THE ROLE OF INTERNATIONAL TRADE IN ENHANCING CROSS-BORDER BANKING SERVICES AT BARCLAYS BANK LIMITED

BY

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DECLARATION

This research project is my original work and has not been submitted to any other university.

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this research project to my dear family and friends for their continued support. I love you and you will always be an important part of my live.

ABSTRACT

International traders accept payments in foreign currencies for their export and imports through banks. The payments is usually received from licensing agreements and foreign investments with foreign companies. International trade uses the foreign exchange marketplace to pay foreign companies for their products services and products and to institute direct investments in overseas nations. Several commercial banks provide long-term as well short term loan funding to international firms. Barclays bank indirectly and indirectly contributes to the development of a competitive, diversified, well-functioning, financial sector by providing the international market with a means of payment, enabling secure commercial and financial transactions, and mobilizing international and domestic savings. Financial infrastructure enables more efficient allocation of capital to productive investments, which contributes to growth and, ultimately, regional and overseas corporation. There is need to analyze the specific role of international trade in enhancing banking directly in Kenya so as to develop systems and mechanism in commercial banks to support international trade. The objective of this study is to determine the role of international trade in enhancing cross-border banking services of Barclays Bank Kenya Limited. What role does international trade play in improving cross-border bank transactions, improving inter-bank transactions and hedging foreign exchange risks? Descriptive case study research design technique was used in this study, primary data was used in the study, interview guide was used in the collection of data and content analysis was used in analysis of data. The study concludes that international trade plays an important role in improving inter-bank transactions, hedging foreign exchange risks and improving the bank transactions. This roles are improving relations among the corresponding banks in other nations and locally thus enabling ease in transacting business. It enables the banks to interact with foreign banks and exchange foreign currencies thus enhancing business transactions. Developing international trade standards is faced with challenges such knowledge gaps resulting to different interrelations of the standards, foreign exchange loss exposure, default risk-collateral or syndication, challenges of dealing with nations that are sanctioned. Structuring trade deals is a challenge involving offering of capital solutions. This study recommends that banks ought to review the policies guiding and structuring the provision of international trade finance products, and trade deals to customers with a view of making them attractive and affordable to customers. Moreover policy makers (Central Bank of Kenya) should enact policies to control transactions with nations that are sanctioned and control inferior imports by issuing heavy penalties to defaulting business persons.

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ABBREVIATIONS AND ACRONYMS

CBK : Central Bank of Kenya

ICC : International Chamber of commerce

ITC : International Trade Centre

OPIC : Overseas Private Investment Corporation

UN : United Nations

IFC : International Finance Corporation

SME : Small and Medium Enterprise

WMO : World Meteorological Organization

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The universal nature of commercial banking aids in the supply of useful business and economic information among capital markets and customers of all nations. Commercial banking is as a global barometer of economic wellbeing and business trends. With technology advancement in the banking sector, delays and risks in international business transactions, increasing communication gaps, commercial banks have been imminent and transformed a lot. In Kenya, the commercial banks have incorporated automation and innovation of products that are customized to meet the needs of the customers, improve sales and market share (Joseph & Stone, 2003). Banks aid international trade with guarantees on international payments thus reducing the risk of trade transactions. Services offered by some individual banks include foreign exchange, traveler's checks, letters of credit, documentary collections, bank guarantees and electronic funds transfer to their customers.

The Foreign exchange marketplace is where commercial banks internationally play an important role. This explained by IFC (2012) that the market serves two key purposes: currency conversion of nations and to provision of some protection to counter foreign exchange risk. International organizations regularly require different currencies in their day to day operations and to hedge foreign exchange risks in regard to trust among international sellers and buyers. Most banks are agent between commercial clienteles and foreign conversations worldwide.

Additionally, international traders accept payments in foreign currencies for their export. The revenue is usually received from licensing agreements and foreign investments with foreign companies. International trade uses the foreign exchange marketplace to pay foreign companies for their products services and products and to institute direct investments in an overseas country. Several commercial banks provide long-term as well short term loan funding to international firms. Most developing nations have banks supported by government funding in provision of funds for import and export firms (Eck et al., 2012).

The banking sector in Kenya is properly established with numerous commercial banks, classified as small, medium and large banks. Competition is high among the banks and the demand for funding services is growing with the slow upsurge in economic development. There is need to improve value supply for the customers to remain in competition in the in sector. Banks are increasing branches in the nation to overcome competition but the current trend is to enhance service supply and improve technology to attend to customers well thus increasing revenue (Koivu, 2002).

Banks now days provide specialized services, value-addition, by way of enhancing suitability, increasing service channels, tapping the larger market and reducing cost of accessing its services. The supporters of cross-border banking services contend that technology has the potential of providing a diversity of services to its customers. The services possible through mobile banking include account information such as checking account history, provision of mini statements, passing of set thresholds or providing alerts on account activity , access to loan statements, enabling cash deposits, access to credit or debit card statements, effecting stop payment on cheques as well as making payments, indicating the clearing status on cheques deposited and transfers from one account to another(Adewoye, 2013).It is contrary to this background information that this study seeks to find out the role of international trade in enhancing this banking services.

1.1.1 International Trade

According to IMF, World Economic Outlook, (2007), International trade is the interchange of services or goods along international borders. Such type of business allows for a great competitions and much competitive price setting within the market. Competition leads to a more affordable product for the consumers. The interchange of goods and services affects the economy globally as explained by supply and demand in making goods and services available, which may otherwise not be accessible to consumers internationally. The world is becoming more dynamic and multidimensional due to globalization. The key economic players behave like as if the world is a single market for services and goods, labor and capital. Globalization and its main drivers such as multinational corporations have substantive effects on the economies that are more interdependent and interlinked, on production, investment, diffusion of technology and trade etc. (International Monetary Fund, World Economic Outlook, 2007).

According to (Economy Watch, International Trade and Growth, 2010) developing nations, which have adopted trade liberalization strategies, experienced the favorable impact of international trade and globalization. India and China are viewed as the leaders in this case. There is no denial that international trade is more beneficial to the states involved in it, when practiced appropriately. International trade unlocks opportunities in the global market to businesspersons of the rising nations. International trade more so ensures that up-to-date technology is readily accessible to the businesses operating in these states. It results to augmented competition both in the global and domestic fronts. To contest with international colleagues, domestic entrepreneurs should be more organized and this in turn ensures efficient use of the available resources.

1.1.2 Cross-border Banking Services

According to World Meteorological Organization (WMO) (2011), a service is an activity or a product that satisfies the needs of a consumer when applied by the user. To be effective, services should possess a number of attributes such as availability and timeliness; Dependability and reliability; usability; usefulness; credibility; authenticity; Responsiveness and flexibility; Sustainability and applicability to different types of services. Based on this definition, service delivery therefore refers to a continuous, recurring process of developing and supplying consumer services.

Understanding the role of banking service delivery across borders is significantly important because potential sales can be lost due to inadequate service. The most familiar services include loans, savings, credit card and investments. Besides this, banks offer project finance, trade finance, payroll, foreign exchange transaction and trading, and all-purpose corporate finance. The banking industry in Kenya is steadily expanding. Services offered by some individual banks include foreign exchange, traveler's checks, letters of credit, documentary collections, bank guarantees and electronic funds transfer to their customers. More importantly, as conventional clients explore the world accessible to them on the internet, they are probably less willing to accept poor service. A key element in enhancing customer focus is through the implementation of policies that allows development of much better relationships among banks and their clienteles. In Services delivery, banks and financial institutions utilize a number of distribution channels to supply their Services. These channels can be classified into four: as telephone-based access, ATMs, internet-based access and the branch network all these are referred to as alternative cross-border banking services (Branca, 2008).

Globally, banking industry currently is witnessing substantial information technology upheaval to the level that clients at the moment have the freedom to pay their bill, plans payments in traffic jams, get updates on their banks transaction among others. The Mobile banking also welcomed additional financial services such as shares trading; sophisticated investigation based cross-border banking services on transaction signals, minimum balance signals, account balance query, cheque book demand, and bill payment signals (Adewoye, 2013).

1.1.3 Banking Industry in Kenya

The Kenya's banking industry is well established with many commercial banks, categorized as large, medium and large banks. Competition is high among these banks with the need for cross-border banking services increasing even with the sluggish economic growth. Banks are regulated and licensed in the Banking Act. Data from the CBK indicate that there are 41 commercial banks in Kenya (www.cbkbank.go.ke), comprising of multinational and local Banks. They are directed by prudential procedures dispensed by the Central Bank of Kenya. Of the 41banks, 32 are owned locally and 8 are owned by foreigners. The banks owned locally include three banks with major government shareholding and twenty-eight privately possessed commercial banks. The foreign banks comprise of eight locally formed foreign institutions and four divisions of foreign incorporated institutions (Central Bank of Kenya, 2016).Development in this area is as a result of the increased need for banking services, since more people started growing up savings and the demand of more finances from banks, for investment or major international purchases.

The CBK supervises the dealings of these commercial banks by conducting on-site surveillance where all risks are assessed and essential corrective actions are suggested. Off-site investigation is conducted by studying data from the banking institutions on a consistent basis. Political decision subjects have taken a focus stage in the supervision process (CBK, 2013). With this increased demand, banks saw the need to open up more branches to meet this demand.

1.1.4 Barclays Bank of Kenya

As a profit making enterprise, Barclays ought to be profitable to subsist. The institutions values puts in place how it purposes to carry out business in the benefits of its customer's shareholders and employees. Behind these values are essential principles of maintaining and protecting client privacy and to complying with the set laws and regulations governing the industry. The bank has been operating in Kenya for 90 years and above. Its financial muscle joined with wide international and local resources has positioned it as the leading provider of financial services in the country.

The bank has established a wide network of 117 branches with over 230 ATMs across the nation. Its financial performance in the recent years has developed confidence among its shareholders, through a brand name as the leading companies in the Nairobi Stock Exchange. The institution has acknowledged five destinations in the United Kingdom, Asia, and the United States of America. The aim of these tours is to develop networking opportunities amongst the Bank's clients in the SME segment and probable partners and suppliers in foreign nations. Barclays Bank global reach and scale is to create exceptional development opportunities for its customers. With the exploration and encouragement of unique international SME undertakings, it has broadened its reach of small business proprietors, the Bank optimisms is to add stimulate the local market value to the Kenyan economy.

1.2 Research Problem

Banks are providing specialized, value-added services, as a way of growing suitability, tapping a wider market, improving service stations and reducing cost of access to their services. The Foreign exchange marketplace is an area where transnational commercial banks perform a important role this is because the foreign exchange market serves two primary functions: conversion of currency of one state to the currency of another state and provision of insurance on foreign exchange risk. International corporations regularly need several currencies in their operations and to hedge from foreign exchange risk on trust among international sellers and buyers. Banks act as agent between commercial clienteles and foreign conversations globally. Most commercial banks offer long-term as well as short term loan financing to transnational businesses. Most nations have banks supported by government finance to offer funds for import and businesses.

Empirical investigations exploring effects of adjustment dynamics and nonlinear aspects of international trade arising from financial institutions are critical to understanding the effectiveness and conduct of commercial banks in promoting international trade. However, lack of relevant information on the role of international trade in enhancing cross-border banking services in commercial banks is still a pertinent problem in Kenya (Central Bank of Kenya, 2010; (Buigut 2010). So far, few studies if any, have explored asymmetries and dynamics of adjustment of bank foreign trade products and services in developing nations. Commercial banks are the most dominant players in money market (Niepmann, 2013) making many nations bank dependent economies. As of 2009, commercial banks in Kenya owned 80 per cent of financial sectors assets (Kamau, 2010).

Despite the dominance and the key role played by commercial banks in international trade, there is lack of clarity on behavior and adjustment of their role in enhancing international business as depicted by the country‘s inability to maintain a lower inflation rate and favorable balance of payment. Studies conducted locally have mainly focused on the strategies adopted by the banks and challenges of internationalization. Central Bank of

Kenya observed that Banks advanced financial products targeting the low-income individuals through provision of a high volume of relatively small, low-margin businesses. This permits these banks to maintain costs low, whereas they provide stable finance to its customers and ensuring affordability accessibility, efficiency and convenience of financial services and products (Central Bank of Kenya (2014). Cooray, (2009). Mulwa (2009) did a research on the process and challenges involved in internationalization of commercial banks. Competitive advantage if not well exploited in the local market lacking undue transaction costs, the firm shall seek to move outside of that market to exploit other sources of better advantage elsewhere. This involves strategy formulation and implementation. Internationally, Cracknell (2012) did a case study on Equity bank on the policy innovations that are incorporated to increase access to cross-border banking services in rising economies. Equity bank diversified its services to agency and mobile banking, and led innovations in Visa and Master branded cards.

Peter (2013) did a study on the Role of I and M Bank in fostering International Business in Kenya he concluded that There is need for the bank to increase the number of personnel and offer the effective training so as to enhance customer service delivery to build its international branch network so as to increase to tap into a wider market of international clientele and to create awareness about its international business services that it offers so as to attract potential clients. Lynette (2015) did a study on the roles of equity bank in the promoting of international trade in Kenya she concluded that Banks have been able to ease international trade by assuring international payments thus reducing the danger of trade dealings; this has led to economic growth of trading nations.

There is need to analyze the specific role of international trade in enhancing banking directly in Kenya so as to develop systems and mechanism in commercial banks to support international trade. Barclays Bank‘s role on international trade goes beyond the direct and indirect provision of financial facilities. The bank contributes to the establishment and growth of a well-functioning, diversified, competitive financial sector with the provision of a means of payment in the global market, aiding safe commercial and financial transactions, mobilizing international and domestic savings. Financial infrastructure permits more effective distribution of capital to productive investments, contributing to growth of nations. Therefore, the study answers the pressing question: What role is played by international trade in enhancing cross-border banking services at Barclays bank?

1.3 Research Objective

The objective of this study is to determine the role of international trade in enhancing cross-border banking services at Barclays Bank Kenya Limited.

1.4 Value of the Study

In view of the economic significance of the banking sector in terms of economic growth through international trade, this research is of immense benefit not only to the government in terms of the appreciation of the critical role played by Barclays bank in international trade which may have been overlooked, but also to bank management in the improvement of international trade products and services. The study contributes knowledge and enhances international trade participation in Kenya.

It also enhances the competitiveness of banks in creating wealth for their owners and employment for the country, increases regional development and distributes wealth in the nations they operate. Moreover, the study equips both policy makers and stakeholders with knowledge to identify the strengths and weaknesses of various strategies/incentives and practices as well as policy guidelines on areas that require immediate intervention for development of international trade. This makes it easier for the government and stakeholders to combine and adopt the best role with the appropriate policy interventions and incentives to achieve the desired economic growth rate as envisioned in Vision 2030. The study also contributes to the body of knowledge for the researchers and scholars interested in the development of international trade.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes literature on the topic under consideration. The chapter is organized as follow, theoretical foundation, empirical studies and summary of literature review. Review of related literature is very important because it provides the needed support to the rationale for undertaking research (Kothari, 2004).

2.2 Theoretical Foundation

This study is based on three main theories. These are Transaction Cost Theory, Competitive Advantage Theory and Heckscher Ohlin's H-O Theory.

2.2.1 Transaction Cost Theory

Ronald Coase (1937) explains why companies exist and expand by sourcing out activities from the external surroundings. The transaction cost theory presumes that firms attempt to reduce the costs of trading resources with the environs and that companies attempt to cut down bureaucratic costs of exchanging in the firm. International traders therefore weigh the costs of trading resources within the environment (banks) against the rigid costs of execution of activities in-house. The philosophy sees organizations and marketplaces as diverse probable forms of organizing and directing economic transactions.

According to Coase (1937), companies expand as long as its activities are performed cheaper in the company as opposed to subcontracting their undertakings to outside providers in the marketplace. According to Williams (1997), transaction cost occurs when a service or a good is transferred through a technologically independent interface. Therefore, transaction expenses arise each time products or services are being shifted from one phase to another, withe new sets of technological proficiencies needed to create the products or services.

Transaction costs in relation to exchange of assets with the external environ is reflected by these factors; environmental opportunism, uncertainty, risks, and essential company assets. These factors hypothetically increase the transaction expenditures sometime it may become more expensive for companies to control these costs. Consequently, when firms find the environmental insecurity as high, they will choose to not subcontract with the bank. The theory, therefore, guides the banks in setting realistic prices for their international business services such as foreign exchange rates and charges to international payment transactions.

2.2.2 Competitive Advantage Theory

This theory by Michael Porter (1990) argues that the competitiveness of a state depends on the capacity of its industries to transform and upgrade. In this world of worldwide competition, states are becoming more important. Competitive advantage can be shaped and sustained through an exceedingly localized process. Differences in economic structures, national values, and cultures, institutions all attribute to competitive success. Nations differ in areas of competitive advantage since no country can be competitive in all industries. According to Porter, companies achieve competitive advantage through innovation. This can be in new production practices, new design of products, new approaches to marketing and new ways of training. It involves investments in knowledge and skill, brand reputations and physical assets.

Prof.A.JSmit (2010) reviewed the trade theory of competitive advantage that was originally advanced by Porter. He clarifies Porter's Diamond Framework to enable understand the international competitiveness of firms. According to Smit, Porter's model attempts to answer why some nations are more prosperous in some industries than others are. He identifies 4 classes of country attributes (The National Diamond), which provides basis for determining the national competitive advantage of a nation. These are factor, demand, firm strategy, related and support industries conditions.

2.2.3 Heckscher Ohlin's H-O Theory

Eli Heckscher and Bertil Ohlin, Swedish economist pioneered this theory in 1919.Several studies have been done to improve on it and to criticize it. Edward (1995) emphasizes that the exchange of commodities intercontinentally is an indirect arbitrage, moving services of fixed factors of production from places where they are plentiful to places of scarcity. Guarav (2011) argues that international trade is due to the difference in prices of goods and services in different nations, which is brought about by the different factor endowments in those nations. Those nations rich in labor will export labor-intensive goods while those rich in capital will export capital-intensive goods. He also reviewed the assumptions of the above theory which include: two nations involved, that factors are freely mobile within a country but immobile between nations, that the two nations differ in factor supply, trade is free i.e. no restrictions in terms of tariffs or non-tariff barriers, no transportation costs. However, several studies have criticized the assumptions of this theory. Harbeler argues that although the theory is more realistic, it fails to develop a comprehensive general equilibrium analysis. The prices of supplies are not only determined by factor of production costs, but vice versa, i.e. the factors of production (e.g. raw materials) are determined by the costs of finished goods to consumers.

2.2.4 The Role of International Trade in Banking Services

The liberalization of financial services is one facet of the trends towards financial integration and international economic. The forces driving economic integration are: technological and economic developments facilitating the flow of goods, capital, services, and persons; second, the operation of political forces eliminating the institutional and legal impediments on cross-border trade through autonomous domestic reforms or global legal treaties. According to Apostolo (2005), International transactions play a vital role in hedging Foreign exchange risk, which denotes the risk faced as a result of fluctuations on exchange rates. These fluctuations have substantial impact on business choices and outcomes. Consequently, what initially seemed a lucrative venture might turn out to be a loss owing to exchange rate fluctuations; these risks are common in global trade and finance. A substantial number of global investment, trade and finance transactions are abandoned due to the reluctance of concerned parties to tolerate foreign exchange risks.

It is therefore imperative for companies to manage this risk so as to concentrate on what they are good at and eradicate or reduce a risk that is not their vocation, Ahamed (2002). Forward, contracts are tailored agreements among parties to fix the exchange rate for the forthcoming transactions. This simple plan would simply eradicate exchange rate risk, however it has some deficiencies, mostly getting a counter party who can agree to solve the future rate for the amount and time in question may not be easy. By entering into a forward rate agreement with a bank, the business person basically transmits the risks to the bank, which will bear this risk, Ahamed (2002).

2.2.5 Challenges to International Trade in Banking Services

The role of international trade cannot be emphasized without looking into its challenges, Apostolo, (2005) explains that although physical blocks at the boundaries and tariffs may not hinder the flow of financial capital from trans versing the borders, however a great number of nationwide laws and regulations prohibit and disturb transnational financial integration. Legal obstructions to transnational capital flows and trade in financial services depend on whether the effects of the pertinent rules on the cross-border transactions are express and intentional or indirect and direct barriers can take the form of complete prohibition of cross-border financial linkages, flows of capital.

The most regularly used measures have been the rules which forbid the entrance and operation of financial institutions in overseas markets with the establishment of local branches, subsidiaries and agencies. Foreign access into local markets is restricted by the rich collection of administrative processes that aim at reducing or control the number of foreign companies incoming to the national market .It has argued that the multiplicity of national regulatory rules and structures levies considerable regulatory costs on international financial operation, therefore blocking the progression of international financial integration. There's need for regulatory diversity which refers to the cohabitation of most nationwide jurisdictions with legal and regulatory systems that develop different regulations, laws, and practices to suit diverse nationwide and local favorites, objectives, and resources. Whatever effects it has on transnational economic relations, regulatory diversity is the unavoidable product of the right of independent authorities to self-government and rulemaking independences, Apostolo (2005).

2.3 Empirical Studies

Research done by researchers internationally analyzes the effects on trade from shocks to the supply of both trade finance and general credit. Amiti and Weinstein (2011) did a study on exports and financial shocks show that bank shocks are transmitted to firms and affect their export decisions. They argue that a prominent feature of most financial predicaments is the downfall of exports in comparison to output. The article observes whether declines in bank health could help describe the large drop in exports in comparison to output. Using data from Japan Paravisini et al (2014) they assess the impact of loan supplies shocks on exports in Peru. They approximate the elasticity of credit to exports using harmonized customs and firm-level bank credit data from Peru. In order to justify for non-credit elements of exports, they associate changes in exports of the same goods to the identical destination by organizations borrowing from banks differentially affected by capital flow setbacks for the period of the 2008 financial crisis.

They established that credit shocks impact on the demanding margin of exports, however no substantial influence on exit or entry of firms to new destination and product markets. Their findings suggested that credit scarcities shrink exports by raising the variable cost of manufacturing, as opposed to the cost of funding sunken entry investments. Del Prete and Federico (2012) studied on the effect of financial shocks on trade based on detailed information on loans and guarantees extension by Italian banks. They noticed that bank guarantees and loans separately for imports and exports, have no information regarding partner nations.

Niepmann and Schmidt-Eisenlohr (2013) researched on role Banks in international trade Finance Evidence from the U.S. They demonstrate that negative shocks on the supply of trade finance shrink the growth of U.S. exports. Banks perform a critical role of easing international trade, precisely by reducing the risk of trade transactions. The data disclose that banks' trade finance assertions differ considerably across the target nations. They are designed to encounter credit risk and grow with time to import of a target marketplace. The extent to which trading partners utilize bank guarantees varies steadily through global situations, expanding when cumulative risk is higher and funding is cheap. They argue that in nations with intermediate levels of credit risk, which rely most on bank guarantees, bank trade finance changes the least.

Locally Oscar (2001) did a study on the impact on international trade on economic growth , noted that the vibrant prospective afforded by International Trade that was pointed out by the classics was overlooked by the marginality revolution, the conclusion that nations benefited from the opening to International Trade; however, it did no more than identify static gains.

Lynette (2015) did a study on the role of equity bank in the promotion of international trade in Kenya she concluded that Banks have been able to facilitate international trade by guaranteeing international payments hence reducing the risk of trade transactions; this has led to economic growth of trading nations. Peter (2013) did a study on the Role of I and M Bank in fostering International Business in Kenya he concluded that There is need for the bank to increase the number of personnel and offer the effective training so as to enhance customer service delivery to build its international branch network so as to increase to tap into a wider market of international clientele and to create awareness about its international business services that it offers so as to attract potential clients.

Mulwa (2009) did a research on the process and challenges involved in internationalization of commercial banks. Competitive advantage if not be exploited within the domestic market without undue transaction costs, then the firm will seek to move outside of that market and exploit its sources of advantage elsewhere. This involves strategy formulation and implementation. Internationally, Cracknell (2012) did a case study on Equity bank on the policy innovations that are incorporated to improve access to financial services in developing nations. Equity bank diversified its services to agency and mobile banking, and led innovations in Visa and Master branded cards.

Mwige (2013) studied on the Relationship between foreign exchange hedging methods and financial performance of firms listed at the Nairobi securities exchange. The study analyses the hedging methods used by various companies such as forwards, futures, swaps and options to curb against foreign exchange losses. A regression analysis is used to establish the relationship between those companies that employ any of the hedging methods and how they affect the company's book and NSE share price performance. The results of the study confirm that those companies that employ hedging methods perform better, sometimes from loss making situations to profitability. The study concludes that listed companies that have foreign currency transactions should employ hedging mechanisms to plan for forecasted future transactions that entail purchase of foreign currency to meet their foreign currency obligations.

2.4 Summary of Literature Review

There is need for the bank to increase the number of personnel and offer the effective training so as to enhance customer service delivery to build its international branch network so as to increase to tap into a wider market of international clientele and to create awareness about its international business services that it offers so as to attract potential clients. Research done by researchers internationally analyzes the effects on trade from shocks to the supply of both trade finance and general credit for instance Amiti and Weinstein (2011) did a study on exports and financial shocks show that bank shocks get transmitted to firms and affect their export decisions ,Paravisini et al (2014) asses the effects of loan supply shocks on exports in Peru Work, done by Del Prete and Federico (2012) on the effect of financial shocks on trade based on detailed information on loans and guarantees extended by Italian banks.

Niepmann and Schmidt-Eisenlohr (2013).Studies conducted locally have mainly focused on the strategies adopted by the banks and challenges of internationalization. For instance, Lynette (2015) did a study on the role of equity bank in the promotion of international trade in Kenya she concluded that Banks have been able to facilitate international trade by guaranteeing international payments hence reducing the risk of trade transactions; this has led to economic growth of trading nations.

Oscar (2001) did a study on the impact on international trade on economic growth, suggested that interaction with other nations may have no effect on an economy's long-term rate of growth. Nevertheless, there may be some interesting effects of openness in the long term level of welfare, and in the transition to the steady state (Mulwa 2009). Competitive advantage if not be exploited within the domestic market without undue transaction costs, then the firm will seek to move outside of that market and exploit its sources of advantage elsewhere. This involves strategy formulation and implementation.
There is need to analyze the specific role of international trade in enhancing banking directly in Kenya so as to develop systems and mechanism in commercial banks to support international trade. Barclays Bank's involvement in international trade goes well beyond the direct provision of financial services.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the way by which this research was conducted. It specifies the research design, the targeted population of study, data collection method, and the approaches of analysis used.

3.2 Research Design

Research design is way the study is planned, that is the technique used to do the research (Mugenda & Mugenda, 2003). Kerlinger (1986) research design is a plan structure and strategy of investigations so conceived to obtain answers to research questions or problems. A case study research design technique was used in this study. Cooper and Schindler (2003) case study research design are used to make descriptions of the phenomena or the characteristics associated with a subject population. Further studies have also shown that case study research design is preferred while conducting research studies.

A case study research design depicts a precise description of events, persons, or situations (Robson, 2002). A case study is the collection of evidence from a common group through interviews to a representative sample of that group. Yin (2004) explains that a case study is a practical inquiry that examines an existing phenomenon in its real life situation, particularly when the limits between phenomenon and setting are not obvious. Since Barclays bank is a single large entity, the study seeks to get in-depth information on the role of international trade in improving the banks services.

3.4 Data Collection

Primary data was collected and used in the study. Interview guide was used in the collection of data .The interview guide was divided into two sections. Section one involves demographics; section two was on Barclays bank and International trade. The interview guide involved six staffs in the trade and finance department at the Bank.

3.5 Data Analysis

The researcher used content analysis since it is a case study on Barclays Bank of Kenya. Nachmias and Nachmias (1996) describe content analysis as the technique used to make interpretations through an organized and impartial identification of specific characteristics of information. Kothari (2004) explains that content analysis is examination of the contents of documents and oral material. Before disembarking on content analysis, the researcher evaluated the written materials to guarantee that the existing material precisely represented what is said. The investigator listed and summarized the main issues enclosed in the interview guide answers. This enabled her to arrange the data in a way that made it possible to evaluate and interpret it.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The objective of this study was to determine the role of international trade in enhancing cross-border banking services of commercial banks in Kenya with a case study on Barclays Bank Kenya Limited. Primary data was collected through interviews conducted in the trade and finance department. The staffs of the department were chosen because they were the main people involved in international trade. The interview guideline was designed based on the variables of the study. Descriptive statistics and content analysis were used to discuss the findings of the study. To this end, the study booked appointments for 6 respondents out of which 5 were successfully interviewed and recorded.

4.2 Response Rate and Demographic Characteristics of the Respondents

4.2.1 Response Rate

The total interviews booked respondents were 6, out of which only 5 were successful and recorded however none declined to participate in the study while one of the interviewees who had confirmed was absent during the data collection/interviews. This implies that there was 83% response rate which is considered a good response rate. The study considered the frequency and percentages of variables under consideration.

4.2.2 Job Designation

The study sought to determine the job designation of the respondent and requested them to state their job titles and is summarized below. It is evident that the CSC processor and team leaders interviewed had a representation of 40% respectively while 20% of the respondents were CSC team leaders, this implies that the interviewees had sufficient knowledge and understanding to respond to the interview questions thus their answers were reliable.

4.2.3 Primary Job Functions in the Department

The study sought to determine the Primary job functions of the interviewees, and requested them to state their Primary job functions and is summarized below. It's evident that 20% of the interviewees' job functions were in the operations at the department, while 40% of the respondents' work involved processing while the 40% of the respondents' jobs functions involved CSC trading; involves Processing Trade import/export documents and Bank Guarantees for corporate customers, customer service/advise and queries solving. The functions in the department include: Trade finance operations on International foreign products e.g. Guarantees, Letters of credit, documentary collections, Local Purchase orders, Discounting of invoices, Electronic funds Transfer and traveler's checks. This implies that the interviewees had prerequisite knowledge and understanding of the questions posed to them and their responses were reliable for this research.

4.2.4 Years of Working at the Organization Department of International Trade

The study sought to determine the years of working at the organization department of international trade by the respondents and requested them to state their years of working and are summarized below. As shown in table 4.1 majority of the interviewees have worked in the department for 6- 10 years as shown by a representation of 60%, while those who had worked for 0-5years were 20% and of those who had worked for more than 10 years were 20% this implies that the interviewees had sufficient knowledge, understanding and experience to respond to the questions. The functions in the department include: Trade finance operations on International foreign products eg. Guarantees, Letters of credit, documentary collections, Local Purchase orders, Discounting of invoices, Electronic funds Transfer and traveler's checks.

4.3 Role of International Trade

This section seeks to establish the roles of international trade in the enhancing Barclays bank cross-border banking services this section had several questions relating to the role of International Trade in Improving bank transactions, improving inter-bank transactions and hedging foreign exchange risks and benefits of International trade to employees and the organization and are discussed under subsections below.

4.3.1 Roles of International Trade in Improving Cross-border Bank Transactions.

The study sought to establish the roles of International Trade in Improving cross-border bank transactions From the findings, the respondents stated that international trade has Improved relations with the corresponding banks in other nations thus enabling ease of transacting, it has enabled the bank to interact with foreign banks and exchange foreign currencies enhancing business transactions they explained that international trade has enhanced Customer centricity through Monitoring and knowing your customer adherence, it has Increased volumes of international banking transactions.

In addition other interviewee agree that Since international trade involves importers and importers and sometimes payment prices are fixed its advantageous that international trade increases transactions with the use of letter of credits.

4.3.2 International Trade and Improving Inter-bank Transactions.

The study sought to establish the roles of international trade in improving inter-Bank transactions. From the findings the respondents agreed that this is among the key roles of international trade. Specifically it ensures increased incomes through interbank trade, syndication of agreements within banks and building of trust among banks more so international trade improves relations with corresponding banks in other nations thus enabling ease of transaction, it has enabled the banks to interact with overseas banks and exchange foreign currencies enhancing business transaction.

The growth and globalization of trade activities barriers to operations of foreign banks has been eroded. With international trade banks are more comfortable with the idea of borrowing foreign currencies; foreign banks find their positions strengthened without local-currency funding. As result of international trade deregulation effected increasing emphasis on alternative banking as a growth strategy. With deregulation particularly rich set of opportunities have therefore been opened. Finally, technological progress in the sector is attributed to international trade for instance telecommunications and data processing have conveyed new opportunities for banks. This may be promising efforts by banking institutions to develop, and overseas markets in some cases afford the most attractive prospects for growth.

4.3.3 International Trade and Hedging Foreign Exchange Risks

The study sought to establish the roles of international trade in hedging foreign exchange risks from the study findings the interviewee agree that this is the key role of international trade this is because in international trade transactions the amount to be paid is already known such as exchange rates between the buyer and the seller and the Portfolio management of clients which is robust. The effect of exchange rates happenings on the bank, such as the indirect value-at-risk due to exchange rate movements exposes the firm to risks. The risks that the bank is uncovered to are transaction risk, this is basically the cash flow risk which deals with the exchange rate moves effects on transactional exposure relating to receivables, payables or return of dividends.

Translation risk, this is essentially balance sheet conversation rate risk it relates exchange rate movements to the estimation of a foreign subsidiary and the combination of a overseas subsidiary to the mother firm's balance sheet. Economic risk, reflects the risk on the company's current value of forthcoming working cash flows from exchange rate movements, this risk concerns the impact of exchange rate variation on revenues and operating expenses. The identification of the several types of exchange risk, along with individual measurement, is important to advance a strategy for handling currency risk. With international trade these risks can be identified and are reduced however the firms are not covered fully against them.

4.3.4 Organization Commitment to International Trade

The bank commitment to international trade is rated as strong and high according to the interviewees since the bank is having a dedicated team of trade finance that supports international trade, this team comprises international trade department whose functions in the include: Trade finance operations on International foreign products e.g. Guarantees, Letters of credit, documentary collections, Local Purchase orders, Discounting of invoices, Electronic funds Transfer and traveler's checks. The bank is Aggressive being an international bank it looks for ventures that diversify its products offering and also strategic partnerships. The interviewees agree that generally the organization has strong organizational support for international trade. This is in terms of training and having a team of dedicated staff with various roles.

More recently, its competitive international services and products for international and huge corporate customers, foreign investors on private investment funds, equity funds, insurance, trusts, high net worth entities and companies. Solutions dedicated to corporate investment banking terms with significant investments, staff training has recently been done to all staffs in the department and being able to involve in open tender system and the partnership with the international oil drilling company dubbed Tullow oil agreement in 2014 are clear indicators that the bank supports international trade.

Barclays bank in Kenya has correspondent bureaus in London and U.S which are either direct or indirectly. Recently it launched a first ever mobile currency transfer facility dubbed PINGIT aimed at boosting mobile business and overseas remittances. The PINGIT facility allows its customers to enjoy suitable money transfer on their portable phones. With its launch, the Bank is well positioned to play the vital role of assembling diaspora transfers and ease mutual trade amongst the states. The Central Bank of Kenya, estimates annual transmittals to Kenya is in excess of $1b with a substantial sum coming from Europe. In this perspective, the introduction of banks PINGIT to the Kenyan marketplace is a confirmation of the country's increasing significance in the global financial market.

4.3.5 Benefits and advantages of international trade to Barclays Bank

Enhancing its trading status and achieving domestic and international trade goals with its trade solutions is the key mandate of international trade department. The study sought to establish the benefits of international trade to the staff in the trade and finance department. From the findings, the majority of the respondents agree the key benefits of international trade to them is their career development and specialty in the field, employment security, increased staff awareness and product knowledge, ability to satisfy the customers by coordinating their business internationally and injecting more income into the company as a result. Benefits accruing to Barclays Bank as a result of international trade are: international trade helps to mitigate risk and negotiate better credit terms, its wide range of solutions clients to trade confidently and efficiently overseas ensures that goods are delivered within time possible, efficient processing , no delays in clearing of goods, influx or flow of trade transactions, Approximately Kshs 1 billion income from international finance products processing, increased competitive edge due to the various international trade products the institution's ,global recognition ,partnership with other leading organizations e.g. OPIC (Overseas Private Investment Corporation), World Bank and the customer base that is increasing rapidly due to the international finance products offered by the Bank, it's efficiency and ability of a product to cross-sell to exporting or importing customers and earnings in foreign exchange.

4.4 Cross-border banking services and International Trade

The study further sought to understand Barclays bank cross-border banking services and international trade this section had several questions including challenges for developing international trade standards and how the bank responds to such challenges, international partnerships involving Barclays Bank, benefits and advantages of international trade to Barclays bank and are discussed under subsections below.

4.4.1 Challenges for Developing International Trade Standards

The main challenges in developing international trade standards as identified by the respondents include : Knowledge gaps resulting to different interrelations of the standards, Foreign exchange loss exposure, default risk- collateral/syndication, challenges of dealing with nations that are sanctioned however Barclays has a system that screens such nations, There are foreign banks the bank does not have key relationships hence it has to involve an existing intermediary bank meaning higher cost and long waiting time. Structuring trade deals is also another challenge, this involves offering capital solutions outside the traditional payback on securities and the focus changes from the strength of the debtor to the fundamental structures and cash flow that increase safe financing.

The study further established challenges experienced in trade and finance is securities required. The security or collateral provided by the customers in some instances is not sufficient to secure the loan application. In case of defaulters, the security provided is not able to service the loan and therefore the Bank is at risk of losing funds.

4.4.2 International Partnerships Involving Barclays Bank

The study sought to establish the international partnerships involving Barclays Bank. The bank provides wide range of services and products through a devoted team of relationship management specialists. The team the main contact point for management companies and intermediaries. They convey a relationship scheme that adds worth at all stages of communication and acts as the entry to Barclays Kenya and the broader group. From the study findings the global strategic partnerships include oil exploration in 2014 with Tullow oil. Tullow has a strong set of low cost production, development and exploration assets in Africa and South America and, by accelerating the reduction of its gearing through the rights issue, It is able to focus on growing business by investing more across banks portfolio and taking advantage of opportunities that industry conditions present. Tullow also provided investors with an update on ongoing trading, for instance that oil prices remained generally stable and the group’s underlying cash operating costs are materially in line with those seen currently. The rights issue is underwritten by the investment banking arm of Barclays, while JP Morgan, Morgan Stanley are also involved in the funding alongside other financiers, ABSA South Africa, Barclays London, Barclays USA.

Barclays has Partnered with UK Trade & Investment (UKTI) to support of British companies exporting overseas especially to Africa, and overseas companies in Africa investing in Britain. The arrangement targets to back international trade by assisting UK and African companies grasp new markets for African and British services and products. It is driven by the necessity to stabilize the economy in UK guaranteeing sustained capital creation in the long term. The UK Government has a target number together with 100,000 or more companies trading by 2020 and upholding the UK's situation as the preferred location in Europe for private investment. Barclays is a strongest enthusiast of British business and demonstrated commitment to UK exporters with the services and solutions it offers.

The International Trade Centre (ITC) and Barclays Bank of Kenya recently launched a partnership that sought to equip 10,000 resident women entrepreneurs with skills and connect them to international trade prospects by 2020. The She Trades initiative launched by ITC in 2015 with the objective of linking one million female entrepreneurs from around the world to international markets in five years' time. In Kenya, the initiative to operate under the banner SheTradesKE and implemented in collaboration with Barclays Kenya and several other partners. Through the partnership, Barclays shall employ its capability in financial services whereas ITC leverages its know-how in business development to provide Kenyan women entrepreneurs funding in serious areas, including financial managing, in order to help them build and uphold links to international marketplaces.

4.4.3 Features of Barclays Bank that Promote International Trade

The study also sought to find out the features of Barclays Bank that promote International Trade. The study established that the bank facilitates counter guarantee and is ready to finance any international customer with their business. Such business should have a monetary plan; the security provision be of high net worth due to the risk repercussions in case of defaulters and allows for partnerships. The credit risk assessment is conducted to check whether the client is credit-worthy. It is an vital risk and forms up the key amount of risk-based wealth for the minimum capital provision. It arises when dealing with vendors, customers and other counterparties. It is normally regarded as the risk of defaulting on an obligation.

Further, the international partnerships Barclays bank has with other institutions has given them leverage over their competitors. Barclays banks in Kenya has correspondent bureaus in London and U.S which are either direct or recently it launched a first ever mobile currency transfer facility dubbed PINGIT aimed at boosting mobile business and overseas remittances. The PINGIT facility allows its customers to enjoy suitable money transfer on their portable phones.

The American Express that offers Gold and Green cards to its customers to undertake international transactions. Economies of scale due to its being international bank. Other aspects include diverse treasury products, its international presence its competitive products and solutions dedicated corporate investment baking terms. The Bank has subsidiaries in all the eastern African nations excluding Somalia headquarter in Kenya.

Barclays bank has established an extensive network of 117 outlets with over 230 ATMs spread across the country.

The study sought to find out the international trade regulation that Barclays Bank complied to while offering International trade finance products with corporate clients and individuals. From the findings, the majority of the respondents indicated that Barclays subscribes to the International Chamber of commerce (ICC) publications on the various trade finance products. This is in line with the ICC Hand book (2007) which stipulate that SMEs and banks must obey not only laws at home but also laws of all the other host nations where they conducts business which are based on the International Chamber of commerce rules. These rules are product specific and are regularly reviewed to meet the needs of international business in this dynamic economic environment (ICC Hand book, 2007).

4.4.4 Success Factors that are brought about by International Trade

The Success Factors that are brought about by International Trade include goods delivered within time possible, efficient processes internationally, no delays in clearing of import and export goods and the influx or flow of trade transactions. However the research established that international trade enhances the economic growth of a country. The goods and services exchanged earn the country foreign currency. The economic growth can be on a steady rise or rapidly depending on the frequency and the exchange rate of the foreign currencies.

The Balance of payments (BOP) for the country through exports and imports. The balance of payment should be balanced where the exports equals the imports so as not to pose a risk to the economy. Trade surplus arises when the exports exceed the imports and vice-versa for trade deficit. Economies of the world ensure they have comparative advantage over their counterparts to maintain a surplus in the market. The income generated by Barclays Bank Limited is Kshs 1.5 billion through international trade. Thus the forex earned improves the economy of the country and improves the standard of living of employees and citizens at large. This also attracts foreign investors to inject monetary support to development of projects.

The indicators of the above success factors include: Structured trade deals, fast growing economy in Kenya leading to expansion of businesses, stable local and foreign currency, sound business deals, good infrastructure in terms of road network, information and communication technology, fair policies and regulations by the Government, foreign direct investments (FDIs) and political/stable business environment.

4.4.5 Limitations, Liabilities and Disadvantages of International Trade

The research sought to establish the challenges faced by Barclays Bank while issuing trade finance products to SMEs, corporate clients and individuals. From the findings, the majority of the respondents attested that the challenges Barclays Bank faces included, Money laundering, political instability, Cultural dynamics/barriers and language barriers, Foreign exchange variations, Piracies, sanctioned nations that resulting to penalties, the high Cost of transactions, Cross border regulations barriers, customers dealing with vessels that are non-compliant and knowledge gap since most clients never understand how international trade finance products work. The collateral requirement is another challenge as customers are not ready to provide collaterals for their trade finance instruments. In addition, the middlemen are also a major challenge since most of the SMEs, corporate clients and individuals engage the services of middlemen who still get the financing product from the bank but charge the clients high charges that reduce the margins of the bank significantly. The sanctions are another challenge whereby customers who do business with nations that are on the UN Sanctioned list cannot access international trade products from the bank. The findings are collaborated by Husted (2007) who attested that in the international trade finance space there are some products which are considered complex not only to the SMEs but also to other people in the banking industry. That despite their many benefits to the customers, their uptake by clients is limited owing to lack of understanding of these products and some of the SMEs result to seeking middlemen to assist them in gaining access to use these products (Husted, 2007).

Tariff barriers are also a challenge e.g. Sugar imports. This minimizes the flow of goods and services between the trading nations. High tariffs and quotas could result to trade wars amongst nations. These discrepancies upset the incomes of the parties involved in these disagreements. Trade works out well when nations export and import. Additionally, inferior imports that penetrate to other states and retailed to innocent customers threaten the friendship of trading partners and leading to loss of foreign exchange to the financing banks.

4.5 Chapter Summary

From the finding to this end from the study findings the response rate was at 83% which is considered a good response rate. The respondents engaged in this study had all attained degree level of profession thus had sufficient knowledge to comprehend and respond to the questions. International trade has improved relations with the corresponding banks in other nations thus enabling ease of transacting, it has enabled the banks to interact with foreign banks and exchange foreign currencies enhancing business transactions they explained that International trade has enhanced customer centricity through monitoring and knowing your customer adherence, it has increased volumes of international banking transactions.

More so the key role of international trade this is hedging of transaction risks because in international trade transactions the amount to be paid is already known such as exchange rates between the buyer and the seller and the Portfolio management of clients which is robust. The effect of exchange rates happenings on the bank, such as the indirect value-at-risk due to exchange rate movements exposes the firm to risks. The identification of the several types of exchange risk, along with individual measurement, is important to advance a strategy for handling currency risk. With international trade these risks can be identified and are reduced however the firms are not covered fully against themThe finding found out that enhancing interbank transaction is among the key roles of International trade specifically it ensures increased Incomes through interbank trade, enhances Syndication of agreements within banks and Building of trust among banks.

Additionally international trade has improved relations with the corresponding banks in other nations thus enabling ease of transacting; it has enabled the banks to interact with foreign banks and exchange foreign currencies enhancing business transactions with the growth of internationalization of business activities and has contributed to wear down of barriers to operations by foreign banks. the challenges Barclays bank faces in trading internationally include, Money laundering political instability Cultural barriers and language barriers, foreign exchange variations, Piracy, sanctioned nations that results to penalties, high Cost of transactions, Dealing with sanctioned nations that results to penalty, Cross border regulations barriers customers dealing vessels that are non-compliant knowledge gap since most clients never understand how international trade finance products work.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations of the study in line with the objective of this study to determine the role of international trade in enhancing cross-border banking services of Barclays Bank Kenya Limited.

5.2 Summary and Discussions

The objective of this study was to determine the role of international trade in enhancing cross-border banking services of Barclays Bank Kenya Limited. Primary data was collected through interviews conducted in the trade and finance department. The staff of the department were chosen because they were the main people involved in international trade and understood better. The interview guideline was designed based on the variables of the study. Descriptive statistics and content analysis were used to discuss the findings of the study. The study booked appointments for 6 respondents to be interviewed and recorded. The total interviews booked respondents were 6, out of which only 5 were successfully and recorded while none declined to participate in the study however the interviewee who had confirmed but did not participate was absent during the data collection/interview. This implies that there was 83% response rate which is considered a good response rate. The study established that all the respondents engaged had attained degree level and above in their professions thus had enough knowledge to understand and respond to the questions this makes responses reliable.

The main job functions in the department of international trade were operations, CSC trading and CSC processing which deals with Processing of trade import/export documents and bank guarantees for corporate customers, customer service/advise and queries solving. The main functions in the department include: Trade finance operations on International foreign products e.g. Letters of credit, Guarantees, Local Purchase orders, documentary collections, Discounting of invoices, traveler's checks and Electronic funds Transfer. This implied that the interviewees had prerequisite knowledge and understanding of the questions posed to them and their responses were reliable for this research.

The bank commitment to International Trade is strong and high according to the interviewees, since the bank is having a dedicated team of trade finance that supports International Trade, this team comprises of CSC traders, team leaders and CSC processors in the department whose functions in the include: Trade finance operations on International foreign products. More so provision of its competitive international products international products and services for global and large corporate clients, foreign institutional investors such as private equity funds, investment funds, trusts, insurance companies and high net worth individuals and solutions dedicated to corporate investment banking terms with significant investments, more so Staff training done to all staffs in the department, involvement in open tender system and the partnership with the international oil drilling company dubbed Tullow oil agreement in 2014 are clear indicators that the bank supports international trade. Barclays banks in Kenya has direct and indirect correspondent offices in London and the U.S. launched a first of its kind mobile money transfer service dubbed PINGIT to boost mobile commerce and Diaspora remittances.

The study established that the roles of international trade in improving cross-border bank transactions were that international trade improves relations among the corresponding banks in other nations and locally thus enabling ease in transacting business. It enables the banks to interact with foreign banks and exchange foreign currencies thus enhancing business transactions. International Trade enhances customer centricity through monitoring and knowing your customer adherence globally, this increases volumes of international banking transactions. In addition since international trade involves importers and exporters and sometimes payment prices are fixed its advantageous since international trade increases transactions with the use of letter of credits. This findings are in agreement with studies by Lynette (2015) who argue that international trade facilitate transactions by guaranteeing international payments to importers and exporters hence reducing the risk of trade transactions; this has led to economic growth of trading nations.

The study established that the roles of international trade in improving inter-bank transactions is among the key roles of International trade, Specifically it ensures increased incomes through interbank trade local and internationally in addition it enhances syndication of agreements within banks and building of trust among banks more so international trade has improved relations with the corresponding banks in other nations thus enabling ease of transaction. With the growth of internationalization of business activities international trade has been responsible to erosion of international barriers to operations by foreign banks this has enhanced the banks interaction with international banks and exchange foreign currencies promoting business internationally.

The study establishes that the role of international trade in hedging foreign exchange risks is the main role of international trade. In international trade transactions the amount to be paid is already known such as exchange rates between the buyer and the seller and the Portfolio management of clients which is robust. Barclays bank is a participants in the currency markets by virtue of its international operations. In international trade transactions the amount to be paid is already known such as exchange rates between the buyer and the seller and the Portfolio management of clients which is robust. The effect of exchange rates happenings on the bank, such as the indirect value-at-risk due to exchange rate movements exposes the firm to risks. The identification of the several types of exchange risk, along with individual measurement, is important to advance a strategy for handling currency risk. With international trade these risks can be identified and are reduced however the firms are not covered fully against them.This explained by IFC (2012) who asserts that the international trade market serves two key purposes: currency conversion of nations and to provision of some protection to counter foreign exchange risk. International organizations regularly require different currencies in their day to day operations and to hedge foreign exchange risks in regard to trust among international sellers and buyers.

Most banks are brokers between commercial customers and foreign exchanges around the world. The bank commitment to International Trade is rated as strong and high according to the interviewees since the bank is having a dedicated team of trade finance that supports international trade, the department international trade functions in the are not limited: Trade finance operations on International foreign products e.g. Guarantees, Letters of credit, documentary collections, Local Purchase orders, Discounting of invoices, Electronic funds

Transfer and traveler's checks. The bank is Aggressive being an international bank it looks for ventures that diversify its products offering and also strategic partnerships. The interviewees agree that generally the organization has strong organizational support for international trade In Kenya, the commercial banks have incorporated automation and innovation of products that are customized to meet the needs of the customers, improve sales and market share (Joseph & Stone, 2003). Joseph & Stone, (2003 confirm that banks ease global trade by guaranteeing international payments thereby reducing the risk of trade transactions. Services offered by some individual banks include foreign exchange, traveler's checks, letters of credit, documentary collections, bank guarantees and electronic funds transfer to their customers.

The study found out that the features of Barclays bank that promote international trade are the facilitation of counter guarantee and being ready to finance any international customer with their business. However such business should have a financial plan; the security provision be of high net worth due to the risk repercussions in case of defaulters and allows for partnerships. Recently it launched a first ever mobile currency transfer facility dubbed PINGIT aimed at boosting mobile business and overseas remittances. The PINGIT facility allows its customers to enjoy suitable money transfer on their portable phones. With its launch, the Bank is well positioned to play the vital role of assembling diaspora transfers and ease mutual trade amongst the states. The study established that the international trade regulation that Barclays Bank complied to while offering international trade finance products to corporate clients and individuals include International Chamber of commerce (ICC) publications on the various trade finance products.

This is in line with the ICC Hand book (2007) which stipulate that SMEs and banks must obey not only laws at home but also laws of all the other host nations where they conducts business which are based on the International Chamber of commerce rules. The study found out that the benefits of international trade to the employees include individual career development and specialization in the field of international trade, employment security, increased staff awareness and product knowledge, ability to satisfy the customers by coordinating their business internationally and injecting more income into the company as a result. The Benefits accruing to Barclays Bank as a result of international trade are:

Approximately Kshs.1 billion income from international finance products processing, better competitive edge due to the various international trade products the institution's, global recognition, partnership with other leading organizations e.g. OPIC (Overseas Private Investment Corporation), World Bank and the customer base that is increasing rapidly due to the international finance products offered by the Bank, it's efficiency and ability of a product to cross-sell to exporting or importing customers and earnings in foreign exchange. International trade this is in terms of training and having a team of dedicated staff with various roles.

The main challenges in developing international trade standards as identified by the respondents include: knowledge gaps resulting to different interrelations of the standards, foreign exchange loss exposure, default risk- collateral/syndication, challenges of dealing with nations that are sanctioned however Barclays has a system that screens such nations, involving intermediary banks meaning higher cost and long waiting time since some foreign banks the bank cannot relate. Structuring trade deals is a challenge involving offering of capital solutions which are provided outside the traditional systems, where focus is on strength of the borrower on the underlying cash flow and structures that ensures safe financing. These findings agree with Mulwa (2009) who did a research on the challenges and process involving the internationalization of commercial banks. He argued that Competitive advantage if not well exploited in the domestic market deprived of undue transaction costs not considered, then the firm may seek to move outside of that marketplace and exploit other sources of advantage elsewhere. This involves strategy formulation and implementation.

The challenges Barclays Bank faces in operations include, Money laundering political instability Cultural dynamics/ barriers and language barriers, foreign exchange variations, sanctioned nations that results to penalties, high Cost of transactions, dealing with sanctioned nations that results to penalty, Cross border regulations barriers customers dealing vessels that are non-compliant knowledge gap since most clients never understand how international trade finance products work. The collateral requirement is another challenge as customers are not ready to provide collaterals for their trade finance instruments. In addition, the middlemen are also a major challenge since most of the SMEs, corporate clients and individuals engage the services of middlemen who still get the financing product from the bank but charge the clients high charges that reduce the margins of the bank significantly. The sanctions are another challenge whereby customers who do business with nations that are on the unsanctioned list cannot access international trade products from the bank.

The findings are collaborated by Husted (2007) who attested that in the international trade finance space there are some products which are considered complex not only to the SMEs but also to other people in the banking industry. That despite their many benefits to the customers, their uptake by clients is limited owing to lack of understanding of these products and some of the SMEs result to seeking middlemen to assist them in gaining access to use these products (Husted, 2007).

Tariff barriers are also a challenge e.g. Sugar imports. This minimizes the flow of goods and services between the trading nations. High tariffs and quotas could result to trade wars amongst nations. These discrepancies upset the incomes of the nations involved in these disagreements. Trade works out well when nations export and import. Additionally, inferior imports that penetrate to other states and retailed to innocent customers threaten the friendship of trading partners and leading to loss of foreign exchange to the financing banks. Apostolo, (2005) explains that although physical blocks at the boundaries and tariffs may not hinder the flow of financial capital from trans versing the borders, however a great number of nationwide laws and regulations prohibit and disturb transnational financial integration.

5.3 Conclusion

The study concludes that international trade plays an important role in improving cross-border bank transactions this roles are improving relations among the corresponding banks in other nations and locally thus enabling ease in transacting business. It enables the banks to interact with foreign banks and exchange foreign currencies thus enhancing business transactions. International Trade enhances customer centricity through monitoring and knowing your customer adherence globally, this increases volumes of international banking transactions. In addition since international trade involves importers and exporters and sometimes payment prices are fixed its advantageous since international trade increases transactions with the use of letter of credits.

The study concludes that international trade main role is hedging foreign exchange risks, since it ensures that the amount to be paid is already known such as exchange rates between the buyer and the seller and the portfolio management of clients is strong. Since international trade transactions the amount to be paid is already known such as exchange rates between the buyer and the seller and the Portfolio management of clients which is robust. The effect of exchange rates happenings on the bank, such as the indirect value-at-risk due to exchange rate movements exposes the firm to risks. The risks that the bank is uncovered to are transaction risk; this is basically the cash flow risk which deals with the exchange rate moves effects on transactional exposure relating to receivables, payables or return of dividends. The identification of the several types of exchange risk, along with individual measurement, is important to advance a strategy for handling currency risk. With international trade these risks can be identified and are reduced however the firms are not covered fully against them.

The study concludes that Barclays bank promotes international trade through facilitation of counter guarantee and being ready to finance any international customer with their business. The launch of PINGIT by the bank will position it well to play a key role in mobilizing diaspora remittances and facilitating bilateral trade between Kenya and the UK. Barclays Bank complies with International Chamber of commerce (ICC) publications on the various trade finance products while offering international trade finance products to corporate clients and individuals.

The study concludes that international trade benefits both employees and the firm for instance employees benefit on individual career development and specialization in the field of international trade, employment security, increased staff awareness and product knowledge while benefits accruing to Barclays Bank as a result of international trade are: Approximately Kshs.1 billion income from international finance products processing, better competitive edge due to the various international trade products the institution's, global recognition, partnership with other leading organizations.

Finally the study concludes that the developing international trade standards is faced with challenges such knowledge gaps resulting to different interrelations of the standards, foreign exchange loss exposure, default risk- collateral or syndication, challenges of dealing with nations that are sanctioned. Structuring trade deals is a challenge involving offering of capital solutions. The faced in operations include tariff barriers ,money laundering political instability, cultural dynamics/ barriers and language barriers, foreign exchange variations, sanctioned nations that results to penalties, high cost of transactions, dealing with sanctioned nations that results to penalty, cross border regulations barriers customers dealing vessels that are non-compliant knowledge gap since most clients never understand how international trade finance products work this challenges need to be addressed for smooth running of operations and increase the gains of international trade.

5.4 Recommendations

Banks should review the policies guiding and structuring the provision of international trade finance products and trade deals to customers with a view of making them attractive and affordable to customers. The study also recommends that the policy makers (Central Bank of Kenya) to enact policies that control transactions with nations that are sanctioned and inferior imports issuing heavy penalties to defaulting business persons bridge knowledge gaps resulting to different interrelations of the standards.

The commercial banks in the financial sector should sensitize customers to create awareness of the international trade finance products. The study contributed to the policies development in that the emerging issues like ICT, changing international trade finance products environment due to the restructuring of the international banking industry, that affect implementation need to be incorporated in the formulation of policies in international trade finance products.

The study also identified the international trade finance products adopted by Barclays bank; essential features assumed by the bank in offering international trade finance products to customers that have made Barclays gain a competitive edge in the international banking. The strategies could be adopted by other players in the industry in their practice on international trade dealings.

5.5 Suggestions for Further Studies

Since this study explored the role international trade in enhancing banking services, the study recommends that; similar study should be done in other commercial banks considering both primary and secondary data with the use of a questionnaire for comparison purposes and to allow for generalization of findings on the role international trade in enhancing cross-border banking services in Kenya. This study suggest studies be done on the relationship between international trade and services in other sectors in Kenya.

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APPENDICES

Appendix 1: Interview Guide for Staff at Barclays bank

SECTION A: Demographics

What is the highest level of your education?

What is your job title?

What primary functions does your job involve?

How long have you been working in this organization?

SECTION B: Role of International Trade

What roles does international trade play in improving cross-border bank transactions at Barclays bank?

What roles does international trade play in improving inter-bank transactions at Barclays bank?

What roles does international trade play in hedging foreign exchange risks at Barclays bank?

How would you describe this organization in terms of its commitment to International trade?

Do you generally have strong organizational support for international trade?

How would you describe the benefits to you and/or your organization Brought about by international trade?

SECTION C: General Questions Relating to Barclays Banking Services

What do you see as particular challenges for developing international trade standards and how does bank respond to such challenges?

Are you aware of any international partnerships where Barclays Bank is involved?

If yes, which ones

What to you are the essential features of Barclays Bank that promote international trade?

Can you think of an example, something that Barclays Bank has done recently, that illustrates its support for international trade?

What are the benefits and advantages of international trade to Barclays Bank?

Is it possible defines, or measure success factors that are brought about by international trade?

What are indicators for this success factors?

What are the limitations, liabilities, and disadvantages of the international trade?