. This helps the importer to avoid demurrage charges which otherwise will be imposed if delivery of the goods is not taken up due to the absence of shipping documents.

### **3.4.6 Export Services and Financing**

Selling products globally can increase opportunities, but the consequences can be unpredictable, especially in unfamiliar markets. Benefits of using export services and financing are: get assurance of payment from the buyer before starting work or shipping an order, access funds immediately after shipment and preparation of required letter of credit documentation, and receive payment quickly, while minimizing the risk of non-acceptance documents by the letter of credit-issuing bank. Better terms of credit including rates of interest than those extended to other exporters by the Bank. 'In-principle' limits for a period of 1 year with a provision for renewal, subject to fulfillment of the terms and conditions of sanction. Preference for grant of packing credit in foreign currency (PCFC), subject to availability of foreign currency funds, Lower charges schedule and fee-structure than those provided to other exporters.

Relaxations in the norms are in respect of security and collaterals, wherever feasible. Other facility/benefit to the exporters is subject to the fulfillment of extant rules and regulations applicable to export finance. There are three types of facilities for exporters. They are:

#### **a) Export Credit**

uab bank provides both pre and post shipment credit to the exporters through Kyats Denominated Loans as well as foreign currency loans in Myanmar. Credit facilities are sanctioned to exporters who satisfy credit exposure norms of uab Bank. Exporters having firm export orders or confirmed L/C from a bank are eligible to avail the export credit facilities. Kyats Export Credit is available generally for a period of 180 days from the date of first disbursement. In deserving cases extension may be permitted within the guidelines of Kyats. The corporate may also book forward contracts with uab Bank in respect of future export credit draws, if required, as per the guidelines/directives provided by Kyats.

#### **b) Pre-shipment Financing in Foreign Currency (PFFC)**

uab bank offers PFFC in the foreign currency to the exporters enabling them to fund their procurement, manufacturing/processing and packing requirements. These loans are available at very competitive international interest rates covering the cost of both domestic as well as import content of the exports. The corporate/exporters with a good track record can avail a running account facility with uab Bank for PFFC. PFFC is generally available for a period of 180 days from date of first disbursement. In deserving cases extension may be permitted within the guidelines of Kyats.

In the PCFC drawls permitted in a foreign currency other than the currency of export, exporter bears the risk in currency fluctuations. The foreign currency drawls are restricted to major currencies at present. In case, the export order is in a non-designated currency, PFFC is given in US\$. For orders in Euro, Pound Sterling and JPY, PFFC can be availed in the respective currencies or US\$ at the choice of exporter. Multi-currency drawls against the same order are not permitted at present due to operational inconvenience.

#### **c) Negotiation of Bills under L/C**

uab bank is active in negotiation/discounting of sight/usance international export bills under L/Cs opened by foreign banks as well as branches of banks abroad. uab bank offers the most competitive rates. These transactions are undertaken by our branches within the Bank/Country Exposure ceilings prescribed uab Bank.

### **3.4.7 Bank Guarantee Services & Bank Guarantee Financing**

uab Bank can act as a guarantor for the Principle Customer. A letter of guarantor is issued by the bank to the beneficiary as requested by the Principle Customer. The guarantee may be issued for tender of projects, performance of contracts and other purpose. Also uab Bank provide Bank Guarantee financing with Collateral basis or Lien such as 100% cash deposit at bank. uab Bank, on behalf of exporter constituents, issues guarantee in favor of beneficiaries abroad. The guarantees may be Performance and Financial. uab bank, on behalf of importer constituents or other customers, issues guarantee in favor of beneficiaries abroad. The guarantees may be both Performance and Financial. Performance BG and Bid Bond are provided for Government Tender

for all Government Ministry with 100% Cash Margin or Deposit against BG (Lien) with uab Bank giving best FIXED Interest Rate.

### 3.4.8 Services Charges

uab bank sets the reasonable service charges for all trade financing services based on the amount of the cargo values. Table (3.2) presents the service charges of trade financing.

**Table (3.1) Service Charges for Trade Financing**

Description	Service Charges
Outward Remittance	0.125% of Amount (or) Equivalent MMK - Min USD 25.00 plus SWIFT Charges USD 3/-.
Inwards Remittance (Normal)	USD 10/-
Internal Transfer UAB to UAB	USD 2 .00
L/C Opening Commission	0.25% of LC amount (or) equivalent amount in MMK for 3 months or part thereof (Min USD 50/-) plus SWIFT USD 5/-
Usance Acceptance Commission	0.15% per month on Bills amount minus (-) Cash Margin (No Charges for 100% Cash margin)
Bill Handling Commission (Bills under L/C)	USD 50/- (or) equivalent amount MMK + SWIFT Charges USD 5/-

Bills Under Documentary Collection	0.50% of bill Amount (or) equivalent amount in MMK (Min USD -50/-)+ SWIFT Charges USD 5/-
L/C Advising Commission	USD 30 (or) equivalent amount in MMK + SWIFT Charges USD 5/-
Bill Handling Commission (Both Bills under LC & Documentary Collection)	0.125% of bill Cost (or) equivalent amount in MMK (Min USD 50/- +SWIFT Charges 5/-)
Guarantee Issuing In Foreign Currency	0.25% of Guarantee Amount (or) equivalent amount in MMK for 3 Months (Min USD 50/-)+ SWIFT Charges USD 5
Guarantee Issuing In Local Currency	0.25% of Guarantee Amount for 3 Months( Min MMK 5,000 for 3 Months)

Source: uab, 2019

### 3.5 Correspondence Bank

A correspondent bank is most typically used in international buy, sell or money transfer transactions to facilitate foreign currency exchange and payments. The process typically works as follows: A customer of a bank in one country needs to pay for products purchased from a supplier in another country. The customer's domestic bank determines the necessary foreign currency exchange transaction to facilitate appropriate payment in the currency of the seller. It deducts the appropriate amount from the customer's account, and then instructs its correspondent bank in the supplier's country to pay out the corresponding amount to the supplier in the supplier's currency from the domestic bank's correspondent account with the foreign bank

uab Bank cooperates with the foreign banks as correspondence banks by thoroughly selecting the shippers/importers remittance places. Then, uab Bank selects the reputable banks at those countries. Currently, uab Bank has the 106 correspondence banks in 29 countries by 40 Nostro accounts and 13 Vostro accounts. By doing nostro/vostro accounts, customers could transfer/ receive the money with low charges and fast.

### 3.6 Documentations for Export/ Import Services

When trade financing, the bank needs to check the documents relating to trading. Table (3.2) presents the required documents for each service.

**Table (3.2) Documentations for Export/ Import Services**

Description	Required Documents
Outward Remittance	<ol style="list-style-type: none"> <li>1. T.T Form</li> <li>2. Import License/ Sale contract (for non-license)</li> <li>3. Release Order Notification/ Import Declaration (ID)</li> <li>4. Bill of Lading (Sea) / Airway Bill (Air) / Truck Bill (Road)</li> <li>5. Commercial Invoice</li> <li>6. Packing List</li> <li>7. Others (Undertaking Letter such as Shipper Differ, Partnership Agreement, ...etc.)</li> <li><b>8. Non-License undertaking (for non-license item)</b></li> </ol>
L/C Opening	<ol style="list-style-type: none"> <li>1. Bill Acceptance Letter with Company Letter Head</li> <li>2. Import License (Original)</li> </ol>
Bills Under Documentary Collection	<ol style="list-style-type: none"> <li>1. Request Letter</li> </ol>
Guarantee Issuing In Foreign/Local	<ol style="list-style-type: none"> <li>1. Application for Letter of Guarantee/</li> </ol>

Currency	Standby Letter of Credit 2. Bank Guarantee Specimen Format from Beneficiary 3. Tender Invitation or Award or Contract from Beneficiary (Ministry request letter) 4. Customer request letter
Shipping Guarantee Issuing	1. UAB Application Form for Shipping Guarantee 2. Bill of Lading copy 3. Invoice Copy 4. Specimen of Guarantee Letter from Shipping Line 5. Import License original
Guarantee Advising	1. Request Letter

Source: uab bank, 2019

uab Bank follows the local banking rules in order to transfer the money thus requests required documents from exporters or importers uab Bank follows the standard procedures when transferring the money. By careful checking the shipping documents and values, uab Bank transfers the money accordingly.

### 3.7 Remittance Services

There are two types of remittance services. They are uab SWIFT (UABMMMMY) Telegraphic Transfer and International Money Transfer Service.

#### (a) uab Bank SWIFT Telegraphic Transfer

uab Bank through its worldwide network of correspondents offers prompt inward and outward foreign remittance facilities at very competitive rates. A very fast, safe and reliable way of transferring money between two persons or entities anywhere in the world through the use of

uab Bank's wide correspondent relationships and the SWIFT network. Outward SWIFT Telegraphic Transfer enables sending money to beneficiaries outside Myanmar from the account with uab Bank. Inward SWIFT Telegraphic Transfer enables receiving funds to your account in Myanmar from senders outside Myanmar. The service allows the customer to send and receive the funds quickly, usually within 24 hours. It has practically no risk of loss as the Bank uses global correspondent banking relationship to conduct settlement. Relationship is ensured as banks have the necessary internal infrastructure to send and receive messages through authenticated SWIFT messages to ensure that the transfer is executed in a timely fashion and to good order. For this foreign remittance services, customers need to maintain a Foreign Currency Account at uab Bank and state the purpose of the transaction.

**(b) International Money Transfer Services (Western Union & RIA)**

uab Bank's International Money Transfer Services is designed for the safe and reliable sending of our customers' hard-earned money from overseas to their loved ones in Myanmar. The transfer from other countries to Myanmar is conducted through agency relationships (banks and non-banks) with uab Bank.

uab International Money Transfer Service is a legal service and uses market exchange rate for all transactions. Customers enjoy the bank's wide network of receiving branches and guaranteed payment to beneficiaries. There are usually no other charges for beneficiaries and there are transparent and clear channels for dispute handling.

Senders must be Myanmar citizens with abroad and holding a valid work permit. Receivers must be Myanmar citizens with valid identification documents. uab Bank currently offers RIA (only Inwards) & Western Union (both Outwards & Inwards) money transfer services.

## CHAPTER 4

### ANALYSIS OF TRADE FINANCING PRODUCTS OF UAB BANK

The purpose of this study is to examine the satisfaction of exporters and importers in uab Bank. Based on conceptual framework, primary data are collected using the questionnaire set for this study and analyzed by the aids of statistical methods. To show the quality of data, descriptive statistics is used. This chapter includes the profile of the importers and explorers followed by their satisfaction levels towards the trade financing services of uab Bank.

#### 4.1 Profile of the Respondents

This section presents the profile of respondents by frequencies and percentage.

##### 4.1.1 Gender of Respondents

Table (4.1) provides a gender number of the respondents as a percentage of total. Gender may be male or female and it is influenced on their perception.

**Table (4.1) Gender of Respondents**

<b>Gender</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Male	55	45.83
Female	65	54.17
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

It can be seen that the gender of the respondents are 55% being from males and 45% represented by female. Therefore, it can be concluded that there are significantly difference between numbers of male and female using the trade financial service.

#### 4.1.2 Age of Respondent

The age distribution of the respondents has divided by five group in this study. These group are age between 21 to 30, 31 to 40, 41 to 50, and 51 to 60 years. The age distribution of respondents is presented in Table (4.2).

**Table (4.2) Age of Respondent**

Age	No. of Respondents	Percentage
21-30 years	20	16.67
31-40 years	10	28.33
41-50 years	60	50.00
51-60 years	10	8.33
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

The distribution of age demonstrates that (50%) are the age of between 41 to 50 years, followed by those in age between 31 to 40 years (28.33%), between 21 to 30 years are (16.67%), and remaining (8.33%) of respondents were the age of 51 to 60 years. (16.67%)

#### 4.1.3 Education of Respondent

The results of the respondents' educational level are shown in the Table (4.3). In this study, the respondents' educational levels are divided by bachelor's degree and Master degree.

**Table (4.3) Education of Respondent**

Education	No. of Respondents	Percentage
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Bachelor's degree	45	37.5
Master's degree	74	62.5
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

The largest segment of the respondents at 74% got master degree and second largest segment of the respondents at 26% got bachelor degree.

**4.1.4 Income level of Respondent**

This study states the income levels of the respondents who are currently using the uab Bank trade financing products. Table (4.4) presents the income levels of the respondents by frequency and percentage.

**Table (4.4) Income level of Respondent**

<b>Income</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1,000,000 –2,000,000 Kyats	20	16.67
2,000,000 –3,000,000 Kyats	60	50.00
3,000,000 –4,000,000 Kyats	30	25.00
4,000,000 – 5,000,000 Kyats	10	8.33
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

According to Table (4.4), most of the respondents earn about 2,000,000 to 3,000,000 kyats and most are importer. The second largest group gets the income from 3,000,000 to 4,000,000 kyats. Thus, most of the respondents run their business well.

**4.1.5 Types of Business**

Type of business are divided by two types. These are importer and exporter. The following Table (4.5) is presented the respondents' business types they are doing.

**Table (4.5) Types of Business**

<b>Type of Business</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Exporter	40	33.33
Importer	80	66.67
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

As the result of Table (4.5), 66.67% of respondents are doing importing business and 33% are doing exporting business. This shows that imports are greater than exports in Myanmar.

#### **4.1.6 Trading Experience of Respondent**

Trading experience of the customers are identified in this section. Table (4.6) presents the experience of the importers and exporters by frequency and percentage.

**Table (4.6) Trading Experience of Respondent**

<b>Experience</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Under 1 year	20	11.67
1~3 Years	60	50.00
3~6 Years	40	33.33
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

According to Table (4.6), majority of the customers are doing in the trading business from 1 to 3 years with 50% while 33.33 percent of total respondents are doing the trading business from 3 to 6 years. Only 11.67 percent of respondents are doing trading business less than 1 year.

#### **4.1.7 Purpose of Respondent who taken uab Bank Services**

It is important to identify why customers are using the UAB trading service. Table (4.7) presents the reason for using the uab Bank service.

**Table (4.7) Purpose of Respondent who taken uab Bank Services**

<b>Mostly Used Purpose</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Purchasing Goods	70	58.33
Exporting Goods	40	33.33
Investment funds	10	8.34
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

According to Table (4.7), 58.33 percent of the respondents use trading service in order to purchase goods from oversea countries while 33.33 percent of customers export goods to other countries. The remaining do to get investment funds.

#### **4.1.8 Mostly Used Trading Products of Respondent**

In order to get more customer satisfaction levels, the uab bank needs to focus more types of trading service. Table (4.8) presents the types of mostly used trading products

**Table (4.8) Mostly Used Trading Products of Respondent**

<b>Type of Product</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Telegraphic transfer (TT)	50	41.67
Letter of Credit (LC)	10	8.34
Documentary Collection	10	8.34
Bank Guarantee	50	41.67
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

According to the Table (4.8), most people use the bank guarantee and TT services from uab Bank. Minority of people are using LC service and documentary collections.

#### **4.1.9 Number of Respondents by Payment Term**

The payment term of the uab Bank customers are identified and presented in Table (4.9) by frequency and percentage.

**Table (4.9) Number of Respondents by Payment Term**

<b>Payment Term</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Payment on Cash on Delivery (COD)	40	33.33
Payment in advance	70	58.33

Spot	5	4.17
Forward	5	4.17
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

According to Table (4.9), most people do payment in advance and this group represents 58.33 percent of total respondents while other respondents do payment on cash on delivery with 33.33 percent. The minority group uses spot and forwarding.

#### 4.20 Profile of the Occasions

This section explores the frequency of using the trade financing services. Table (4.10) presents the how many times that the importers and exporters use trading services times by frequency and percentage.

**Table (4.10) Profile of the Occasions**

<b>Occasions</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Once in a Year	10	8.33
Almost twice in a year	10	8.33
At least 4 times per year	20	11.67
Almost monthly	80	66.67
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Survey Data, 2019

It is found that most of the respondents use the trade financing services from uab Bank every month with 66.67 percent, followed by 11.67 percent that respondents use trading service at least 4 times per year while other uses less frequently. Thus, majority of respondents uses trading services almost monthly.

## 4.2 Analysis on Satisfaction of Exporters and Importers on Trade Financing Services

Trade finance is very important concerning import business. The respondents examine the exchange rate, documentation process, and trading with correspondence banks. Table (4.11) shows currency exchange that the respondents like to know the exchange rate comparing to other banks.

### 4.2.1 Respondent Perception on Currency Exchange Rate

Current exchange rate could determine the profits of the importers and exporters. Table (4.11) presents the customer satisfaction levels of the currency exchange rate.

**Table (4.11) Respondent Perception on Currency Exchange Rate**

<b>Sr.No</b>	<b>Statement</b>	<b>Mean Score</b>
1.	uab Bank update exchange rate every day.	3.13
2.	uab Bank exchange rate is reasonable when compared with rates of other private banks.	3.36
3.	When exchange rate is appreciated, there is an impact to my company's trade activity and performance	3.95
4.	Impact of Foreign Exchange Rate by depreciation strongly effect my trading goods	4.48
5.	If I buy today, then I can remit funds in the same day.(eg: unlike other bank, T+2 or T+3)	4.44
	<b>Overall Mean</b>	<b>3.87</b>

Source: Survey Data, 2019

According to currency exchange rate, most respondents stated that impact of foreign exchange rate by depreciation strongly effect the trading goods. Moreover, when exchange rate is

appreciated, there is an impact to company's trade activity and performance because the exchange rate is high, the profit is less, thus, it is totally depending on the exchange rate. Most people prefer that if the respondents buy today, then they can remit funds in the same day since the other banks charges T+2, T+3. According to overall mean score, currency exchange rate totally influences on the businesses since they are learning exchange rate time to time and uab Bank rate is reasonable and acceptable.

#### 4.2.2 Respondent Perception on Documentation

Documentation process is vital that the respondents need to learn about export and import documents for funds transfer, advanced payment, and entire process of documentation.

**Table (4.12) Respondent Perception on Documentation**

<b>Sr.No</b>	<b>Statement</b>	<b>Mean Score</b>
1.	uab Bank staff carefully checks the export and import documents when Importers & Exporter come for funds transfer.	4.51
2.	uab Bank offers Advance TT without required DOCs (Required Documents will return within 1 month to 3 months, License Item & Non-License Item)	4.03
3.	uab Bank has advising service for Importer & Exporters' Advance Payment without ID (Delay of Custom ID/Release Order)	4.18
4.	It is needed to understand thoroughly about import, export licenses, custom duties, and law regulating currency control when I am doing international trade	3.82
5.	uab Bank accepts (Letter of Undertaking) for Exporters & Importer's advance payment	3.68
	<b>Overall Mean</b>	<b>4.04</b>

Source: Survey Data, 2019

According to documentation in Table (4.12), the highest mean score 4.51 represents that most respondents are strongly satisfied with uab Bank staff carefully checks the export and import documents when Importers & Exporter come for funds transfer since the lowest mean score 3.68 shows that uab Bank accepts (Letter of Undertaking) for Exporters & Importer's advance payment. The overall mean score is 4.04 which indicates that the respondents agree with documentation process.

#### 4.2.4 Respondent Perception on Correspondence Bank

The satisfaction of the correspondence bank is measured by five statements. The results of satisfaction level about correspondence bank from exporters and importers are presented in Table (4.13).

**Table (4.13) Respondent Perception on Correspondence Bank**

<b>Sr.No</b>	<b>Statement</b>	<b>Mean Score</b>
1.	uab Bank has many correspondents around the world	4.44
2.	I could easily transfer or receive cargo value	3.98
3.	In the payment for goods, foreign countries' related correspondent banks are taking part as important role	4.46
4.	International trade payment methods are strongly affectto my Export/ Import business	4.20
5.	Transaction process is fast and accurate	4.04
	<b>Overall Mean</b>	<b>4.23</b>

Source: Survey Data, 2019

According to Table (4.13),the highest mean score (4.46) shows that the majority of the respondents are satisfied that in the payment for goods, foreign countries' related correspondent

banks are taking part as important role while the lowest mean score (3.98) indicates that the respondents could easily transfer or receive cargo value. According to overall mean score (4.23), correspondent banks factor strongly influence on the respondents that uab Bank has many correspondent banks around the world, transaction process, international payment methods for export/import business.

#### 4.2.5 Respondent Perception on Service Charge

The satisfaction of the service charge is measured by five statements. The results of exporters and importers' satisfaction are presented in Table (4.14).

**Table (4.14) Respondent Perception on Service Charge**

<b>Sr.No</b>	<b>Statement</b>	<b>Mean Score</b>
1.	Advising service charges are cheap	3.82
2.	LC(Export & Import) service charges are cheap when compared with other banks	3.46
3.	Trade financing service charges is reasonable	3.43
4.	uab Bank Bank Guarantee Charges is better than other Bank	3.93
5.	uab Bank's Swift Charges is cheaper than other Bank	4.60
	<b>Overall Mean</b>	<b>3.85</b>

Source: Survey Data, 2019

Regarding to Table (4.14), the highest mean score 4.60 indicates that the majority of the people are satisfied with uab Bank's Swift Charges is cheaper than other Bank while trade financing service charges which are reasonable has the lowest mean score 3.43. According to the

overall mean score 3.85, it is obvious that the exporters and importers are satisfied with trade financing service charge.

#### 4.2.6 Respondent Perception on Trade Financing Facility

The satisfaction of the trade financing facility is measured by five statements. The results of exporters and importers' satisfaction are presented in Table (4.15).

**Table (4.15) Respondent Perception on Trade Financing Facility**

<b>Sr.No</b>	<b>Statement</b>	<b>Mean Score</b>
1.	uab Bank offers customer a range of financing options for the International Trade Transactions can effectively enhance the business of the firm	4.14
2.	Bank's facilities and designs make customers feel comfortable	4.01
3.	Trade loans are available for financing of Import and Exports	3.60
4.	uab Bank provides short-term loan for trading	4.00
5.	Collaterals inclined to the banks for Trade Loans are adequately assessed in fair prices	3.33
	<b>Overall Mean</b>	<b>3.82</b>

Source: Survey Data, 2019

Table (4.15) shows that uab Bank offers customer a range of financing options for the International Trade Transactions can effectively enhance the business of the firm representing the highest mean score 4.14 since collaterals inclined to the banks for Trade Loans are adequately assessed in fair prices has the lowest mean score 3.33. The overall mean score is 3.82. The result shows that the respondents are satisfied with trade financing facility offered by uab Bank.

### 4.3 Customer Satisfaction

The satisfaction of exporters and importers' trade financing service of uab Bank is measured by 7 statements. The result of customer satisfaction on trade financing services are presented in Table (4.16).

**Table (4.16) Customer Satisfaction**

<b>Sr.No</b>	<b>Statement</b>	<b>Mean Score</b>
1.	I am satisfied with the documentation accuracy of uab Bank.	4.11
2.	uab Bank exchange rate enables me trading internationally.	3.98
3.	I am satisfied with the trade financing loan services of uab Bank.	3.78
4.	Deliver all the international banking services within the promised deadlines because of uab Bank's Correspondence Banks.	4.16
5.	Customer can easy to open the foreign currency account.	3.74
6.	Staffs have the knowledge to answer customers' questions about the international banking services.	3.45
7.	I am satisfied with uab Trading services charges.	3.58
	<b>Overall Mean</b>	<b>3.83</b>

Source: Survey Data, 2019

As a result of Table (4.16), the highest mean score (4.16) represents that deliver all the international banking services within the promised deadlines because of uab's Correspondence

Banks while staffs have the knowledge to answer customers' questions about the international banking services has the lowest mean score (3.45). The overall mean score of customer satisfaction is 3.83 indicate exporters and importers are satisfied with the Trade Financing Services provided by uab Bank.

## **CHAPTER (5)**

### **CONCLUSION**

This chapter consists of findings and discussions, followed by suggestions and recommendations. Furthermore, it presents needs for further research based on the survey results.

#### **5.1 Findings and Discussions**

This study focuses on the satisfaction of exporters and importers on trade financing services of uab Bank. It intends to identify the trade financing services offered by uab Bank. In additions, it examines the satisfaction of Exporters and Importers towards Trade Financing Services provided by uab Bank.

The study reveals the demographic data of the respondents. According to the survey finding, most respondents are females and they are between 41 and 50 years old. Concerning with education, majority of the respondents are master degree holders. Most of the respondents earn about 2,000,000 to 3,000,000 kyats and most are importer. It is found that most of the respondents are using international telegraphic transfer and bank guarantee. The majority of the respondents mostly prefer the payment term as advanced payment in monthly occasion.

This study explores the satisfaction level of the exporters and importers for exchange rate. It is found that most respondents agree that exchange rate by depreciation impacts on their business performance. Customers are satisfied with the uab Bank exchange rate update system as they know the update price and it smooths their operations. In additions, most importers and

exporters state that uab Bank Swift charges is cheaper than other banks. Customers were delighted since they could remit their fund at the same day after they buy. Generally, most importers and exporters are satisfied with the exchange rate practice of uab Bank.

Regarding documents requirements, customers are strongly satisfied as uab Bank staff carefully checks the documentation for importers and exporters. In additions, uab Bank provides advising service for Importer & Exporters' Advance Payment without ID as customers need to transfer on time. And uab Bank offers Advance TT without required documents for 1 month or 3 months earlier. Most respondents admit that they need to know about the documentation process as they trade. It is concluded that most customers find the documentation process of uab Bank is reasonable and agreeable.

For correspondence banks, most customers know the importance of correspondence banks because they need to transfer the money to the oversea partners safely and smoothly. In additions, correspondence banks could be the median for the trust between two parties. They agree that uab Bank has many correspondence banks and this enables them to trade with many countries as they could easily transfer or receive the cargo value. They agree that uab Bank could transfer the money fast and generally most people know that the fast and accurate transaction is important for trading business. Generally, most of the customers are satisfied with the correspondence bank arrangements of uab Bank.

Regarding service charges, most traders agree uab Bank trading service charges are lower than those of other banks. The result reveals that customers are satisfied with the trade financing service charges as uab Bank offers lower charges for LCs, bank guarantee, swift charges, and advising. It can be concluded that most of the respondents are satisfied with the services charges of uab Bank.

With regards to trade financing facility, customers agree that uab Bank has many types of trade financing products and services including short term loans but customers need to pay collateral. It is found that customers are moderately satisfied with the trade loans for financing of import and exports.

Regarding customer satisfaction towards the whole trade financing services provided by uab Bank, most customers are satisfied with the overall products and services of uab Bank as uab Bank offers cheaper prices for trade financing services.

## **5.2 Suggestions and Recommendations**

uab Bank is doing well for trade financing services. But it needs to improve its products and services in order to get more customer satisfaction and competitive advantage. In the banking industry, there are high competitions as foreign banks get the permission to do the businesses in Myanmar. uab Bank should focus its demographic data of the customers while creating and services for trade financing. They should focus the female importers who purchase the goods from oversea countries. uab Bank should develop the new products and services mainly for local importers.

Regarding currency exchange, uab Bank should do the flexible rate for regular customers based on the transfer amounts. In additions uab Bank should develop mobile applications for importers and traders so that customers could refer to the applications whenever they need to know the update information. In additions, uab Bank should advise the exchange rate trends based on the previous years.

uab Bank should continue providing the current document process service. In order to be effective, uab Bank should save the regular customer documents such as company documents and other trading related documents like HtaTha Kha so that customers do not need to provide many times. Customers will have more satisfaction and will not switch to other bank services since they feel uab Bank cares them. In additions uab Bank should allow customers to transfer money if they are promised that they will submit the required documents later in case of emergency transfer.

Regarding correspondence banks, uab Bank should focus the G to G agreements so that they could find the correspondence banks in those countries. In additions, uab Bank should

monitor the trading countries of importers and exporters so that uab Bank should try to link correspondence banks in order to support customers.

For service charges, uab Bank should continue offering current pricing strategy as most customers are satisfied. In additions, uab Bank should monitor the services charges of other banks in order to update its price reasonable for importers and exporters. uab Bank should create loyalty or membership programs for importers and exporters by offering special service charges in order to retain its major customers.

Regarding trade financing services, uab Bank should offers products and services by using advanced technology so that customers will get fast service. uab Bank should focus on the trading policy changes in local and overseas in order to offer new products and services. In additions, uab Bank require to offer loan without collateral so that employees will reduce the burden and they will be more easily to get the loans. Loans are important for importers as they are stuck at sometimes and their invested money will be recouped after they sell the products. Thus, uab Bank offers the loans without collaterals if the customers agree to use the uab Bank account to make the transaction when they sell the products imported.

### **5.3 Needs for Further Research**

This study focuses only on the customer satisfaction towards the trade financing service currently offered by uab Bank. This study only evaluates the interest rate, correspondence bank, documentations, service charges, currency exchange rate and trade financing services. This study omits the other influencing factors such as service quality. It does not cover the whole banking industry in Myanmar. Thus, the further study should focus to explore the other influencing factors and explore the customer satisfaction by focusing all banks in Myanmar.

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## APPENDIEX STRUCTURED QUESITIONNAIRE

### Part (A) Demographic Factors

1. Gender:

- Male
- Female

2. Age:

- 20 or younger
- 21-30 years
- 31-40 years
- 41-50 years
- 51-60 years
- Older than 60 years

3. Education Level:

- Lower than Bachelor's degree
- Bachelor's degree
- Master's degree
- Others.....

4. Monthly Income:

- Less than 1,000,000
- 1,000,000 –2,000,000 Kyats
- 2,000,000 –3,000,000 Kyats
- 3,000,000 –4,000,000 Kyats
- 4,000,000 – 5,000,000 Kyats
- More than 5,000,000 Kyats

5. Type of Business:

- Exporter
- Importer
- Other, please specify\_\_\_\_\_

6. How long have you been importing?

- Under 1 year
- 1~3 Years
- 3~6 Years
- 6~9 Years
- 9 Years and Above

7. Mostly Used Purpose of Trade Settlement

- Purchasing Goods
- Exporting Goods
- Investment funds

8. Mostly Used International Trade Payment System

- Telegraphic transfer (TT)
- Letter of Credit (LC)
- Documentary Collection
- Bank Guarantee

9. Payment Term

- Payment on Cash on Delivery (COD)
- Payment in advance
- Spot
- Forward

10. How often do you use international payment on each of the following occasions?

- Once in a Year
- Almost twice in a year
- At least 4 times per year
- Almost monthly
- Most Frequently

**Part (B)**

Instruction: Please choose one of the following numbers on each line according to the *index*.

*Index: (1 = strongly disagreed, 2 = disagreed, 3 = neutral, 4 = agreed, 5 = strongly agree.*

Please rate your influencing rate over the following buying decision items.

	<b>Currency Exchange Rate</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	uab update exchange rate every day.					
2	uab exchange rate is reasonable when compared with rates of other private banks.					
3	When exchange rate is appreciated, there is an impact to my company's trade activity and performance					
4	Impact of Foreign Exchange Rate by depreciation strongly effect my trading goods					
5	If I buy today, then I can remit funds in the same day.(eg: unlike other bank, T+2 or T+3)					

	<b>Documentation</b>	1	2	3	4	5
6	uab staff carefully checks the export and import documents when Importers & Exporter come for funds transfer.					
7	uab offers Advance TT without required DOCs (Required Documents will return within 1 month to 3 months, License Item & Non-License Item)					
8	uab has advising service for Importer & Exporters' Advance Payment without ID (Delay of Custom ID/Release Order)					
9	It is needed to understand thoroughly about import, export licenses, custom duties, and law regulating currency control when I am doing international trade					
10	uab accepts (Letter of Undertaking) for Exporters & Importer's advance payment					

	<b>Correspondence Bank</b>	1	2	3	4	5
11	uab has many correspondents around the world					
12	I could easily transfer or receive cargo value					
13	In the payment for goods, foreign countries' related correspondent banks are taking park as important role					
14	International trade payment methods are strongly affecting to my Export/ Import business					
15	Transaction process is fast and accurate					

	<b>Service Charge</b>	1	2	3	4	5
16	Advising service charges are cheap					
17	LC( Export & Import) service charges are cheap when compared with other banks					
18	Trade financing service charges is reasonable					
19	uab Bank Guarantee Charges is better than other Bank					
20	uab's Swift Charges is cheaper than other Bank					

	<b>Trade Financing Facility</b>	1	2	3	4	5
21	uab offers customer a range of financing options for the International Trade Transactions can effectively enhance the business of the firm					
22	Bank's facilities and designs make customers feel comfortable					
23	Trade loans are available for financing of Import and Exports					
24	uab provides short-term loan for trading					
25	Collaterals inclined to the banks for Trade Loans are adequately assessed in fair prices					

**Part (C)**

Instruction: Please choose one of the following numbers on each line according to the *index*.

*Index: (1 = strongly disagreed, 2 = disagreed, 3 = neutral, 4 = agree, 5 = strongly agree.*

Please rate your influencing rate over the following buying decision items.

	<b>Customer Satisfaction</b>	1	2	3	4	5
26	I am satisfied with the documentation accuracy of uab.					
27	uab exchange rate enables me trading internationally.					
28	I am satisfied with the trade financing loan services of uab.					
29	Deliver all the international banking services within the promised deadlines because of uab's Correspondence Banks					
30	Customer can easy to open the foreign currency account					
31	Staffs have the knowledge to answer customers' questions about the international banking services.					
32	Customers feel safe in dealing with the uab Bank's International Banking Services					