



Daffodil
International
University

INTERNSHIP REPORT ON

“Revolutionizing Letter of credit: The Role of FinTech in Transforming Trade Finance”

Report Prepared For

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Letter of transmittal

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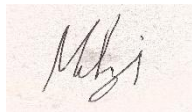
Subject: Submission of the internship report on “Revolutionizing Letter of credit: The Role of FinTech in Transforming Trade Finance”.

Sir,

With due respect and honor, I am a student of yours, would like to formally submit my internship report. The title of the report is ‘Revolutionizing Letter of credit: The Role of FinTech in Transforming Trade Finance’. This report has been prepared to fulfill the requirement of my internship program. I have tried my best to present my ideas and findings as clearly as I could within the time and resource available. This has been a great source of learning for me to conduct similar types of studies in the future.

I would like to express my sincere gratitude to you for your guidance and suggestions for preparing the report. I would like to mention that there might be some unintentional errors in the report. I hope that you will consider my shortcomings while you evaluate my paper.

Sincerely yours,



Mahadi Hasam Khan

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Daffodil International University

Acknowledgement

At first, I express my deep gratefulness to the Almighty God for giving me assistance in the way of life. I feel satisfied and glad that I have completed this study within specific duration. A large number of people contributed significantly to making this report possible.

I would like to express my special gratitude to my Supervisor Dr. Md. Azizur Rahman, Associate Professor and Associate Head of Finance for his motivating inspiration, kind direction, valuable suggestions and advices me to prepare this report. Without his contribution, it would not be possible for me to complete this paper. This is indeed a good way of learning and I really appreciate his efforts towards giving me a proper line of directions.

I am highly obliged in taking the opportunity of conveying my heartfelt acknowledgement to different officials of Dhaka bank PLC to assist me with their pertinent views on different discussion points of this report as well as in collecting data.

I am also extending my heartfelt thanks to this faculties of BBA Program for their continuous support, assistance, and inspiration through the accomplishment of this task.

Finally, once again, thanks to my supervisor for his guidance and support throughout the whole paper presentation and for sharing his valuable time to read my paper and providing valuable feedback to update it.

I am also hoping that this paper and the understandings of the task will greatly help me in my future professional life in order to illuminate my career.

Certificate of approval

This is to certify that Mahadi Hasan Khan, student of Bachelor of Business Administration (BBA), Major in Finance of Daffodil International University has completed his Internship Report on “Revolutionizing Letter of credit: The Role of FinTech in Transforming Trade Finance”.

I believe that he has completed this report himself while he was performing internship in Dhaka Bank Limited.

I wish him every success in his life.



Dr. Md. Azizur Rahman

Associate Professor and Associate Head of Finance

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Student Declaration

I do hereby state that the work presented in this internship report has not been previously submitted to any other university/college or organization for any academic degree.

The work I have presented does not have any existing copyright and no part of this report copied from any work done earlier for a degree or otherwise.



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Executive Summary:

This report studies the current inefficiencies in the Letter of Credit (LC) process and explores the potential of blockchain technology to enhance trade finance operations. The study highlights the challenges of the traditional LC system, including delays, extensive paperwork, lack of transparency, regulatory complexities, and security vulnerabilities. These flaws contribute to inefficiencies that hinder the smooth transactions of international trade.

To address these issues, blockchain technology offers a solution by introducing transparency, security, and efficiency through its distributed ledger system. Blockchain can simplify document verification, reduce processing times, and minimize fraud risks.

However, the study also highlights challenges in incorporating blockchain into the LC process. High implementation costs, regulatory barriers, and a lack of technical expertise stand as significant obstacles. Despite these challenges, the research findings reveal a strong interest among financial institutions and stakeholders in adopting blockchain solutions, emphasizing its potential to revolutionize trade finance.

The report is based on primary data collected through surveys involving multiple banks supported by a comprehensive literature review. It concludes that while blockchain is not yet a broad solution, its adoption could address many of the inefficiencies in the current LC system, making the way for a more secure, transparent, and efficient trade finance process. Recommendations for addressing integration challenges and maximizing blockchain's benefits are also provided.

Table of Contents

Letter of transmittal	ii
Acknowledgement	iii
Certificate of approval	iv
Student Declaration	v
Executive Summary:	vi
Title: Revolutionizing Letter of credit: The Role of FinTech in Transforming Trade Finance.	2
Chapter One: Introduction	3
1.1- Background of the Study	4
1.2- Problem Statement	5
1.3- Brief Summary of the Literature:	6
1.4- Objective of the study:	6
1.5- Scope of the Study:	7
1.6- Significance of the Study:	7
1.7- Limitation of the Study:	8
Chapter Two: Literature Review	10
2.1- Theoretical Review:	10
2.2- Empirical Review:	12
2.3- Literature Gap Analysis:	14
Chapter Three: Methodology of the Study	16
3.1- Sampling and Sample Selection:	16
3.2- Variables and Data Overview:	17
Chapter Four: Findings and Analysis	19
4.1 Findings of Objective One: Problems we face in traditional Letter of credit Process.	20
4.2 Findings of Objective Two: Benefits and challenges of blockchain of Blockchain technology in relation to Letter of credit.	25
Chapter Five: Discussion of Results	34
Chapter Six: Conclusion	37
Reference	39

Title:

Revolutionizing Letter of credit: The Role of FinTech in Transforming Trade Finance.

Chapter One: Introduction

1.1- Background of the Study

The letter of credit (LC) is a cornerstone of international trade, serving as a payment mechanism that assures sellers receive payment and buyers receive goods as expected. In essence, an LC guarantees transaction security by involving banks as intermediaries, reducing the risk of non-payment and ensuring trust between trading parties who may be unfamiliar with each other. Despite its importance, the LC process has long been criticized for inefficiencies due to its reliance on extensive paperwork, complex procedures, and time-consuming verification processes. These traditional practices increase costs, slow down transactions, and create vulnerabilities to fraud, counterfeiting, and human error.

In recent years, fintech—financial technology—has emerged as a disruptive force, introducing innovative solutions aimed at enhancing efficiency, transparency, and security in various financial services. Within the realm of trade finance, blockchain technology, a form of distributed ledger technology, is particularly noteworthy. Blockchain enables secure, transparent, and tamper-resistant record-keeping, making it a promising tool for transforming the LC process. By using blockchain, trade finance could shift from paper-based documentation to digital records, enabling faster transaction processing and minimizing fraud risks.

Many global banks and financial institutions are exploring blockchain applications in trade finance, but practical adoption remains limited, particularly in developing countries like Bangladesh. Understanding the potential and challenges of integrating blockchain could be crucial for enhancing competitiveness and service quality. This study examines how fintech innovations, specifically blockchain, could address existing challenges in the LC process, enhance operational efficiency, and offer a more secure and streamlined trade finance solution for the industry.

1.2- Problem Statement

The traditional letter of credit (LC) system in trade finance faces multiple challenges that hinder its efficiency and reliability. One of the primary issues is inefficiency and high costs due to its dependence on extensive paperwork and manual processes. The verification of documents and approvals from multiple intermediaries result in longer transaction times and high costs, making trade finance less accessible, particularly for small and medium-sized businesses. Additionally, the dependence on physical documentation exposes the LC process to significant risks of fraud and manipulation. Forged documents, duplicate financing, and tampered records often lead to financial losses and dissolving trust between trading partners. Furthermore, the traditional LC system lacks transparency, as there is no real-time, accessible platform for all parties involved. This lack of clarity increases the likelihood of misunderstandings, disputes, and transaction delays, further complicating the trade finance process. While modern technologies like blockchain have the potential to address these inefficiencies, their integration presents another layer of challenges. Regulatory uncertainties, the absence of standardized protocols, and compatibility issues with existing financial systems pose barriers to the adoption of blockchain-based LCs. Despite these obstacles, blockchain offers promising solutions such as enhanced transparency, improved security, and streamlined operations, which could transform trade finance. This study explores the extent to which FinTech, particularly blockchain technology, can address these longstanding challenges. By assessing its benefits and limitations, the research aims to provide valuable insights into how blockchain can improve efficiency, security, and accessibility in the LC process, ultimately reshaping the future of trade finance.

1.3- Brief Summary of the Literature:

One of the most established instruments in trade finance is the letter of credit (LC), which functions as a financial guarantee, ensuring that payment is made by the importer once the exporter fulfills specific conditions. Traditionally, LCs are issued and processed through banks and involve a series of manual steps and extensive paperwork, creating a complex, time-consuming, and costly process. This traditional model of LCs, though secure, has long been criticized for its inefficiencies and the high risks of discrepancies.

Financial technology, or FinTech innovations have introduced digital tools that streamline and automate financial processes, creating more efficient, secure, and accessible solutions for businesses worldwide

Blockchain, a decentralized digital ledger that records transactions in a secure and immutable manner, has the potential to eliminate paperwork, enhance transparency, and reduce the risk of fraud by creating a shared digital record accessible to all stakeholders. The adoption of blockchain and other FinTech solutions in trade finance is transforming the LC landscape. By enabling digital LCs and smart contracts, blockchain can automate the verification process, significantly reduce processing time, and lower costs associated with traditional LCs. This transformation is especially beneficial for small and medium-sized enterprises, which often face challenges in accessing trade finance due to high transaction costs and complex processes.

However, while blockchain and FinTech hold great promise, the adoption of these technologies is still in its early stages as Blockchain technology faces challenges such as Regulatory uncertainties, compatibility issues and implementation of blockchain in trade finance. Despite these challenges, the financial industry is increasingly recognizing the potential of blockchain to modernize the LC process and improve trade finance as a whole.

1.4- Objective of the study:

To assess how fintech innovations improve the efficiency and security of the letter of credit process.

To Analyze the opportunities and challenges of integrating fintech into the letter of credit system

1.5- Scope of the Study:

During my internship at Dhaka Bank, I observed firsthand how the team in the Letter of Credit (LC) department managed trade finance operations. Their work involved extensive paperwork, verification processes, and coordination with various parties, all aimed at ensuring secure and efficient transactions. This experience highlighted both the strengths and limitations of traditional LC procedures.

This study focuses on the potential impact of blockchain technology on the letter of credit (LC) process, with specific insights drawn from my internship experience at Dhaka Bank.

1.6- Significance of the Study:

To Highlight Problems in the Current LC Process:

This study sheds light on the inefficiencies, high costs, and risks of fraud inherent in traditional letter of credit processes, especially for small and medium-sized enterprises (SMEs). By understanding these challenges, the study underscores the need for innovative solutions in trade finance.

To explore and identify blockchain's potential benefits for LCs while examining the challenges it faces in adoption:

By examining blockchain technology, this study demonstrates how its transparency, security, and efficiency could transform the LC process. The potential for reduced costs, faster transactions, and increased accessibility for SMEs is analyzed, showing how blockchain can address many existing limitations in trade finance. The study also discusses the regulatory, technical, and organizational challenges blockchain must overcome to be effectively implemented in LCs. This provides a balanced perspective, recognizing both blockchain's potential and the obstacles to its widespread adoption in the financial industry.

1.7- Limitation of the Study:

As an intern at Dhaka Bank, I was unable to work directly on any LC projects due to the confidential nature of most LC-related operations. The insights gained into the procedures of LC were primarily derived from second-hand experience and the guidance

provided by my superiors. Additionally, since blockchain technology remains in its early and experimental stages, the theoretical understanding of its applications may evolve over time as the technology matures. This study focuses exclusively on how blockchain can impact the traditional LC process in the future, leaving out discussions on other FinTech innovations or breakthroughs

Chapter Two: Literature Review

2.1- Theoretical Review:

The theoretical foundation of this study centers on the concepts of letters of credit (LC), financial technology (fintech), and blockchain technology. Each of these areas plays a critical role in understanding the potential for modern technology to revolutionize trade finance, particularly through the integration of blockchain into the LC process.

Letters of Credit (LC) are well-established financial instruments that serve as payment guarantees in international trade. Traditionally, an LC is issued by a bank on behalf of a buyer to make guarantee the seller that payment will be made if the seller meets certain conditions, such as the timely delivery of goods. This process provides security and trust between parties who may not have any direct relationship, which is crucial in global transactions. However, the traditional LC process is both document-heavy and time-intensive. Numerous parties are involved, including the issuing bank, the advising bank, and sometimes intermediary banks, leading to a series of verifications, compliance checks, and documentation procedures that can take days or even weeks to complete. While this complexity ensures security, it also introduces inefficiencies, high costs, and risks of human error or fraud.

Financial Technology (Fintech) encompasses innovations that aim to improve the efficiency, accessibility, and security of financial services. Fintech has introduced various tools that help streamline processes within trade finance, such as digital payments, automated compliance checks, and online trade platforms. The theory of digital transformation in financial services suggests that fintech can drive efficiency by automating repetitive tasks, reducing the reliance on paper-based processes, and enhancing data transparency. In the LC context, fintech solutions can reduce processing times and increase transaction transparency, making trade finance more efficient and less susceptible to fraud. As a result, there is significant interest in applying fintech to LC operations to create a seamless and faster system.

Blockchain Technology is a decentralized, distributed ledger technology that has recently garnered attention as a transformative tool in finance. A blockchain is composed of a series of "blocks" that store data securely across a network of computers, which are linked through cryptographic protocols to create a tamper-resistant chain of records. The defining characteristics of blockchain—transparency, immutability, and security—make it a promising technology for industries reliant on secure data management. In trade finance, blockchain has the potential to address the long-standing issues within the LC process by

providing a single, decentralized platform where all parties can access and verify transaction data in real-time.

The literature theorizes that blockchain technology, when applied to LCs, can effectively transform the trade finance landscape. Research indicates that by creating a digital, transparent, and automated environment, blockchain can mitigate many of the issues present in traditional LC transactions, such as lengthy processing times, high costs, and risks of documentation fraud. This study aims to explore these theoretical applications of blockchain within the specific context of Dhaka Bank, analyzing how blockchain could be integrated into its LC process to optimize operations and address existing inefficiencies.

2.2- Empirical Review:

Several studies highlight the limitations of traditional LC processes, pointing out that they are often bogged down by manual paperwork, high costs, and lengthy processing times. For example, a 2019 study by the International Chamber of Commerce (ICC) found that

over 60% of global LC transactions involve errors or discrepancies, requiring additional verification steps that delay processing times. These inefficiencies result in higher operational costs and can strain relationships between trading partners. Observations from Dhaka Bank's LC department align with these findings, where extensive paperwork and multi-step verification processes can slow down transactions, adding to the overall cost and workload.

[\(ICC TRADE\)](#)

As fintech solutions emerge, several pilot projects and case studies have demonstrated blockchain's potential to address these inefficiencies in LC processing. For instance, in 2020, [HSBC and Standard](#) Chartered successfully conducted blockchain-based LC transactions on the Voltron platform (now Contour), a decentralized network that allows parties in an LC transaction to exchange documents and verify records in real-time. These transactions reportedly reduced processing times from 5–10 days to less than 24 hours, highlighting blockchain's potential to drastically improve transaction speed and efficiency.

Empirical research also reveals important benefits of blockchain's transparency and security. A study conducted by [Deloitte 2021](#) examined a blockchain implementation in the trade finance operations of a large Asian bank and found that blockchain's transparency enabled all parties to view and verify transaction details simultaneously, which helped reduce the risk of fraud and improved trust among stakeholders. This finding is particularly relevant in LC transactions, where trust between exporters and importers is essential but often limited due to lack of direct relationships. Blockchain's immutable ledger system provides an additional layer of security, as transaction data cannot be altered once recorded, significantly reducing the likelihood of fraud or errors.

However, empirical studies also underscore several challenges in adopting blockchain in trade finance. For instance, a 2022 report by the [Asian Development Bank \(ADB\)](#) identifies regulatory uncertainty and the lack of standardized protocols as significant obstacles to blockchain adoption. Since LC transactions often involve multiple countries, different regulatory requirements may apply, creating complexity for banks aiming to implement blockchain on a global scale. Additionally, a study by Accenture (2023) found that the initial costs of implementing blockchain technology, including infrastructure and employee training, can be prohibitive for smaller banks or banks in emerging markets,

such as Dhaka Bank. This study also noted the challenge of integrating blockchain with legacy systems that banks currently use, requiring significant investment in IT upgrades.

The empirical review suggests that while blockchain holds considerable promise for transforming the LC process by improving speed, security, and transparency, its implementation is not without obstacles. These include regulatory and infrastructural challenges, especially in developing countries. Nonetheless, industry experiments and pilot projects indicate that banks willing to invest in blockchain technology could achieve substantial long-term benefits. This study aims to build on these empirical findings, examining how banks could overcome these challenges and leverage blockchain to improve its LC operations.

2.3- Literature Gap Analysis:

While extensive literature examines the potential of blockchain in transforming financial services, there are notable gaps, particularly in the context of its application to the letter of credit (LC) process in emerging economies. Much of the existing research, such as studies by [Deloitte 2021](#) and the International Chamber of Commerce [\(ICC TRADE\)](#), focuses on

blockchain's benefits in reducing processing time, enhancing transparency, and minimizing fraud in LC transactions. However, these studies largely examine blockchain adoption within well-resourced banks or financial institutions in developed economies. There is limited research on blockchain's practical implementation in developing countries, where banks face different challenges, such as budget constraints, regulatory uncertainty, and limited access to advanced technology.

Another gap in the literature relates to the cost and feasibility of integrating blockchain into existing legacy systems used by banks for LC transactions. Studies often discuss blockchain's technical advantages but provide minimal insight into the specific costs, time, and technical requirements needed to implement blockchain alongside traditional systems. This information is critical for banks where limited financial and technical resources may affect the decision to adopt new technologies.

Additionally, while several empirical studies discuss blockchain pilot projects (e.g., [HSBC's Voltron transactions](#)), few explore long-term case studies that assess the technology's impact beyond initial trials. These studies rarely address operational issues that might arise as blockchain-based LC transactions become part of daily operations. The absence of longitudinal studies leaves questions about blockchain's sustainability, scalability, and integration with broader banking ecosystems unanswered.

Chapter Three: Methodology of the Study

3.1- Sampling and Sample Selection:

The study targeted bank employees, particularly those involved in trade finance and the letter of credit (LC) processes. To gather data, I personally visited three banks and explained the purpose of the study, encouraging employees to participate in a survey. Additionally, I sent survey links via email to employees of six banks, providing a broader reach.

In total, I received 65 responses combined from these six private commercial banks, which form the basis of this study.

Serial No:	Bank Name:
1	Dhaka Bank
2	Prime Bank
3	Brac Bank
4	City Bank
5	Eastern Bank
6	One Bank

3.2- Variables and Data Overview:

The survey focused on two main areas:

1. Problems we face in traditional Letter of credit Process
2. Benefits of Blockchain and challenges of integrating blockchain into the LC system.

The survey was designed using Google Forms and included both quantitative and qualitative questions. Participants were asked to rate their experiences with LC processes, assess potential improvements through blockchain, and share challenges. Insights on practical and regulatory

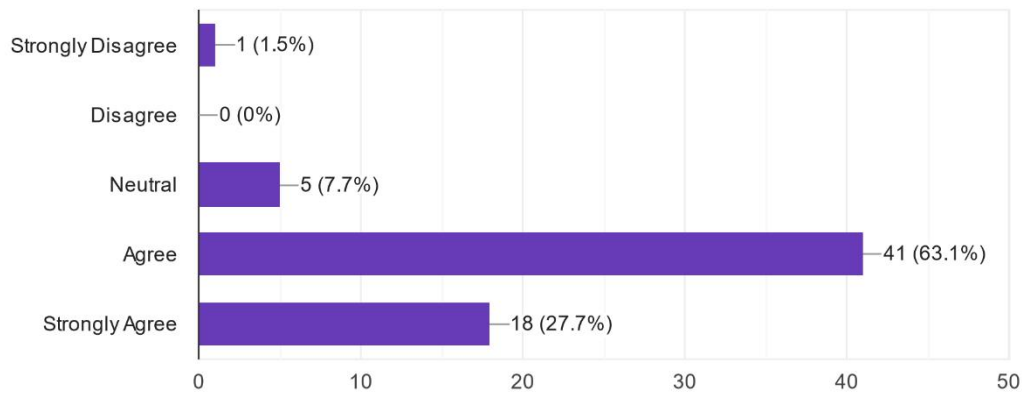
Chapter Four: Findings and Analysis

This section presents the results of the study, structured around the three key objectives. The first objective examines the existing problems in the traditional Letter of Credit (LC) process, identifying inefficiencies and challenges faced by stakeholders. The second objective explores the potential benefits of integrating blockchain technology to improve efficiency and security in the LC process. Finally, the third objective analyzes the challenges associated with adopting blockchain in the LC system, shedding light on the practical considerations for implementation. Together, these findings provide a comprehensive understanding of how fintech innovations can revolutionize trade finance

4.1 Findings of Objective One: Problems we face in traditional Letter of credit Process.

Slow and lengthy traditional process with a lot of extensive paperwork.

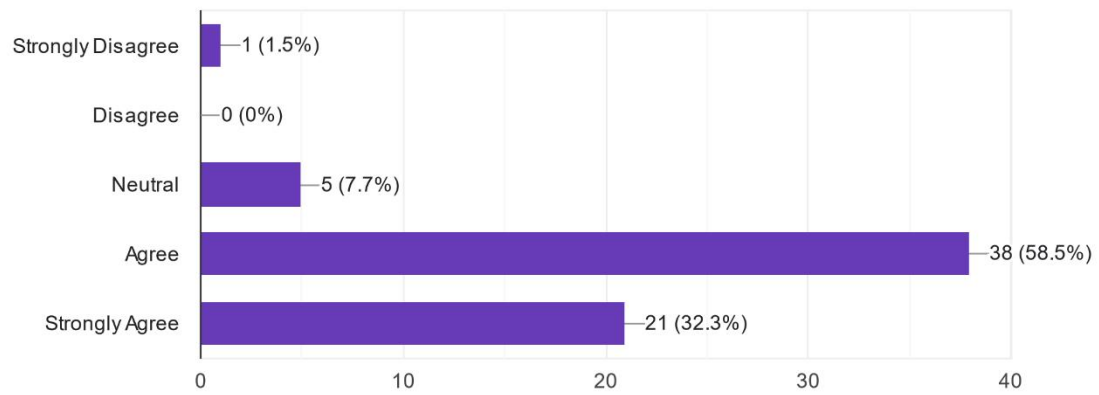
65 responses



The survey revealed that 63.1% of respondents agreed, while 27.7% strongly agreed, that the traditional Letter of Credit process is slow and involves extensive paperwork. This highlights a critical inefficiency, with most of participants acknowledging delays as a significant issue in the current LC system. Only a minimal percentage (1.5%) strongly disagreed with this statement, indicating widespread dissatisfaction.

Lack of transparency can make it difficult to accurately reflect current market rate.

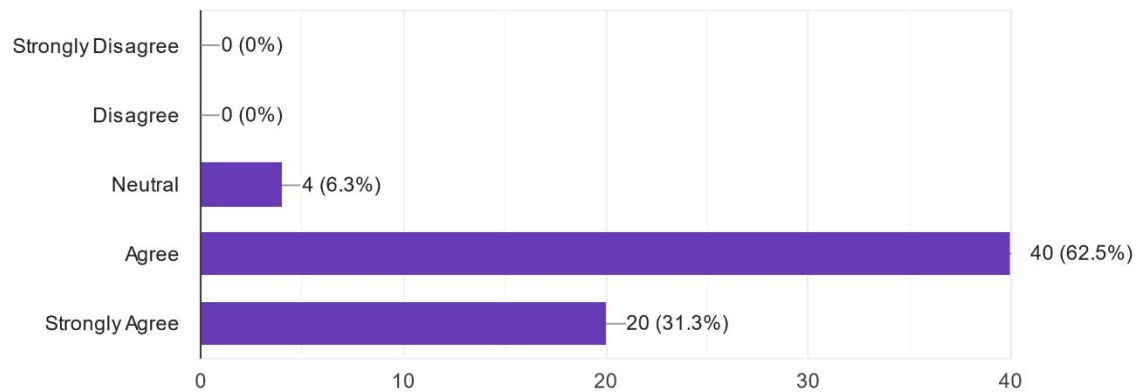
65 responses



A significant portion of respondents, 58.5% agreeing and 32.3% strongly agreeing, identified the lack of transparency as a key issue in accurately reflecting current market rates in the traditional LC process. Only 7.7% remained neutral, and a negligible 1.5% strongly disagreed.

Documents can be at risk of duplicated and altered.

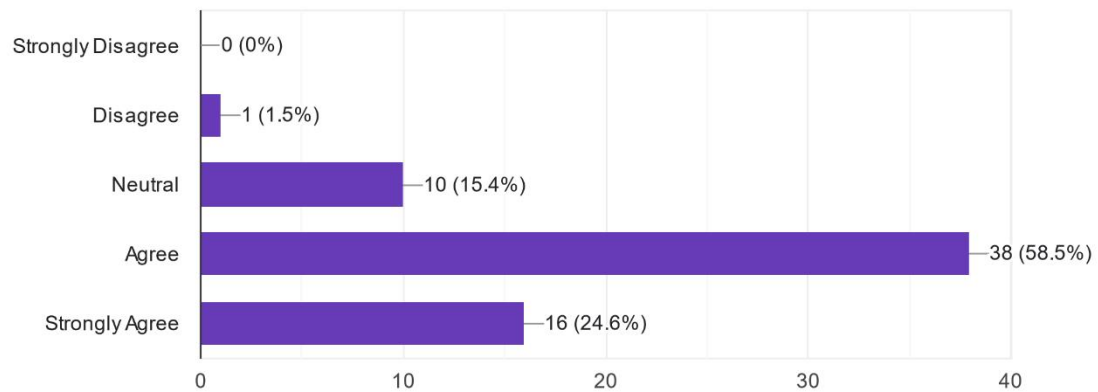
64 responses



An overwhelming majority of respondents, 62.5% agreeing and 31.3% strongly agreeing, acknowledged that documents in the traditional LC process are at risk of duplication and alteration as most of the work for traditional LC process depends on manual paperwork, the risk of alteration and duplication is inevitable. And the respondents tend to agree.

The diverse range of regulations across different countries adds complexity in LC transactions.

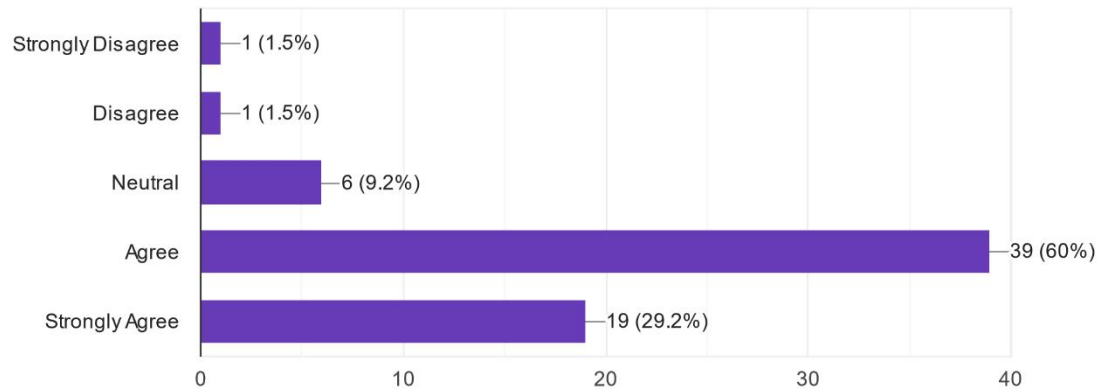
65 responses



Letter of credit is a lengthy process that has to go through multiple governmental process from both parties (Importer and exporter) Most of respondents (58.5% agreeing and 24.6% strongly agreeing) indicated that the diverse range of regulations across countries adds complexity to LC transactions. Only 15.4% were neutral, while 1.5% disagreed.

The transaction cost of LC depends on the supply and demand of credit, interest rates , the exchanges rates and political and economic stability of the countries involved.

65 responses

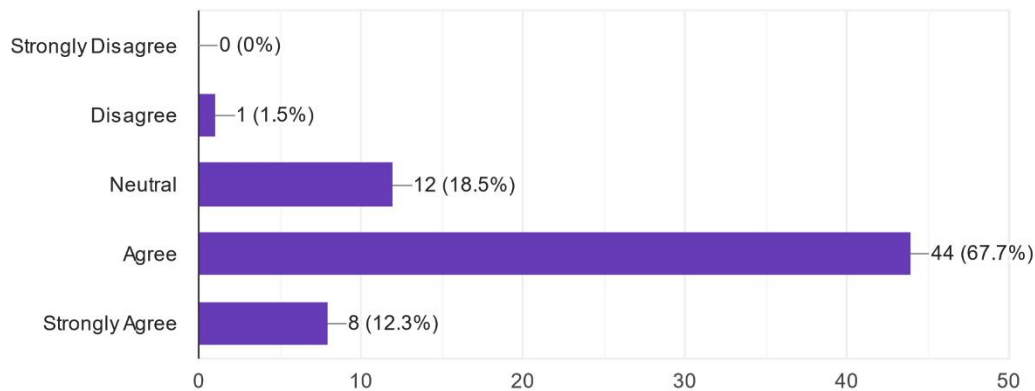


The cost of LC can be largely influenced by supply demand credit, interest rate, exchange rate, political and economic stability of a country. the survey tends to agree with this as majority of the respondents, 60% agree and 29% strongly agree.

4.2 Findings of Objective Two: Benefits and challenges of blockchain of Blockchain technology in relation to Letter of credit.

Blockchain can be used for things such as digitization of documents, certification verification etc., all relevant in Letter of credit

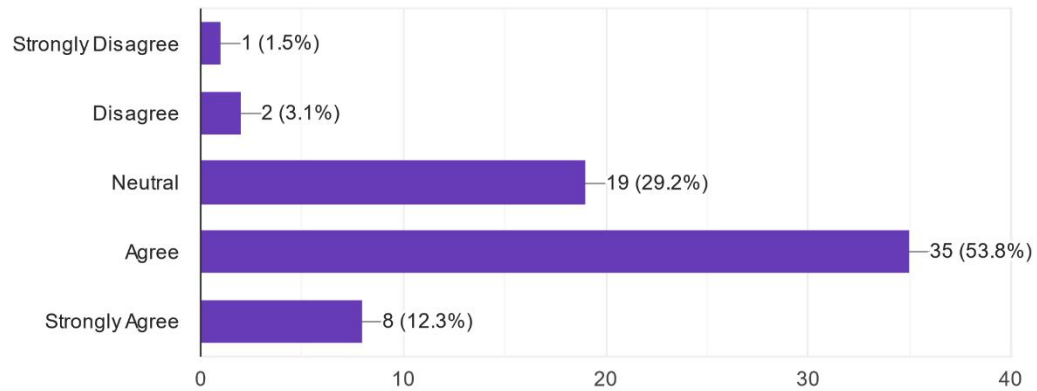
65 responses



The chart indicates that the majority of respondents (67.7%) agree that blockchain can be used for digitizing documents, certification verification, and other processes relevant to Letters of Credit. An additional 12.3% strongly agree, while 18.5% are neutral. Only 1.5% disagree, and none strongly disagree, reflecting broad support for blockchain's potential in this context.

Blockchain allows companies to have near-instant access to their funds from anywhere in the world at any time

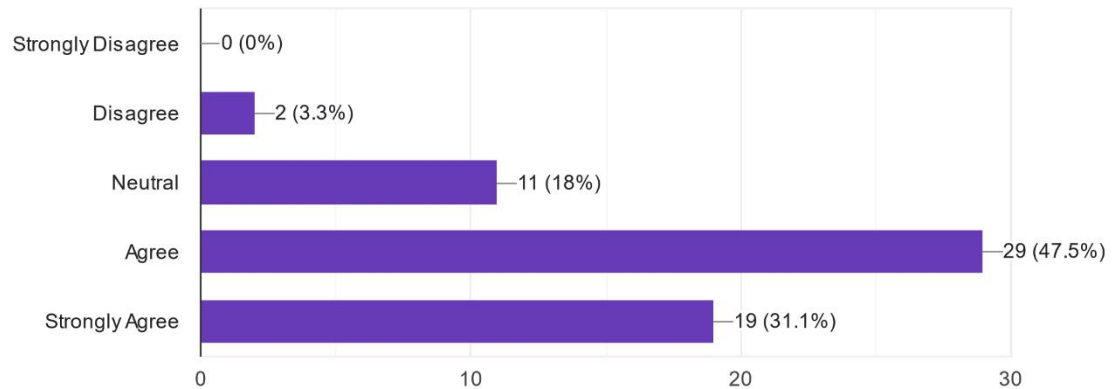
65 responses



The survey reveals 53.8% of the respondents agree that blockchain allows companies to have near instant access to their finds. where 29% of the respondents are neutral about the statement.

Blockchain decentralized and immutable ledger ensures that transactions are secure and temper proof

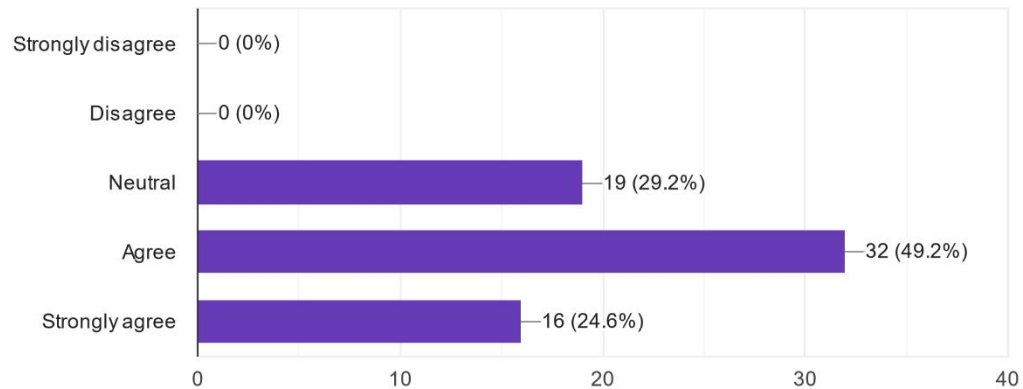
61 responses



By virtue of its decentralized design and use of cryptography, blockchains are, in general, fairly secure. Majority of the respondents are agreeing to the statement that blockchain is a secure and temper proof. With 47.5% agree and 31.1 % strongly agree.

Every transaction recorded on the blockchain is transparent and visible to all participants in the network.

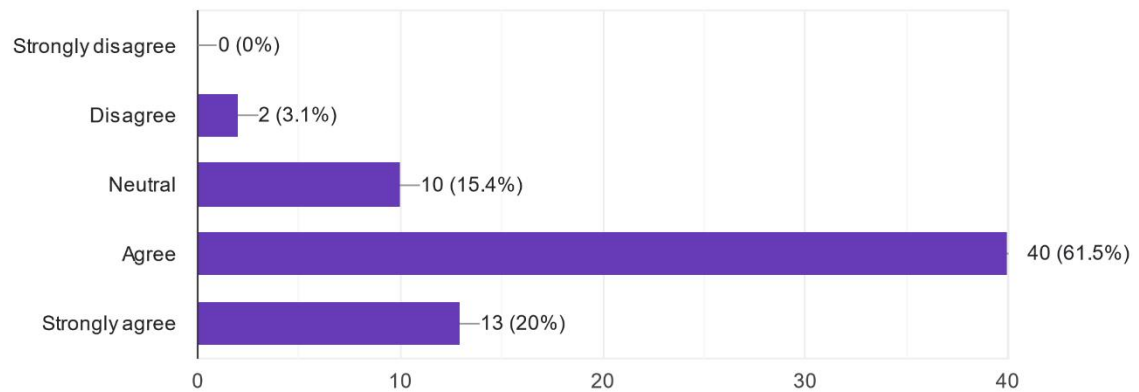
65 responses



Blockchain transparency refers to the characteristic feature of the blockchain that ensures all the transactions and data on the network are available to everyone with access to the system. The survey shows that 49.2% agree and 29.2% are neutral about Every transaction being recorded in blockchain to all participant in the network and 24.6% strongly agreeing with the statement.

Blockchain eliminates manual errors and accelerate transaction process

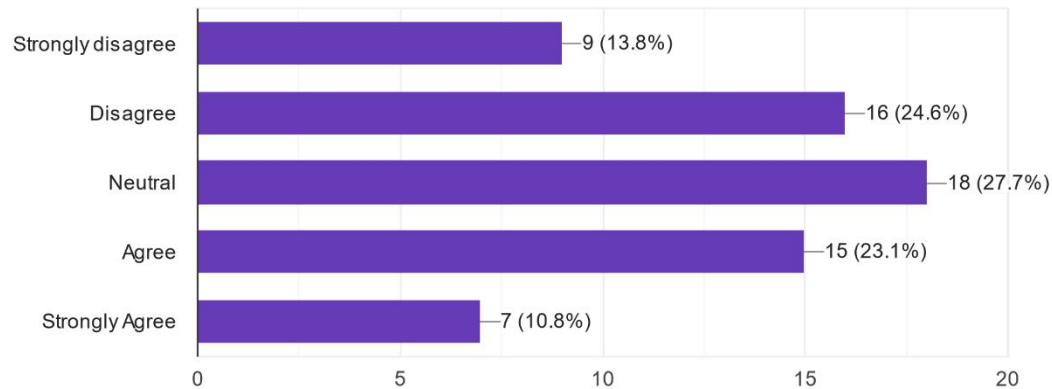
65 responses



The study shows that the manual labor of extensive paperwork can be countered with blockchains accelerated transaction process with an overwhelming majority of 61.5% agrees that blockchain eliminates manual errors and accelerate trans action process. With 20% strongly agree, 15.4% neutral and small 3.1 % disagree

Banks and governments, traditional investors or stakeholders might be hesitant to embrace digitized assets due to unfamiliarity or mistrust in digital assets.

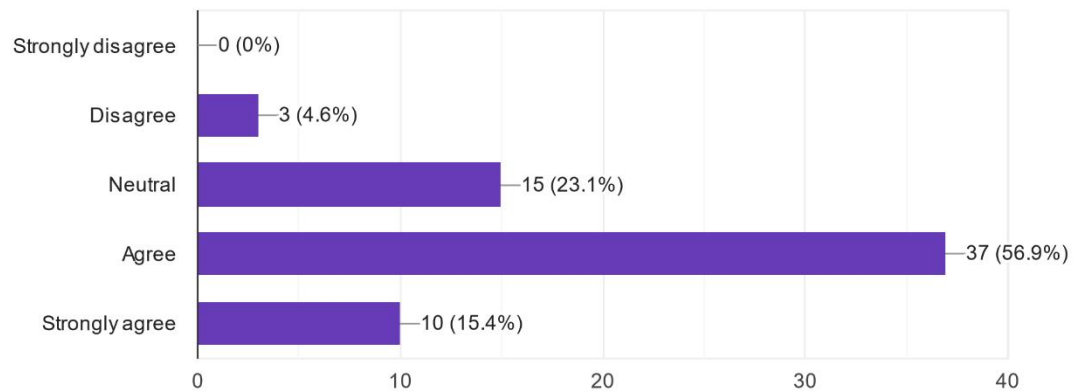
65 responses



As most technological breakthrough, there will always be a governmental regulatory, monitoring and implementation issues. The graph shows the respondents are quite divisive whether governments, investors or stakeholders might be hesitant to adopt blockchain or not. Most of the respondents are on neutral stance with 27.7 %, 24.6% disagreeing, 23.1 % agree, 13.8% strongly disagree and 10.8% strongly agree.

High cost of implementation due to the technological leap

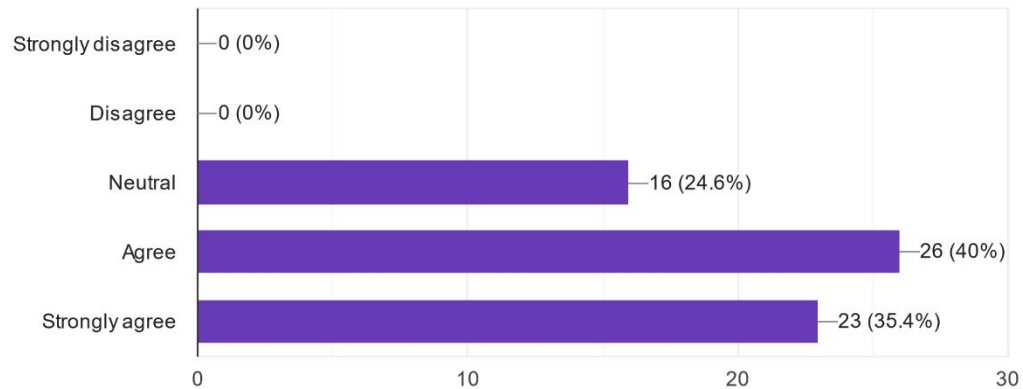
65 responses



Implementation of technological leap will always cost a fortune and blockchain is no exception. The chart shows most of the respondents agree with the high cost that will require to implement of blockchain in banking sector. With 56.9% agree, 23.1 % on neutral and 15.4% strongly agree, only 4.6% disagree.

Since blockchain is exclusively technological, there is always monetary policy influence and cybersecurity issues.

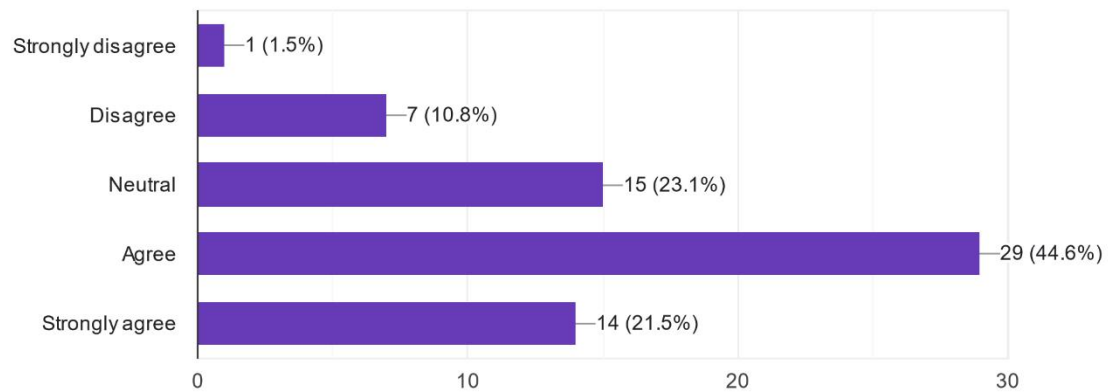
65 responses



Blockchain is a technology that is strictly computerized. Therefore, it will always be at the risk of cybersecurity issues. In this survey most of the respondents agree that blockchain still has security issues as it is strictly technological process. With 40% agreeing and 35.4% strongly agree and 24.6% on neutral.

Blockchains intricate nature is a barrier, requiring technical expertise for adoption .

65 responses



In the existing environment of our traditional letter of credit process, it will be challenging for organizations and employees to adopt this new technology and work around it, it stands as a barrier to any individual or organization that cannot carry themselves with this technological leap. The respondents mostly agree with 44% and 21.5% strongly agree. 23.1% remains neutral about the statement. 10.8% of the respondents disagree and 1.5% strongly disagree.

Chapter Five: Discussion of Results

This study underscores the significant challenges inherent in the traditional LC process and the promising potential of blockchain technology to address them. The findings reveal that while blockchain offers innovative solutions to streamline LC operations, it also faces certain challenges that need to be overcome before it can be fully integrated into the system. Despite these challenges, there is substantial interest in adopting blockchain, reflecting the growing recognition of its transformative possibilities.

The traditional LC process is widely recognized as being slow and inefficient, with a heavy reliance on extensive paperwork. The manual nature of the process not only delays transactions but also increases operational costs for financial institutions and businesses. A lack of transparency is another key issue, making it difficult to accurately assess market conditions and ensure fair pricing. This opacity contributes to mistrust between parties and adds further complexity to trade finance operations.

Document security is another critical concern, as the traditional LC system is prone to risks such as duplication and unauthorized alterations. This vulnerability leaves stakeholders exposed to fraud, undermining confidence in the system. Additionally, the diversity in regulations across different countries creates significant challenges for international LC transactions. The need to navigate varying legal frameworks often leads to delays and increases the cost of compliance, creating further inefficiencies.

Blockchain technology offers transformative benefits for the LC process by addressing the inefficiencies and security concerns of the traditional system. Its distributed and immutable ledger ensures that all transactions are transparent, secure, and traceable. This can greatly reduce the risk of fraud and errors, as all parties involved have access to the same information in real time.

One of blockchain's key strengths is its ability to streamline processes across diverse regulatory frameworks. By creating a standardized platform for LC transactions, blockchain minimizes the inconsistencies and delays caused by varying legal requirements. Additionally, its ability to facilitate real-time tracking and verification of documents can significantly reduce the time and effort required to process LCs, making the entire system more efficient and reliable.

Despite its advantages, integrating blockchain into the LC process comes with its own set of challenges. High implementation costs are a major barrier, especially for smaller organizations that may lack the resources to adopt new technologies. Furthermore, the lack of technical knowledge and expertise in blockchain among key stakeholders can hinder its effective implementation.

Regulatory hurdles also pose a significant challenge, as blockchain-based systems need to align with both national and international laws. Resistance to change from traditional financial institutions, coupled with skepticism about the technology's reliability, further slows the adoption process. However, the interest and enthusiasm expressed by organizations and individuals suggest a willingness to embrace blockchain, provided these challenges can be addressed.

Chapter Six: Conclusion

The study highlights the major problems with the traditional Letter of Credit (LC) process, such as delays, high costs, and risks like fraud. These challenges make it harder for businesses to trade efficiently and securely. Blockchain technology offers a potential solution to many of these issues. By digitizing documents and using a shared, secure system, blockchain can help speed up the LC process, reduce fraud, and make transactions more transparent. These features could transform the way banks handle trade finance.

However, adopting blockchain is not simple. It comes with challenges like high setup costs, rules and regulations that vary between countries, and the need for technical knowledge to implement the system. These hurdles make it difficult, especially for smaller banks, to start using blockchain. Banks and regulators need to work together to create systems that are easy to use and meet global trade standards.

Despite these challenges, there is a lot of interest in blockchain technology. Pilot programs and real-world examples show that it can work well, helping banks improve efficiency and security in LC processes. This growing interest suggests that blockchain could become an important tool for the future of trade finance.

In summary, while blockchain is not a complete solution yet, its ability to solve many current problems in the LC process makes it a strong candidate for modernizing trade finance. To fully realize its potential, banks, governments, and technology providers must work together to overcome the challenges and make blockchain a practical, widely used tool for trade.

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