ENHANCING MANAGEMENT OF EXPORT DOCUMENTARY DISCREPANCY: A LINEAR REGRESSION ANALYSIS

Sut Sakchutchawarn, State University of New York, Plattsburgh, U.S.A

dx.doi.org/10.18374/JABE-22-4.6

ABSTRACT

The predicament of export documentary discrepancy presented to banks for export process has been a significant worldwide problem for years. This has been a serious issue for exporters, importers, financial institutions, and trading companies when discrepancies on export documents were found by financial institutions during the procedural presentations of documents resulting in no payments, delays of financing, and unnecessary holding of merchandise. This article demonstrates the problem of export documentary discrepancy built in by the complexity of the documentary credit created by foreign banks. While this issue continues to grow significantly, no investigation has been taken to find out about causes and effects on this problem. This paper employs a Linear Regression Analysis to determine if documentary credit's terms and conditions caused relevant discrepancies. This article offers a solution to overcome the problems practically. Digital standardization of the process is also recommended for enhancing management.

Keywords: *Digital Standardization, Terms of Letter of Credit, Documentary Discrepancy*

1. INTRODUCTION

International trade in terms of exporting is significant to the worldwide economic growth. The growth of exporting contributes to national economic growth and creates new opportunities for international business. However, exporters need to know and understand regulations, nature, and the international environment of trade. International trade rules are important for buyers and sellers since they could create trade barriers for all concerned parties. The current international trade rules are called UCP. It is a CUP 600 edition which contains legal language and ambiguity. The ICC established these rules to govern trade transactions. The rules include banking operations, trade transactions, shipping terms, insurance, pricing, freights, logistics, etc. Additionally, sellers must understand other trade barriers such as quota systems and tariffs imposed by foreign governments in order to facilitate international trade transactions effectively.

"There are many methods in payment collection when exporters trade internationally. Letter of credit continues to be the widely used mechanism for effecting payments required under international trade transactions" (Burnett, 2004) since it provides the security for exporters to receive payments. The risk is too high for sellers or exporters to facilitate an open account method for importers or buyers in foreign countries. However, the operations of the letter of credit procedure are complex by their nature. "*This is due to the fact that there are four parties involved in the letter of credit process and because of the requirements of the Uniform Customs and Practice rules that govern these transactions as well"* (Sakchutchawarn, 2022).

Practically, when sellers or exports receive purchase orders from buyers or importers, they prepare merchandise as ordered. The merchandise will be shipped accordingly. To collect payments for trade transactions, sellers will prepare documents and present them to their bank for payment collection. Prior to making payments to sellers or exports, the bank is obligated to examine export documents as governed by the Uniform Customs and Practice. The bank will not make payments if they find discrepancies. On the other hand, the payment will be effective if there are no discrepancies (Sakchutchawarn, 2016).

According to many scholars, "*there were often issues of sending of export for negotiation. They were not conformed with international trade rules and requirements of documentary credit"* (Mann, 2000). The banks often found documentary discrepancies in the process of examination and negotiation. The seller or exporter has an option to revise their documents or send them to the buyer or importer for approval of