EXTERNAL ENVIRONMENTAL FACTORS INFLUENCING
INTERNATIONAL BUSINESS TRANSACTIONS AT BARCLAY'S
BANK OF KENYA

MICHAEL KIRARU NDUNGU

A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2012
DECLARATION

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

Signature________________________ Date________________________

MICHAEL KIRARU NDUNGU

D61/61898/2010

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

Signature________________________ Date________________________

DR. JOHN YABS

LECTURER

DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.
ACKNOWLEDGMENT

This study would not have been possible without the encouragement, support, criticism and assistance of my family, friends, MBA colleagues, lecturers and my supervisor.

First, my appreciation goes to my supervisor Dr. John Yabs for the advice, suggestions, criticism and encouragement during the study.

Second my appreciation goes to my family for their support, assistance and understanding, which served as an encouragement during this study. Their significance cannot be over emphasized.

I want to thank all my friends and colleagues for their input throughout the course period and understanding when I could not attend their functions. I would like to thank my class mate and friends for support and encouragement. I could not have completed this effort without their assistance, tolerance, and enthusiasm. To you all I thank you so much, and may God bless you abundantly.

Finally, I thank God for answered prayers.
DEDICATION

I dedicate this study to my parents who despite having little formal education worked hard to educate me. There is no doubt in my mind that this study could not have been without their many years of dedicated support, counsel and above all love. Your faith in me has shaped my character and has made me to have faith in myself. To you I say thank you very much and may God bless you abundantly.
ABSTRACT

The main aim of the study is to investigate external environmental factors influencing international business transactions at Barclays bank of Kenya; these factors include political, economic, social, technological, environment and legal.

This study was conducted through a case study and it is considered suitable as it allows an in-depth study of the subject on external environmental factors influencing international business transactions at Barclays Bank of Kenya. The study used primary data which was collected from key informants. To achieve this, an interview guide will be used to collect primary data.

The study concludes that political and legal factors affect the performance of Barclays bank of Kenya and these include political stability, tax policy, consumer protection, trade restrictions and tariffs and environmental regulations. The study concludes that there are effects of economic factors on the performance of Barclays bank of Kenya. Profit motives, exchange rates, inflation (effect on costs and selling prices), policy towards unemployment (minimum wage, unemployment benefits, grants), government spending (overall level; specific spending priorities) and monetary policy (interest rates have a high impact on performance.

The study concludes that socio-cultural factors affect the performance of Barclays bank of Kenya to a high extent and these include health consciousness, lifestyle changes, income distribution and emphasis on safety.

The study further concludes that that transportation, internet, rate of technological change and internet had a high impact of technological factors on performance of Barclays bank of Kenya.
# TABLE OF CONTENTS

Declaration........................................................................................................................................ ii  
Acknowledgment ............................................................................................................................. iii  
Dedication .......................................................................................................................................... iv  
Abstract .............................................................................................................................................. v  
Acronyms And Abbreviation ............................................................................................................... viii  

## CHAPTER ONE: INTRODUCTION.................................................................................................. 1  
1.1 Background of the Study ............................................................................................................... 1  
   1.1.1 International Business Transactions at Barclays Bank ................................................. 2  
   1.1.2 External environmental factors in International Business ............................................. 3  
   1.1.3 Banking Industry in Kenya .............................................................................................. 6  
   1.1.4 Barclays Bank of Kenya ................................................................................................. 8  
1.2 Research Problem ....................................................................................................................... 9  
1.3 Research Objective ..................................................................................................................... 11  
1.4 Value of the study ....................................................................................................................... 11  

## CHAPTER TWO: LITERATURE REVIEW.................................................................................... 13  
2.1 Introduction ................................................................................................................................. 13  
2.2 International Business Environment ........................................................................................ 13  
2.3 Influence of external environment on organizations ............................................................... 15  
   2.3.1 Political Factors ................................................................................................................. 16  
   2.3.2 Economic Factors ............................................................................................................. 17  
   2.3.3 Social Factors ................................................................................................................... 17  
   2.3.4 Technological Factors ...................................................................................................... 18  
   2.3.5 Environmental Factors ................................................................................................... 20  
   2.3.6 Legal Factors ................................................................................................................... 21  

## CHAPTER THREE: RESEARCH METHODOLOGY ................................................................... 23  
3.1 Introduction................................................................................................................................. 23
3.2 Research Design ........................................................................................................ 23
3.3 Data Collection ......................................................................................................... 24
3.4 Data Analysis ........................................................................................................... 24

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .......... 26
4.1 Introduction ............................................................................................................... 26
4.2 International Business Transactions at Barclays Bank ............................................. 26
4.3 Influence of external environmental factors on international business transactions at
Barclays bank of Kenya ................................................................................................. 32
  4.3.1 Political Factors .................................................................................................. 32
  4.3.2 Economic Aspect .............................................................................................. 35
  4.3.4 Social Aspect .................................................................................................... 36
  4.3.5 Technological Aspect ...................................................................................... 37
  4.3.6 Environmental Factors .................................................................................... 38
  4.3.7 Legal Factors .................................................................................................... 39
4.4 Summary of findings compared to Literature Review ............................................. 40

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ...... 46
5.1 Summary .................................................................................................................. 46
5.2 Conclusion ............................................................................................................... 46
5.3 Recommendations .................................................................................................. 47

REFERENCES ............................................................................................................... 48
APPENDICES ................................................................................................................. 50
  Appendix I: School Introduction Letter .................................................................... 50
  Appendix II: Student Introduction Letter .................................................................. 51
  Appendix III: Interview Guide .................................................................................... 52
<table>
<thead>
<tr>
<th>ACRONYMS AND ABBREVIATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>BBK</td>
<td>Barclays Bank of Kenya</td>
</tr>
<tr>
<td>BICs</td>
<td>Bank Identifier Codes</td>
</tr>
<tr>
<td>CBK</td>
<td>Central bank of Kenya</td>
</tr>
<tr>
<td>CDs</td>
<td>Certificates of Deposit</td>
</tr>
<tr>
<td>CHAPS</td>
<td>Clearing House Automated Payment Systems</td>
</tr>
<tr>
<td>EBS</td>
<td>Electronic Broking Services</td>
</tr>
<tr>
<td>EFT</td>
<td>Electronic Fund Transfer</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>NPV</td>
<td>Net Present Value</td>
</tr>
<tr>
<td>PESTLE</td>
<td>Political, Economic, Social, Technological, Legal, and Environmental</td>
</tr>
<tr>
<td>PIN</td>
<td>Personal Identification Number</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium sized Enterprise</td>
</tr>
<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
</tr>
<tr>
<td>VISA</td>
<td>Visa International Services Assoc iation</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000). Organizations exist as open systems and hence they are in continuous interaction with the environment in which they operate. The environment in which the organizations operate is never static. Firms depend on the environment for the required resource and a profitable market for their goods and services. All organizations lend themselves to this environment which is highly dynamic, chaotic and turbulent that it is not possible to predict what will happen and or when it will happen. Consequently, the ever changing environment continually presents opportunities and challenges (Mintzberg and Quinn, 1988).

The external environment of an organization is those factors outside the company that affect the company's ability to function. Some external elements can be manipulated by company marketing, while others require the organization to make adjustments and
monitor the basic components of your company's external environment, and keep a close watch at all times (Pearce and Robinson, 2005).

1.1.1 International Business Transactions at Barclays Bank

SWIFT code is a standard format of Bank Identifier Codes (BIC) and it is unique identification code for Barclays bank. These codes are used when transferring money between banks, particularly for international wire transfers. Banks also use the codes for exchanging other messages between them.

The interbank market is the top-level foreign exchange market where banks exchange different currencies. Barclays banks can either deal with one another directly, or through electronic brokering platforms. The Electronic Broking Services (EBS) and Thomson Reuters Dealing 3000 Xtra are the two competitors in the electronic brokering platform business and together connect over 1000 banks. The currencies of most developed countries have floating exchange rates. These currencies do not have fixed values but, rather, values that fluctuate relative to other currencies (Joshi, Rakesh Mohan, 2009).

The interbank market is an important segment of the foreign exchange market. It is a wholesale market through which most currency transactions are channeled. It is mainly used for trading among bankers. The three main constituents of the interbank market are a Foreign Exchange Swap transaction allows you to utilize the funds you have in one currency to fund obligations denominated in a different currency, without incurring foreign exchange risk. It is an effective and efficient cash management tool for
companies that have assets and liabilities denominated in different currencies. On the near date, you swap one currency for another at an agreed foreign exchange rate and agree to swap the currencies back again on a future (far) date at a price agreed upon at the inception of the swap.

Barclays Bank of Kenya (Barclays Bank) has identified five destinations in Asia, one in the United Kingdom and one in the United States of America. The purpose of the tours is to facilitate networking opportunities between the Bank’s customers in the SME sector and potential suppliers and partners in foreign countries. VISA Credit Card Payments through ATMs: To transfer funds, the sender simply needs to enter the following details in the relevant screen on our ATMs. 16-digit VISA Card number of the beneficiary Credit Card Amount to be transferred to complete international translations. SMEs’ access to global markets: opportunities and challenges has become reality through Barclays bank Kenya initiatives, small businesses can access international market through finance arrangements. Customer Foreign Currency Account: This account enables international trading where traders can be paid or pay in foreign currency for the goods and services.

1.1.2 External environmental factors in International Business

Businesses are affected by an external environment as much as they are affected by the competitors (Strange 1988, Summary 1989). Global factors influencing business are legal, political, social, technological, environment and economic. Understanding of these factors is important while developing a business strategy.
Political factors refer to the changes in government and government policies. Political factors greatly influence the operation of business. This has gained significant importance off late (Hufbauer et al. 1981). For example: companies operating in the European Union have to adopt directives and regulations created by the EU. The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. Business must consider the stability of the political environment, government’s policy on the economy etc.

Economic factors involve changes in the global economy. A rise in living standards would ultimately imply an increase in demand for products thereby, providing greater opportunities for businesses to make profits (Hufbauer et al. 1981). An economy witnesses fluctuations in economic activities. This would imply that in case of a rise in economic activity the demand of the product will increase and hence the price will increase. In case of reduction in demand the prices will go down. Business strategies should be developed keeping in mind these fluctuations. Other economic changes that affect business include changes in the interest rate, wage rates, and the rate of inflation. Incase of low interest rates and increase in demand businesses will be encouraged to expand and take risks. Therefore, business strategies should have room for such fluctuations.

Social factors are related to changes in social structures. These factors provide insights into behaviour, tastes, and lifestyles patterns of a population. Buying patterns are greatly influenced by the changes in the structure of the population, and in consumer lifestyles
Age, gender, etc all determine the buying patterns and understanding of such changes is critical for developing strategies which are in line with the market situations. In a global environment it is important that business strategies are designed keeping in mind the social and cultural differences that vary from country to country. Consumer religion, language, lifestyle patterns are all important information for successful business management.

Technological factors greatly influence business strategies as they provide opportunities for businesses to adopt new innovations, and inventions. This helps the business to reduce costs and develop new products. With the advent of modern communication technologies, technological factors have gained great impetus in the business arena. Huge volumes of information can be securely shared by means of databases thereby enabling vast cost reductions, and improvements in service. Organisations need to consider the latest relevant technological advancements for their business and to stay competitive (Stopford et al. 1991). Technology helps business to gain competitive advantage, and is a major driver of globalization. While designing the business strategies firms must consider if use of technology will allow the firm to manufacture products and services at a lower cost. Firms can select new modes of distributions with the help of technology. It has become easier for companies to communicate with their customer in any part of the world.

Legal factors are those factors that influence business strategies that are related to changes in government laws and regulations. For a successful business operation it is
important that the businesses consider the legal issues involved in a particular situation and should have the capability to anticipate ways in which changes in laws will affect the way they must behave. Laws keep changing over a period of time. From the point of view of business it is important that they are aware of these changes in the areas of consumer protection legislation, environmental legislation, health & safety and employment law, etc.

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, tourism and insurance. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire to protect the environment is having an impact on many industries such as the travel and transportation industries (for example, more taxes being placed on air travel and the success of hybrid cars) and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities.

1.1.3 Banking Industry in Kenya

Commercial banks are licensed and regulated under the Banking Act and Prudential Regulations issued there-under. Statistics indicate that there are upwards of 45 commercial banks in Kenya (www.cbkbank.go.ke), consisting of both Local and multinational Banks. This is made up of 45 licensed institutions to carry out the business of financial intermediation. They are guided by prudential guidelines issued by the Central Bank of Kenya. Out of the 45 institutions, 33 are locally owned and 12 are
foreign owned. The locally owned financial institutions comprise 3 banks with significant government shareholding and 28 privately owned commercial. The foreign owned financial institutions comprise 8 locally incorporated foreign banks and 4 branches of foreign incorporated banks. Of the 42 private banking institutions in the sector, 71% are locally owned and the remaining 29% are foreign owned (Central Bank of Kenya, 2010).

This growth translated to a greater need for banking services, as more and more people started building up savings and at the same time there was a demand for more loans from banks, either for investment or for major purchases.

The Central Bank of Kenya oversees the operations of all commercial banks. During the on-site inspections all risks are evaluated and necessary remedial actions are recommended. Off-site surveillance is also conducted by reviewing data received from institutions on a regular basis. Political decision issues have also taken a centre stage in the supervising process (CBK, 2003). With this increased demand, banks saw the need to open up more branches to meet this demand. More and more players also came in to serve this capacity. In the delivery of Services, these banks and financial institutions use a number of delivery channels to deliver their Services. These delivery channels can be classified into four: as ATMs, telephone-based access, internet-based access and the branch network (Branca, 2008). This however is increasingly being confined to Technology based delivery channels. With the entry of mobile phone money transfer services and with the global economic recession and the political interference, already demand for banking services is waning. This implies that this capacity that banks created is slowly been underutilized. As such, they have to come up with very innovative ways to
fully utilize this capacity or be flexible enough to convert this capacity for alternative use. This also implies that this may spell the end of this expansion craze by banks as the capacity they have is already getting underutilized.

1.1.4 Barclays Bank of Kenya

As a commercial enterprise, Barclays must be profitable to survive. The previously mentioned values set out how we aim to undertake business in the interests of our employees and customers. Underpinning these values is a fundamental principle to maintain and protect customer confidentiality and to comply with the laws and regulations governing our industry. Barclays bank has operated in Kenya for over 90 years. Financial Strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services.

The main sectors of the Kenyan economy are agriculture, manufacturing, tourism and financial services. Tea and Horticulture are the country's leading exports and tourism sector continues to play a key role in contributing towards foreign exchange earnings of the country. Barclays bank has established an extensive network of 117 outlets with over 230 ATMs spread across the country. The bank's financial performance over the years has built confidence among the Bank's shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange.

Barclays Bank of Kenya (Barclays Bank) has identified five destinations in Asia, one in the United Kingdom and one in the United States of America. The purpose of the tours is
to facilitate networking opportunities between the Bank’s customers in the SME sector and potential suppliers and partners in foreign countries. In addition to the international events, Barclays bank has organised local networking events; one in Mombasa during April and the second in Samburu during August, as well as the 4th Annual Business Club Members Trade Fair scheduled for Nairobi in July. Barclays Bank scale and global reach to create unique growth opportunities for the customers. By exploring and encouraging unique international SME activities, that broadened the reach of small business owners, Barclays Bank hope to add value and stimulate the local Kenyan economy.

1.2 Research Problem

The rate at which firms respond to the ever changing environment, forms the basis of competitive advantage which enables firms to formulate responses within time and space (Pearce and Robinson, 2003). The competitive advantage is the unique and valued positions created by the firm to satisfy customers better than competitors and in a less costly way. The need to craft the correct responses by Barclays Bank of Kenya has arisen due to increased competition in its industry. Notable here is the entry of forever Living, Oriflamme, quest Net, Green world, among others, all of which are dealing with direct substitutes. This may lead to declining market share of the firm leading to reduced sales.

Given the complex environment, there is need for extensive investment in Research and development (R&D), so as to develop strong product innovation capabilities. This would require the use of expensive and highly professionalized equipment and personnel. In
addition, there is need to invest in social responsible operations to improve the company’s image in the eyes of the public, among many other needs. On the other hand, an industry that has passed through the rapid growth stage and is looking at single digit percentages increases in buyer demand is likely to be experiencing a competitive shake-out and a firm in such an industry needs much stronger strategic emphasis on cost reduction and customer service.

With the current uncertainty and surprising environmental turbulence in the global context and more so in Kenya, there is a need to institutionalize flexibility and dynamism in planning and implementation of projects. No longer can any enterprise depend on historical trends or projected trend without critically observing, analyzing and evaluating “surprising events and issues” which affect the known trend-be it external, internal or performance. While a few studies have been undertaken on different scales of external environment on organizations performance in Kenya, by Akinyi (2008), Golden Neolife Diamite international was the context of the study, not Barclays bank of Kenya. Whereas other studies have tackled response strategies to external environment, no research has dealt with external environmental factors influencing international business transactions at Barclays bank of Kenya. This creates a research gap in this area. A study by Magovi (2007), for example has highlighted the response strategies by firms in the cement industry in Kenya, while life style drug, and the Network marketing fall in a different industry from the cement industry. At least, Magovi has tackled the external environment that exists around all other organizations of East Africa. Magovi’s research, has not, however, captured the influence of this environment to the performance, and
more narrowly to Barclays bank of Kenya thereby leaving room for research in the area where the study will provide answers to; what are the external environmental factors influencing international business transactions at Barclays bank of Kenya?

1.3 Research Objective

To investigate on external environmental factors influencing international business transactions at Barclays bank of Kenya.

1.4 Value of the study

The findings of this study are expected to produce benefits as follows: This research shall investigate on external environmental factors influencing international business transactions at Barclays bank of Kenya. The study shall evaluate and be able to indicate the efficiency measure of performance of companies and firms doing business in Kenya. Besides, this study shall help the concern agencies to take necessary measures against those determinants having significant effect on the performance of companies, in a way creating vibrant business environment in Kenya so to attract the foreign investors. Partly, this paper will remain a source of reference for future academic researchers and to those for the policy makers, to gain understanding about the business environment.

The government agencies will make use of this study, since it will provide useful knowledge in formulation of policies and a regulatory framework for running campaigns of advocating factors affecting the performance of foreign firms trading in Kenya. Researchers and scholars can use this information to add to their understanding the
influence of external environmental factors on international business in Kenya. The study will provide foundation and material for further related research.

The results of this study will be invaluable to researchers and scholars, as it will form a basis for further research. The students and academics will use this study as a basis for discussions on the impact of external environment on international business. In particular it is hoped that the findings of this study on external environmental factors influencing international business transactions at Barclays bank of Kenya will evaluate whether its own practices accord with what should be the function of banking and its own mandate.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review on the environmental factors influencing international business transactions at Barclays Bank of Kenya. This is presented in form of theoretical review, empiricism and later as empirical review.

2.2 International Business Environment

A business does not operate in a vacuum. It has to act and react to what happens in the environment. These factors that happen outside the business are known as external environmental factors. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies.

From a business point of view, the major external environmental factor is likely to be political instability. Political instability may arise through frequent changes in the ruling political party or elite, and/or through frequent changes of policy by a stable ruling political party. If the political situation is one in which the environment surrounding the company is predictable, companies can develop and implement international business plans with some confidence. If the government changes direction frequently, medium- and long-term planning becomes very difficult and companies will feel forced to adopt short-term, highly pragmatic approaches. Multinational companies should understand that the political background is different across the regions of the world. Many former centrally planned economies, for example, are still heavily protected by the government.
In such a climate, it is more likely that proposals for a joint venture will be accepted (Viswanathan, and Dickson, 2006).

It is argued that the legal ramifications of marketing a product internationally are very complicated (Vrontis and Vronti, 2004). Each country has their own legal system and when a company internationalises then it must keep within these legal systems. When it comes to developing marketing mix elements in foreign markets, the company’s approach may have to be adapted. The legal environment must be assessed to determine whether it would affect the launch of a product into a new country. In many countries, government and regulations have a direct influence on product design. Law often imposes minimum or special product standards, which may necessitate the shape, kind, components or even the brand name of a product used.

When Governments changes their rules and regulations, this could have an effect on a business. For instance, after the accounting scandals of the early twenty-first century, the United States Securities and Exchange Commission became more focused on corporate compliance and the government introduced the Sarbanes-Oxley compliance regulations of 2002. When a new party takes power, there is likely to be a measure of uncertainty whilst it settles into the job of running the country and the effect of new policies is awaited. Even if the same political party is in power for many years, there will be a variety of political and economic issues that will cause it to make changes in political and economic directions, and most governments pass laws which affect market opportunities from time to time. Stability, though, is not the only issue of interest to business. It is also
concerned that governments take political and economic decisions that do not cause the economy to decline or become less profitable for companies.

2.3 Influence of external environment on organizations

Organizations have a challenge of dealing with the environment’s dynamism and uncertainties, in order to be successful. Strategically, managers have to be aware and alert on how changes in the competitive environment are unfolding. The environment of organization is categorized into both internal and external. The external environment is classified into the macro-environment and the industry. Performance is normally measured using standards which are usually detailed expressions of strategic objectives. They are also the measure of acceptable performance results. Wangari (2007) notes that, organizational performance measures depend on the organization and the objectives to be achieved. She cites Hunger and Wheelen (1995) who noted that, these objectives are normally established in the strategy formulation stage of the strategy management process, and they could include, profitability, market share and cost reduction, among others. Nevertheless, there are two distinct performance yardsticks; i.e.; those relating to financial and strategic performance. Those related to strategic performance are the outcomes that indicate if a company is strengthening its market standing, competitive vitality, and future business prospective.

The macro environment has impact to a greater or lesser extent on almost all organizations (Johnson & Scholes 2002). The factors in this environment look at the way in which future trends in the political, economic, social, technological, environment and
legal environment might impinge on organization. The business environment of the firm consists of all external influences that impact a firm’s decisions and performance. Continuous scanning of the whole range of external influence is desirable, though it is unlikely to be cost effective and may create information overload.

2.3.1 Political Factors

The political dimension of the general environment affects business activity. The philosophy of the political parties in power influences business practices. The legal environment serves to define what organizations can and cannot do at a particular point in time. The political environment facing organizations is becoming more complex and affecting businesses more directly. It has become increasingly difficult for businesses to take action without encountering a law, regulation, or legal problem. A very brief listing of significant laws that affect business would include legislation in the areas of consumerism, employee relations, the environment, and competitive practices.

Political factors include Stability of government, Social policies, Trade regulations, Tax policies and Entry mode regulations that influence and limit organisations and individuals in a given society. These refer to government policy such as the degree of intervention in the economy. Political decisions can impact on many vital areas for business such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy such as the road and rail system. The dimensions being evaluated include the government attitude to foreign markets, the stability and financial policies of a country and government bureaucracy (Vignali, Vrontis, and Vranecevic, 2003).
2.3.2 Economic Factors

Economic factors refer to the character and direction of the economic system within which the firm operates. Economic factors include the balance of payments, the state of the business cycle, the distribution of income within the population, and governmental monetary and fiscal policies. This part of the analysis is concerned with overall prospects for the economy. Often the political factors spill over into economic factors; For example, tax is usually decided by politicians, based on a mixture of political and economic factors. Interest rates, in many countries are decided by a central bank, but political factors may still be important. Other economic factors include exchange rates, inflation levels, income growth, debt and saving levels, which impact available money and consumer and business confidence. The current state of world stock markets is a typical example of the volatility of economic factors. Key measures of economic factors include: GDP/GNP, inflation, interest rates, exchange rates, fiscal and monetary policy, wage and price controls and unemployment figures (Turner, 2002).

2.3.3 Social Factors

Social-classes would be another aspect affecting the consumer behaviour. This refers to national status hierarchy by which groups and individuals are distinguished in terms of self-esteem and prestige (Consumer Behaviour and Market Strategy 2005). According to Economic survey of Delhi (2001) the urban population is over 93% with per-capita income of 9.1% which clearly demonstrates growth amongst social classes.
Past purchase experiences can influence the store choice of consumers which are further affected by these Socio-economic factors such as income, geography, personality, age, among others (Dodge and Summer, 1969). Moreover, Lumpkin et al. (1985) proposes that elderly people are less price conscious in comparison to youngsters. This implies that aspects such as convenience and familiarity of corner-shops will be of greater importance than savings made at supermarket. (Pettigrew 2005) further adds from reports that supermarkets do not interest seniors. However, the convenience factor is contradicted by Lumpkin et al. (1985) itself, as for seniors’ propinquity of store to house is not a concern. Instead, shopping is considered as leisure activity and hence is expected to be high on entertainment value (Tongren, 1988).

The sociocultural dimensions of the environment consist of customs, lifestyles, and values that characterize the society in which the firm operates. Socio-cultural components of the environment influence the ability of the firm to obtain resources, make its goods and services, and function within the society (Arnold and Reynolds, 2003). Sociocultural factors include anything within the context of society that has the potential to affect an organization. Population demographics, rising educational levels, norms and values, and attitudes toward social responsibility are examples of sociocultural variables.

### 2.3.4 Technological Factors

Technology is an aspect of the environment a firm should consider in developing strategic plans. Changing technology may affect the demand for a firm's products and services and its production processes. Technological changes may create new
opportunities for the firm, or threaten the survival of a product, firm, or industry. Technological innovation continues to move at an increasingly rapid rate. According to Porter (1985), technological change is a principal driver of competition. Technology can change the lifestyle and buying patterns of consumers. Recent developments in the field of microcomputers have dramatically expanded the potential customer base and created innumerable opportunities for businesses to engage in business via Internet. Whereas computers were traditionally used only by large organizations to handle data processing needs, personal computers are commonly used by smaller firms and individuals for uses not even imagined fifteen years ago.

Technological developments are the fastest unfolding and per-reaching in extending or contracting opportunity of an established company, these include the discoveries of service, the related products development, the process improvement and the automation and data processing (Andrews, 1987, Mintzberg et al 2003). Drucker (1955) argues that technological changes can turn an organization into loose confederation of functional empires. Drucker (2002) argues that technology has become more important, because customers are changing as distribution systems in relation to technology and competition. Markets are changing faster than ever before. The explosive emergence of internet requires every business to be globally competitive even if it sells goods and services only within local or regional market as the distance barrier is eliminated for worldwide distinction.
Technological changes is a powerful determinant of entry barriers, shifts the bargaining relationship between industry and its buyers and suppliers, alters the nature and basis of rivalry among existing competitor and creates new products or product uses that substitute for others; and broadens or shrinks industry barrier (porter 1985). In low technology organisation, focus is utilizing and expanding technology whereas in high technology organisation, technology is critical determining factor for future access and high technology turbulence requires cutting edge technology (Antonion and Ansoff, 2004).

### 2.3.5 Environmental Factors

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, banking industry (Andrews, 1987, Mintzberg et al 2003). High population growth rate indicates an enormous increase in labour supply. Population with varied tastes, preferences, beliefs, temperaments etc. gives rise to differing demand pattern and calls for different marketing strategies. The projected size and distribution of the economic costs and benefits of environmental factors are of key interest to business leaders and policy makers. Many estimates of the aggregate net economic effects of climate change are now available (Weitzman, 2008). Such estimates are generally long-range projections and are therefore subject to large uncertainty. Nevertheless, there is a general consensus that climate change is very likely to reduce countries’ annual GDP (gross domestic product) on an aggregate and NPV (net present value) basis. For increases in global average temperature of less than 1°C to 3°C,
some impacts are projected to produce marked benefits in some places and sectors and impose costs on others.

According to Daniels, Radebaugh and Sullivan (2007), climate changes are occurring due to global warming. With greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire to protect the environment is having an impact on many industries such as the travel and transportation industries. The general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities.

### 2.3.6 Legal Factors

These are related to the legal environment in which firms operate. In recent years in the UK there have been many significant legal changes that have affected firms' behaviour. The introduction of age discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples of relatively recent laws that affect an organisation's actions (Arnold and Reynolds, 2003). The existence of bureaucratic systems and cultures is central in making the decision to invest globally. The nature of corruption, local values and assumptions that are built into national ideologies are major variables in this field. A great concern is the extent to which there is a culture of law or a culture of personal patronage, where negotiations are done on a personal rather than a legal basis. The impact of international lending agencies such as the International Monetary Fund or the World Bank is also important in creating a legal culture that a business will have to take seriously.
According to Daniels, Radebaugh and Sullivan (2007), Legal forces are highly important as they cover many aspects of company policy. Government policy affects industry as a whole through regulatory bodies such as the Department of the Environment and the Department of Trade and Industry. These bodies develop policies on the trading, restrictions and standards within their particular field. The policies created can affect businesses in various ways; in how their products are produced, promoted and sold. Monetary and fiscal policies utilized by governments influence business operations. Monetary policies affect the size of the money supply and interest rates.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that will be used in this study. It focuses on the research design, population of study, sample and sampling techniques, data collection methods and comes to a conclusion with the data analysis and data presentation methods that will be used in this study.

3.2 Research Design

This study will be conducted through a case study and it is considered suitable as it allows an in-depth study of the subject on external environmental factors influencing international business transactions at Barclays Bank of Kenya. According to Mugenda and Mugenda (2003), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of the study.

This is research on external environmental factors influencing international business transactions at Barclays Bank of Kenya. This design is most appropriate for a single unit of study because it will offer a detailed in depth analysis that will give valuable insights to phenomena.
3.3 Data Collection

The study will use primary data which will be collected from key informants. To achieve this, an interview guide will be used to collect primary data (see appendix). The interview will be conducted by the Researcher personally. A total of eight senior employees will be interviewed. The study involved top level management, who mainly consist of managing director, human resource, finance, marketing, ICT respectfully.

The interview guide has unstructured questions which will be used so as to encourage the respondent to give an in-depth response without feeling held back in revealing of any information. With unstructured questions, a respondent’s response may give an insight to his/her feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.4 Data Analysis

The data will be qualitative in nature, due to this fact, content analysis will be used to analyse the data. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

The data will be obtained from the various management team members belonging to different departments and compared against each other in order to get more revelation on the issues under study. This research will yield qualitative data from the interview schedules and analyzed using content analysis because this study seeks to solicit data that
is qualitative in nature. Analysis of data collected will be compared with the theoretical approaches and documentations cited in the literature review.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides an analysis of data collected from the field. The results are presented to highlight the major findings. They are presented according to the research objectives of the study. The study targeted on who mainly consist of managing director, human resource, finance, marketing, ICT. However, only the human resource manager; Mary Wakaba, credit relation manager Eric Silas, operation manager James Kimani and two marketing managers were interviewed at Barclays plaza.

4.2 International Business Transactions at Barclays Bank

The study found that Barclays bank of Kenya does the following international business transactions that is; Internet banking which involves use of internet for delivery of banking products and services. With internet banking, now a person no longer has to confirm to the branches where one has to approach to withdraw cash or deposits a cheque or request a statement of accounts. With internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. The Internet Banking now is more of a normal rather than an exception due to the fact that it is the cheapest way of providing banking services. As indicated by the research, presently traditional banking costs the banks more. Internet banking is convenient for customers, since they can conduct many banking transactions 24 hours a day.
The foreign exchange market (forex, FX or currency market) is a form of exchange for the global decentralized trading of international currencies that financial centers around the world function as anchors of trading between a wide range of different types of buyers and sellers around the clock, with the exception of weekends. The foreign exchange market determines the relative values of different currencies.

The foreign exchange market assists international trade and investment by enabling currency conversion. For example, it permits a business in the United States to import goods from the European Union member states especially Eurozone members and pay Euros, even though its income is in United States dollars. It also supports direct speculation in the value of currencies, and the carry trade, speculation based on the interest rate differential between two currencies.

Barclays Corporate Finance department advises businesses on important corporate transactions, including mergers and acquisitions, initial public offerings, secondary offerings, share buy-backs and management buy-outs. The division is headed by Head of Corporate Finance, it advise the corporate clients by sending them to other countries like USA, Israel to give its clients more exposure on international businesses and benchmark.

Credit Card is “postpaid” or “pay later” card that draws from a credit line-money made available by the card issuer (bank) and gives one a grace period to pay. If the amount is not paid full by the end of the period, one is charged interest. A credit card is nothing but a very small card containing a means of identification, such as a name and a signature of the card holder. It authorizes the holder to change goods or services to his account, on
which he/she is billed. The bank receives the bills from the merchants and pays on behalf of the card holder. These bills are assembled in the bank and the amount is paid to the bank by the card holder totally or by installments. The bank charges the customer a small amount for these services. The card holder need not have to carry money/cash with him/her when he/she travels or goes for purchasing. Credit cards have found widespread acceptance in the ‘metros’ and big cities. Credit cards are joining popularity for online payments. The major players in the Credit card market are the foreign banks and some big public sector banks like Barclays bank of Kenya and Bank of Baroda. Kenya at present has about one million credit cards in circulation.

Many modern banks have computerised their cheque handling process with computer networks and other electronic equipments. These banks are dispensing with the use of paper cheques. The system called electronic fund transfer (EFT) automatically transfers money from one account to another. This system facilitates speedier transfer of funds electronically from any branch to any other branch. In this system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds transfer within the same city is also permitted. The other important type of facility in the EFT system is automated clearing houses. These are the computer centers that handle the bills meant for deposits and the bills meant for payment. In big companies pay is not disbursed by issuing cheques or issuing cash. The payment office directs the computer to credit an employee’s account with the person’s pay.
The e-cheques consists five primary facts. They are the consumers, the merchant, consumer’s bank, the merchant’s bank and the e-mint and the clearing process. This chequing system uses the network services to issue and process payment that emulates real world chequing. The payer issue a digital cheques to the payee and the entire transactions are done through internet. Electronic version of cheques are issued, received and processed. A typical electronic cheque transaction takes place in the following manner:

The customer accesses the merchant server and the merchant server presents its goods to the customer., The consumer selects the goods and purchases them by sending an e-cheque to the merchant., The merchant validates the e-cheque with its bank for payment authorisation., The merchant electronically forwards the e-cheque to its bank., The merchant’s bank forwards the e-cheque to the clearing house for cashing., The clearing house jointly works with the consumer’s bank clears the cheque and transfers the money to the merchant’s banks, The merchant’s bank updates the merchant’s account, The consumer’s bank updates the consumer’s account with the withdrawal information. The interbank market is an important segment of the foreign exchange market. It is a wholesale market through which most currency transactions are channeled. It is mainly used for trading among bankers. The three main constituents of the interbank market are a Foreign Exchange Swap transaction allows you to utilize the funds you have in one currency to fund obligations denominated in a different currency, without incurring foreign exchange risk. It is an effective and efficient cash management tool for companies that have assets and liabilities denominated in different currencies. On the
near date, you swap one currency for another at an agreed foreign exchange rate and agree to swap the currencies back again on a future (far) date at a price agreed upon at the inception of the swap.

The e-chequing is a great boon to big corporate as well as small retailers. Most major banks accept e-cheques. Thus this system offers secure means of collecting payments, transferring value and managing cash flows.

Certificates of deposit (CDs) are time deposits. When you choose a CD, the bank accepts your deposit for a fixed term usually a preset period from six months to five years and pays you interest until maturity. At the end of the term you can cash in your CD for the principal plus the interest you've earned, or roll your account balance over to a new CD. But you must tell the bank what you've decided before the CD matures. Otherwise the bank may automatically roll over your CD to a new CD with the same term at the current interest rate. And you might earn a better interest rate with a CD that has a different term, or one offered by a different bank.

In the past, each CD paid a fixed rate of interest over its term. But today you can also find variable rate CDs, sometimes called market rate CDs. With these accounts, the interest rate may rise and fall with changing market rates or be readjusted on a specific schedule. If the current rate is low, it may make sense to purchase a variable CD. That way, if interest rates rise, you won't miss out on the rate increase. On the other hand, if you expect rates to fall in the future, it may make more sense to buy a fixed-rate CD to lock in the higher rate for a specific term.
International payments service; It's the fastest, most secure way of making an international bank-to-bank transfer to pay people or businesses outside the Kenya. And it all happen electronically so no need to pack your sunglasses. The service is for any business customers who import or who have subsidiaries overseas, with overseas personnel or customers and who currently settle overseas transactions via cheque, International Money Order or Draft.

This service lets you send international and CHAPS payments instructions to Barclays bank by fax. It's handy when you can't get to your computer and it's best for businesses that make five or more payments per quarter, You fax your payment instructions directly to a dedicated team of payment specialists, Available for all CHAPS payments in sterling or euro and all International Payments in any freely traded currency, Sophisticated authentication devices provide a secure means of authorising your payments and Barclays bank can advise you by fax of inbound payments received into your account.

Sometimes, old-fashioned is best. If you would rather not, or can't, make an electronic transfer, this paper-based method means you can place the funds directly into the hands of the recipients., Convenience, Flexibility, Acceptability, Available to Barclays bank account holders only, Available at short notice, Available for any amount in most currencies, Can be drawn on most of Barclays bank branches/correspondents worldwide.
4.3 Influence of external environmental factors on international business transactions at Barclays bank of Kenya

The external environment of a business consists of a set of conditions and influences outside the business, which shape the life and continued existence on the influence of international business transactions at Barclays bank of Kenya. These conditions and influences are outside the firm as a business unit, but they effect changes in the organisation and the business entity cannot control but only adjusts to them. The elements of the business external environment constitute the external environmental factors. Since strategy formulation is futuristic at the banking industry, it is pertinent for strategic managers to keep abreast with the external environmental factors and align their strategic processes with the dynamism of such external factors. The external environmental factors can be captured with the acronym PESTLE. This describes a framework of macro-environmental factors used in the environment.

4.3.1 Political Factors

The study found out that Political factors have significant influence on international business transactions at Barclay bank of Kenya, also of significant relevance as they have direct impact on the functioning and success of its business operation. These entail the extent and process of government direct or indirect intervention and influence on businesses in an economy. Specifically, the political factors that influence international business transactions at Barclay bank of Kenya are: tax policy, labour law, environmental law, trade restrictions, tariffs, incentives, other encouragements and political stability. Political factors may also include goods and services which the government wants to
provide (merit goods) and those that the government does not want to be provided (demerit goods). Furthermore, governments have great influence on the health, education, and infrastructure of a nation.

Political factors impact on banking development and operational efficiencies of banks. Basically, we use the major items of liability and asset of banks to construct operational scale indicators and use these indicators to further generate operational efficiency indicators. Domestic deposits and foreign liabilities, which include foreigner deposits and bank borrowing from foreign markets, are two major generic categories of bank liabilities for most countries.

The study found that political and regulatory changes are usually manifestations of the social and economic conditions and issues. Equally of primary concern to the businesses, their customers and stakeholders are economic considerations which often focus on the direct effects of the exchange of goods and services, the flow of money and the relationships between the participants. Customers are either satisfied, dissatisfied or have a neutral opinion.

Barclays bank of Kenya has been affected by the regulations and policies formulated by various governments in the countries where they are operating. The banking industry was able to adhere to the policies given by each government to make sure that the banking industry will be able to conduct business operations successfully, efficient and
appropriately. In addition to this, the banking industry also formulates their own security and protection business methods against any governmental restrictions and limitations.

The study also found out that is government is hounding the banking industry because of the image if politicians did not and that they did caused the finance crisis; future possible problems include stricter regulations and breaking down the power of the banking sector. The government would also be thinking of a way to get back taxpayers' money that they invested in these institutions and what to do with the banks that have already merged or made acquisitions with other banks.

In a politically stable economy, banks are able to efficiently take deposits and make loans by eliminating asymmetric information and reducing transaction costs. On the other hand a politically unstable economy produce a dramatic future uncertainty and makes it harder for banks to screen good from bad credit risks of the borrowers. The resulting inability of banks to solve the adverse selection problems make them less willing to lend, which leads to a decline in lending and investment. During the period of political instability, it is also difficult for firms to increase their new investments due to the future uncertainty. The needs of bank loans for new investment, especially the long-term investment, are reduced consequently. The future uncertainty of the economy also seriously deters foreign direct investment and the corresponding bank borrowings. On the other hand, domestic or foreign depositors facing such instability and uncertainty are likely to pull money out of banks and run away to avoid the erosion of their asset holdings.
The study indicated that political risk is a key factor for capital flow and financial markets, implying that political instability may significantly affect both bank development and operational efficiencies. They indicate that political instability has a significant and negative impact on economic growth.

4.3.2 Economic Aspect

Being the world’s largest and competent bank, Barclays bank of Kenya is said to have a stable and strong economic stability. In spite of different market risks that this company have encountered in various regions in the global market, the management of Barclays bank of Kenya ensures that the bank would be able to surpass such struggles as well as strives to have a better economic condition. The economic factors that influence on international business transactions at Barclay bank of Kenya include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore the extent to which a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

The study found out that Barclays bank of Kenya is trying to build their balance sheets back up. Barclays bank of Kenya is offering loans at interest rates of 28% on unsecured loans while 22% secured loans. Share prices are recovering, but slowly like the rest of the financial market.
The overall profitability of the Barclays bank of Kenya has improved tremendously over the last 10 years. However despite the overall good picture a critical analysis indicates that, not all banks are profitable. For example the small and medium financial institutions which constitute about 57% of the banking sector posted a combined loss before tax, of Ksh 0.09 billion in 2011 compared to a profit before tax of Ksh 49.01 billion posted by the big financial institutions (CBK, 2011). The huge profit enjoyed by large banks compared to small and medium banks indicates that there are some significant factors that influence the profitability of commercial banks.

Barclays bank of Kenya economic considerations also cover indirect implications of economic activities such as hidden costs of transactions and the externalities borne by the society. In this regard, the most crucial economic questions often pertain to environmental related impacts. Usually, there are some of the multifaceted negative and unintended outcomes of products, processes and operation.

4.3.4 Social Aspect

Barclays bank of Kenya is being affected by the current condition in the society in which they are competing. Along with this, Barclays bank of Kenya is trying even harder to ensure that each society is given equal chances to take advantage of the resources given by the banking industry. The banking industry adheres to having good reputation and relations in the society that they belong. These are the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety nets. Trends in social factors affect the demand for a company's products and how that company operates. For example, an aging population may imply a smaller and less-
willing workforce (thus increasing the cost of labour); government enhanced social insurance scheme may increase the demand for insurance services in a country. Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers). In considering the long standing policies of Barclays bank of Kenya, the bank was not considering sponsorships to any political parties and other organization.

As part of their management approach, Barclays bank of Kenya has been able to regularly contact different special interest group as well as Non-government organization. The company give importance to the need for transparency in what they offer to the public and find the right balance between this and securing the customer and commercial interests. The company has the ability to examine and take immediate actions in line with the plausible and environmental effects of any projects in which they are involved.

The study found out that people are less trusting of banks and the public now see banks as power and money hungry institutions who messed up society. Publicity is not all that good either; bank bonuses are taxed at 50% in order to deter paying them, but banks are still paying them in order to try to keep their star players within their organisation.

4.3.5 Technological Aspect

The emergence of information technology and internet affects how Barclays bank of Kenya has been operating in the past years. The banking industry adopted various information technology or information systems and considered and practiced internet to reach their client and consumer all over the world and to know the latest trends in the
global business. Aside from these, the banking industry also considers the utilizations facilities which help them improve their productions and operations. This component of technological environment that has influence on international business transactions at Barclay bank of Kenya includes aspects such as Research and Development (R&D) activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Technological shifts can affect costs, quality, and stimulate further invention, innovation and competition.

With technology there have been things like the PIN entry device, online banking, etc. There have been credit cards issued before the boom. At the moment, R&D is cooking up new forms of investments to get more business, when confidence in the financial industry is restored. Things are rather slow in these areas as well, except for the fact that banks are now opening on Saturdays as well as on weekdays.

**4.3.6 Environmental Factors**

The managers highlighted that although environmental factors influence international business transactions at Barclays bank, weather, rainy session, climate change and growing awareness to climate change has no great influence on international business transactions. Environmental security and protection is one of the most significant and valuable elements to be considered by different businesses by Barclays bank of Kenya. These include environmental aspects such as weather, climate, and climate change, which may affect industries like tourism, farming, and insurance. Growing awareness of the
potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Banking industry does not emphasize in the environment in their actions, there is a possibility of facing problems within the society. In these elements and aspects Barclays bank of Kenya develops environmental security and protection business methods to adhere to this worldwide need. In addition, the banking industry is always trying to join in environmental security and protection campaign by sponsoring some banking industries having this type of advocacy.

4.3.7 Legal Factors

The study found out that Legal factors influence international business transactions at Barclays bank of Kenya. The factors included in this component are discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products. The policies and regulations offered by the government and the trade industries, both local and international give permission to the banking industry to be more cautious in their business actions. To avoid problems in line with their business practice, the banking industry sees to it that all their actions are legal and aspired to highest standards.

The study found that corruption lowers investment and retards economic growth to a significant extent; it reduces the effectiveness of aid flows through the diversion of funds; it leads to loss of tax revenue and to adverse budgetary consequences; it leads to lower
quality of infrastructure and public services; it distort the composition of government expenditure; it distorts the allocation of resources and undermines competition in the market place; it harms consumers and taxpayers, it develops a threat to taxpayer confidence; it make country credit ratings to drop and it lessens trade with other countries; it lowers growth.

The study identified that there are Convention that requires the parties to take necessary measures at the bank, within the framework of their relevant laws and regulations, to prohibit the establishment of off-the-books accounts and similar practices used to bribe foreign public officials or to hide such bribery. Parties are to make bribery of foreign public officials a predicate offense for purposes of money laundering legislation on the same terms as bribery of domestic public officials. Jurisdiction is to be established over offenses that are committed in whole or in part in each party's territory.

4.4 Summary of findings compared to Literature Review

According to Viswanathan, and Dickson (2006), Multinational companies should understand that the external environment factors are different across the regions of the world. Many former centrally planned economies, for example, are still heavily protected by the government. This corresponds to the study in that Barclays bank of Kenya does the following international business transactions that are; Internet banking involves use of internet for delivery of banking products and services. With internet banking is now no longer confirmed to the branches where one has to approach the branch in person, to withdraw cash or deposits a cheque or requests a statement of accounts. In internet
banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. The Internet Banking now is more of a normal rather than an exception due to the fact that it is the cheapest way of providing banking services. As indicated by the research, presently traditional banking costs the banks, more than a dollar per person, convenience for customers, since they can conduct many banking transaction 24 hours a day. Barclays Corporate Finance department advises businesses on important corporate transactions, including mergers and acquisitions, initial public offerings, secondary offerings, share buy-backs and management buy-outs.

According to Vignali, Vrontis, and Vranecvic (2003), Political factors that influence internation business transaction include Stability of government, Social policies, Trade regulations, Tax policies and Entry mode regulations that influence and limit organisations and individuals in a given society. The study found out that Political factors have significant influence on international business transactions at Barclay bank of Kenya also of significant relevance as they have direct impact on the functioning and success of its business operation. These entail the extent and process of government direct or indirect intervention and influence on businesses in an economy. Specifically, the political factors that influence international business transactions at Barclay bank of Kenya tax policy, labour law, environmental law, trade restrictions, tariffs, incentives, other encouragements and political stability. Political factors may also include goods and services which the government wants to provide merit goods and those that the government does not want to be provided demerit goods. Furthermore, governments have great influence on the health, education, and infrastructure of a nation.
Economic factors refer to the character and direction of the economic system within which the firm operates. Economic factors include the balance of payments, the state of the business cycle, the distribution of income within the population, and governmental monetary and fiscal policies. Other economic factors include exchange rates, inflation levels, income growth, debt and saving levels, which impact available money and consumer and business confidence. The current state of world stock markets is a typical example of the volatility of economic factors. Key measures of economic factors include: GDP/GNP, inflation, interest rates, exchange rates, fiscal and monetary policy, wage and price controls and unemployment figures (Turner, 2002). The study found out that the higher interest rates because of the high default rates over the last few years. Liquidity of bank is a worry but nothing is happening in the interbank market. at the same time, Barclays Bank of Kenya is trying to build their balance sheets back up. The economic factors that influence on international business transactions at Barclay bank of Kenya include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore the extent to which a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

The sociocultural dimensions of the environment consist of customs, lifestyles, and values that characterize the society in which the firm operates. Socio-cultural components of the environment influence the ability of the firm to obtain resources, make its goods and services, and function within the society (Arnold and Reynolds, 2003). Socio-cultural
factors include anything within the context of society that has the potential to affect an organization. Population demographics, rising educational levels, norms and values, and attitudes toward social responsibility are examples of sociocultural variables. Barclays Bank of Kenya is being affected by the current condition in the society in which they are competing. Along with this, Barclays Bank of Kenya is trying even harder to ensure sure that each society is given equal chances to take advantage of the resources given by the banking industry. The banking industry adheres to having good reputation and relations in the society that they belong. These are the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety nets. Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers). In considering the long-standing policies of Barclays Bank of Kenya, the company were not considering sponsorships to any political parties and other organization.

Drucker (2002) argues that technology has become more important, because customers are changing as distribution systems in relation to technology and competition. The emergence of information technology and internet affects how Barclays Bank of Kenya has been operating in the past years. The banking industry adopts various IT/IS systems and considered and practiced internet to reach their client and consumer all over the world and to know the latest trends in the global business. The emergence of information technology and internet affects how Barclays Bank of Kenya has been operating in the past years. The banking industry adopts various IT/IS systems and considered and
practiced internet to reach their client and consumer all over the world and to know the latest trends in the global business.

According to Daniels, Radebaugh and Sullivan (2007), climate changes are occurring due to global warming. With greater environmental awareness this external factor is becoming a significant issue for firms to consider. Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, banking industry (Andrews, 1987, Mintzberg et al 2003). The managers highlighted that although environmental factors influence international business transactions, at Barclays bank weather, rainy session, climate change and growing awareness to climate change has no great influence on international business transactions. Environmental security and protection is one of the most significant and valuable elements to be considered by different businesses by Barclays bank of Kenya. These include environmental aspects such as weather, climate, and climate change, which may affect industries like tourism, farming, and insurance. Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

It is argued that the legal ramifications of marketing a product internationally are very complicated (Vrontis and Vronti, 2004). The study identified that each country has their own legal system and when a company internationalises then it must keep within these legal systems. The study found out that Legal factors influence international business transactions at Barclays Bank of Kenya. These factors Include in this component are
discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products. The policies and regulations offered by the government and the trade industries, both local and international give permission to the banking industry to be more cautious in their business actions.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

On the issue of impact of external environmental factors on international business transactions at Barclays bank of Kenya, the study established that the major economic factors that have a high impact on performance were profit motives, exchange rates, inflation (effect on costs and selling prices), policy towards unemployment (minimum wage, unemployment benefits, grants), government spending (overall level; specific spending priorities) and monetary policy (interest rates).

On the area of social factors on international business transactions at Barclays bank of Kenya, the study revealed that the social factors that had a high impact on performance of Barclays bank of Kenya were health consciousness, lifestyle changes, income distribution and emphasis on safety. On the topic of technological factors, most respondents cited that transportation, rate of technological change and internet has a high impact on international business transactions at Barclays bank of Kenya.

5.2 Conclusion

The study concludes that political and legal factors affect international business transactions at Barclays bank of Kenya and these include political stability, tax policy, consumer protection, trade restrictions and tariffs and environmental regulations. The study concludes that there are effects of economic factors on international business transactions at Barclays bank of Kenya. Profit motives, exchange rates, inflation (effect
on costs and selling prices), policy towards unemployment (minimum wage, unemployment benefits, grants), government spending (overall level; specific spending priorities) and monetary policy (interest rates have a high impact on international business transactions at Barclays bank of Kenya.

The study concludes that socio-cultural factors affect the performance of Barclays bank of Kenya to a high extent and these include: health consciousness, lifestyle changes, income distribution and emphasis on safety.

The study further concludes that transportation, internet, rate of technological change and internet had a high impact of technological factors on international business transactions at Barclays bank of Kenya.

5.3 Recommendations

The study recommends that in order for Barclays bank of Kenya to improve on performance, there is need improve their market positions over time through both innovation and imitation. In addition, there is need to employ various strategies in a competing environment to increase productivity and performance.
REFERENCES


Weitzman, M. L. (2008), On modeling and interpreting the economics of climate change, *Harvard University*. 

49
APPENDICES

Appendix I: School Introduction Letter

TO WHOM IT MAY CONCERN

The bearer of this letter, Michael Kiraru Ndingu (Registration No. DC1161898/2010), is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance in enabling him/her to collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

Immaculate Omono
MBA Administrator
MBA Office, Ambank House

07. NOV 2012
Appendix II: Student Introduction Letter

MICHAEL KIRARU NDUNGU

P.O BOX 24654, 00100
NAIROBI

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Master of Business Administration. As part of my coursework, I am required to carry out and submit a research project report on external environmental factors influencing international business transactions at Barclays bank of Kenya.

To achieve this objective, I kindly request for your assistance in completing the attached copy questionnaire. I assure you the information you provide is purely for academic purposes and will be treated with utmost confidentiality. Should the finding of this Research Project be of interested to you or your organization, a copy would be available at the University of Nairobi Library.

Yours faithfully,

MICHAEL KIRARU NDUNGU
Appendix III: Interview Guide

1. What is your designation? ..............................................

2. How long have you been working in your present capacity?  
..........................................................................

3. How long have you worked for the industry? 
..........................................................................

4. What are the international business transactions at Barclays bank of Kenya how are  
they carried out? 
..........................................................................

5. To what extent do the following political factors influence international business  
transactions at Barclays bank of Kenya? 
   a) Falling trade barriers 
   b) Political stability 
   c) Intellectual property 
   d) Tax policy 
   e) Employment laws 
   f) Environmental regulations 
   g) Trade restrictions and tariffs 
   h) Environmental regulation and protection 
   i) Consumer protection and regulation 

6. To what extent do the following economical factors influence international business  
transactions at Barclays bank of Kenya? 
   a) Economic systems 
   b) Economic growth (overall; by industry sector)
c) Monetary policy (interest rates)

d) Government spending (overall level; specific spending priorities)

e) Policy towards unemployment (minimum wage, unemployment benefits, grants)

f) Inflation (effect on costs and selling prices)

g) Profit motives

h) Foreign direct investment (FDI)

i) Portfolio investments

j) Exchange rates

7. To what extent do the following social factors influence international business transactions at Barclays bank of Kenya?

a) Religion

b) Cultural factors

c) Health consciousness

d) Population growth rate

e) Age distribution

f) Career attitudes

g) Emphasis on safety

h) Income distribution (change in distribution of disposable income;

i) Lifestyle changes (e.g. Home working, single households)

j) Attitudes to work and leisure

8. To what extent do the following technological factors influence international business transactions at Barclays bank of Kenya?
a) Telecommunications  
b) Internet  
c) Transportation  
d) Internet  
e) R&D activity  
f) Automation  
g) Technology incentives  
h) rate of technological change

9. To what extent do the following environmental factors influence international business transactions at Barclays bank of Kenya?
   a) Weather  
   b) Rainy session  
   c) Climate change,  
   d) Growing awareness to climate change

10. To what extent do the following Legal factors influence international business transactions at Barclays bank of Kenya?
    a) Discrimination law  
    b) Consumer law  
    c) Antitrust law  
    d) Employment law  
    e) Health and safety law