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Boosting Nepalese Global Trade Performance through Trust and Reputation in Correspondent Banking

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ABSTRACT

Nepal is an import-based country where International trade and foreign payments remain critical economic challenge. In the context of increasing global fraud and de-risking practices, trustworthiness has become a key concern for banking industries. This study examines how the trust and reputation of correspondent banks shape the international trade-finance performance of Nepalese commercial banks. Using Deductive approach and cross sectional non experimental research design, 300 professionals from Nepalese all commercial banks with distinct departments like as: Remittance/ SWIFT, Compliance /AML, Trade Finance and Top Management. A structured questionnaire under three subheadings i.e. reliability, compliance creditability and stability of relationship which are the dimensions of Trust and Reputation of a correspondent banking were used to gain the aptitudes of professionals. Descriptive Analysis results show the consistency of trust and reputations sub themes i.e. realibility, compliance credibility and stability of relationship. Chi-square tests' results establish the significant association between overall trust/reputation and trade finance facilitation performance measured as $\chi^2 = 2115.276$, $p < 0.05$. The study's findings suggest that Correspondent Banks improve coordination and monitoring the process which accelerates cross-border payments, strengths the letter of LC. High regulatory regulations and global tendency of banks avoiding risk remains significant challenge. This paper recommends for accountable AML/CFT capabilities, wide correspondent portfolios and the strategic use of global assurance to maintain a path access and transform reputation and trustworthiness in to measurable trade- service benefits.

KEYWORDS

Correspondent Banking, International Trade, Nepalese Commercial Banks Reputation Trust

INTRODUCTION

Nepal's dependency on imports makes international trade and business necessity instead of economic policy decision, since it assures a supply of critical items such as fuel, machinery, constructions materials and pharmaceuticals which the domestic business cannot supply sufficiently. The continuous trade gap and low export-to- import ratio shows Nepali's structural dependence in global markets and remittances to support consumption and investment (NRB,2024). Access to international trade provides Nepal to generate foreign money through restricted exports and services while supporting essential imports, sustaining economic stability and improving customer satisfaction (World Bank, 2025). Moreover, trade promotes the entry of technology, intermediate products and the capital equipment necessary for industrial upgrading and competitiveness, notably in industries such as hydropower, agriculture and manufacturing (Pant, 2013). Government initiatives like the Nepal Trade Integration Strategy (2023) and Trade Policy (2015) emphasize the need for diversification of exports reduced trade costs, and improved logistics to overcome land-locked disadvantages and enhance globalization (Government of Nepal, 2023; Government of Nepal, 2015). Although the export reached an unprecedented high during FY 2024/25 of Rs 277 billion, the trade gap has risen exponentially and this proves how important imports are as well as the importance of managing the trade (The Rising Nepal, 2025). Therefore, in a country such as Nepal that depends on imports, international trade is not only a mode of exchange, but it is also a corner stone to future success, knowledge exchange and stability in the economy.

Since Nepal is sensitive to the imports of imported energy, machinery, and raw materials, a delay or inefficiency in the cross-border payment will have a direct effect on the production chain and consumer supply chains of the industries. In addition, mobile and sound financial and electronic transaction systems that are backed by others like the SWIFT network and central bank regulations will add credibility and investor confidence at the international level (World Trade Organization, 2025). Cross-border transactions are thus not only significant to facilitate trade, but they qualify to promote remittance inflows, foreign direct investment and inclusion to the global economy.

Correspondent banking is a business concept that uses one bank to transfer, manage cash and trade finance services to another bank internationally so that consumers can send and receive international payments without necessarily being within their local localities (CPMI, 2016). The plumbing of the trade settlements, remittances, humanitarian movements, and liquidity of the flow of currencies is the correspondent ties, whose rupture leads to an increase in costs, a reduction in services, and even financial isolation of certain spheres (World Bank, 2018a; Alleyne et al., 2017).

The number of active correspondent relationships reduced by approximately a quarter globally, despite the amplified payouts across borders, regarding the longer chains (as well as consolidation hazards) (BIS, 2021; FSB, 2018). In the case of the import-dependent economies, the presence of stable correspondent routes is keeping the payments made by suppliers and macroeconomic stability, and the effort of the government is aimed at promoting transparency.

The Nepalese commercial banks are significant in web international trade as they fulfill letters of credit, documentary collection and cross-border payments, which also provide business with an opportunity to import raw material, machinery, and fuel which are necessities, and the business prompt payouts the proceed of export. Nepal Rastra Bank (2025) suggests that SWIFT is the most important technique of international relationships, and the Nepali banks are keeping a correspondent relationship with foreign institutions to facilitate efficient payments. These arrangements in turn are supported by global initiatives like the Global Trade Finance Program of the International Finance Corporation and the Trade and Supply Chain Finance Program of Asian Development Bank that enhance the ability of banks to provide confirmation and reduce the risk rates on trade financing instruments (Asian Development Bank, 2024; International Finance Corporation, 2025). It is argued that a handful of Nepali banks are also connected to financial institutions of the US by way of a correspondent relationship, enabling them to settle their trades in US dollars, which are essential to the economy of Nepal based on imports (International Trade Administration, 2021). The relevance of the effective correspondent banking system in enhancing the trade performance by reducing the cost of transaction and settlement risks, as stressed by Pant (2013) is considered by the Committee on Payments and Market Infrastructures (2016) as the foundation of the global payment system.

Also, Alleyne et al. (2017) believe that the strong correspondent ties are essential to allow the small and emerging states such as Nepal to maintain the flows of trade, maintain financial inclusion, and offer financial stability in the presence of a substantial trade surplus.

Trust plays an important role in the banking and international trade, yet there is little research on its role in the correspondent banking and the local bank performance. Although trust reduces financial risks (Abdelsalam, Chantziaras, Joseph, and Tsileponis, 2024) in the developing economic system such as Nepal, the world is becoming de-risked where mega banks sever correspondent relationships as a result of regulatory challenges; limiting the capacity of small banks to conclude trade and remittances. It has been empirically indicated that trust influences the behavior of stakeholders in the context of a low monitoring regime and leads to the success of exports in low-finance environments (Saunders, 2023).

Nonetheless, the interaction between the societal trust and institutional quality and compliance-related trust is not sufficiently studied in the cross-border banking models, which requires more research to comprehend the impact of correspondent relationship loss on financial inclusion and global integration (Roy, Munasib, and Chen, 2014). Some geographical location and banking power relationship is also brought into focus, where it is necessary to conduct research linking trust, regulation and institutional capacity within the emerging economies Alessandrini, Croci and Zazzaro, 2009). With a growing globalization of de-risking and compliance overseeing, it is essential to understand the influence of perceived reliability and credibility of the respondent banks when providing trade finance to Nepalese banks, and this will result in maintaining a stable globalization and stability in the performance of the external sector (Abdelsalam et al., 2024; Pant, 2013).

Correspondent Banking in the SAARC Countries

Correspondent Banking Relationships are important in enabling the developing economies to make cross-border payments, trade finance, and international financial integration, such as those found in the SAARC. In the literature, CBRs are always listed as the key financial infrastructures that facilitate imports, exports, remittances, and access to foreign currencies, especially in those regions where bank-based systems of trade are widespread in South Asia (Erbenová et al., 2016; World Bank, 2015).

After the global financial crisis, numerous international banks re-evaluated their risk exposure and profitability and withdrew or limited CBRs a process commonly known as de-risking. This trend has been imbalanced in favor of the emerging and developing economies, where the perceived AML/CFT weaknesses, compliance costs, and the lack of transparency increase the risk aversion of correspondent banks (World Bank, 2018; IFC, 2017) according to global evidence. In South Asia where trade is very reliant on letters of credit and correspondent-mediated settlements, a decreased access to CBR can directly limit trade volumes and raise transaction costs. Empirical research also indicates that the depletion of correspondent relations causes an interruption of payment relationships and trade financing and makes the level of exports and performance of firms decrease (Borchert et al., 2023). The analytic work of the Financial Stability Board proves that active correspondent corridors are in a long-term decline worldwide, and new geographical areas are characterized by the increased concentration and susceptibility of the cross-border payment networks (FSB, 2018).

In general, the literature indicates that enhancing the credibility of regulatory mechanisms, transparency, and compliance potential are the focal points on maintaining access to correspondent banking and promoting sustainable trade performance in the SAARC economies.

The study "*Boosting Nepalese Global Trade Performance through Trust and Reputation in Correspondent Banking*" is critical because Nepal's banking system rely heavily on foreign correspondent relationships to process payments over the border, issue letters of credit and access global liquidity. Trust and reputation influence whether foreign banks keep or withdraw these crucial ties, which have a direct impact on transaction costs, trade facilitation and financial stability in an import-dependent economy.

Objectives of the Study

The study is have following specific objectives:

a. To evaluate the impact of correspondent banks' trust and reputation on Nepalese commercial banks' ability to facilitate international trade.
b. To analyze impact of trust related criteria i.e. reliability, compliance credibility and stability of relationship with correspondent banks on facilitation performance of Nepalese Commercial banks in international Trade.

Hypothesis of the Study

The study set a hypothesis which is :

a. The performance of Nepalese Commercial banks (Local Banks : LB) in international Trade facilitation is associated with the trust and reputation of Correspondent Banks (CB).

Theoretical Backup

The framework directs research by focusing on a formal theory that coherently explains relationships between variables (Eisenhart, 1991) and identifies the principles, concepts, and beliefs that are most helpful for the event under investigation (Brondizio, Leemans, & Solecki, 2014; Grant & Osanloo, 2014). The essential building blocks of correspondent banking include an international agreement, the opening of accounts on the correspondent's books and payment services as the central function (BIS/CPMI 2016). Relationships are frequently reciprocal and currency-specific (ECB, 2015). SWIFT message flows operationalize the following links: MT700 communicates documentary credit information, whereas settlement is often done through MT103 and MT202; thus, variations in MT700 volumes reflect changes in trade terms and payment flows rather than settlement values (SWIFT, 2016b). These organizational and technical particulars drive the development of a framework that combines governance and inter organizational theories with cross-border payment infrastructure.

In fact, the study uses a combination of components perspective. The results of the application of Transaction Cost Economics (TCE) explains why under uncertainty, credibility reputation and inter-bank trust lowers the costs of coordination, monitoring and enforcement making the trade finance process quicker and more dependable. The agency theory presents the problem of incentive alignment between the principal and the agent, shed light on the costs of compliance and the quality of information are minimized through the aid of the corroborating credibility and compatibility of monitoring on the part of the correspondents (Thompson, 1967; Eisenhardt, 1989; Zogning, 2017).

RESEARCH METHODS

The research methodology employed by the study was a quantitative research methodology that aimed at researching the relationship between trust and reputation of the correspondent banks and the performance of the Nepalese commercial banks in international trade finance. It was deductive research with a transition through the well-known theoretical concepts such as the Transaction Cost Economics and the Agency Theory to the empirical one based on primary data support. The research employed a cross-sectional descriptive and non experimental design, in which the focus of the study is on a time frame to get the perceptions and practices about correspondent banking without any altered factors.

The participant survey consisted of the employees of 20 commercial banks in Nepal and the four departments directly engaged in the scope of international trade and the scope of their activities in the mentioned areas like Remittance/SWIFT, Treasury, Compliance/AML/CFT, Trade Finance (LC) and Top Management. This group was identified as having integrated respondents who were then sampled (stratified random selection) to choose 300 participants in order to get proportional representation of the major departments. The primary data were collected with the help of a structured questionnaire which was aimed to determine the reliability, compliance credibility, relationship stability and performance of trade facilitation.

A pilot test was conducted before the main survey to test the within consistency and clearness of the tool providing a Cronbach's alpha value of 0.898, which proves to be very high reliability and coherence in the items that measure it.

RESULT

Demographic Analysis

The demographic analysis explains crucial characteristics of the respondents of the study providing a clear understanding of their history and relevance of the research findings. It contains some vital information like gender, age, academic qualification, the department and employment position. This study is promising that the answers represent a collection of diverse views among professionals in Nepal Commercial banks who operate in the international trade finance, and therefore enhancing the study with more credibility and reliability.

Table 1: Demographic Information of Respondents

Demographic Variables	Categories	Frequency	Percent
Gender	Male	180	60.0
	Female	120	40.0
Age	20-29	22	7.3
	30-39	170	56.7
	40-49	91	30.3
	50-59	17	5.7
Academic Qualification	+ 2 / Intermediate	1	0.3
	Bachelor Degree	33	11.0
	Master’s Degree	246	82.0
	M.Phil.	10	3.3
	Ph.D.	5	1.7
	Other	5	1.7
Department	Swift / Remittance / IT	42	14.0
	Treasury	60	20.0
	Compliance/AML/CFT	55	18.3
	Trade Finance (LC)	100	33.3
	Top Management	43	14.3

Source: (Field survey, 2025)

The gender structure of the respondents of the study shows a majority of male (60%) respondents against the females (40%), which highlights the role of males in international trade finance roles of the Nepalese commercial banks. A majority of the respondents (56.7%) are of working age (between 30 and 39 years) which is a mid career workforce with members of the older and younger generations of employees occupying a minor portion (7.3 and 5.7, respectively). In terms of education, there is a sizeable 82 percentage of individuals with a Master degree and some few people with high qualifications. Trade Finance takes the top spot (33.3% of the respondents), then Treasury (20) and Compliance/AML/CFT (18.3). The composition in general depicts a highly experienced body of middle level professionals working in the banking sector in Nepal dealing in international trade financing (Table 1).

Trust and Reputations of Correspondent Bank's (Mean and Standard Deviation)

The Trust and Reputation of Correspondent Banks were measured under three sub headings : Reliability, Compliance Credibility and Relationship Stability. The mean scores (central tendency) and Standard Deviation (dispersion) values of each statement are presented in the Table 2.

Table 2: Trust and Reputation of Correspondent Banks

S. N.	Statement	Mean	SD
1	**Reliability**		
a	The correspondent banks provide timely and reliable international trade facilitation	3.93	.77
b	The correspondent banks regularly carried out intermediary responsibilities smoothly with minimal difficulties.	3.79	.79
c	Relying on correspondent banks for cross-border activities exposes the banks to little risk.	3.81	.84
	Mean of Reliability	3.84	
2	**Compliance Credibility**		
d	Confidence in conducting business internationally is boosted by correspondent banks' integrity.	4.13	.77
e	International banking standards are strictly adhered to by the correspondent institutions.	4.14	.84
f	Confidence in international banking operations is bolstered by correspondent banks' reliability.	4.18	.76
g	Transparency is demonstrated by the correspondent banks' open sharing of information about operating procedures, risk management, and compliance.	3.79	.82
	Mean of Compliance Credibility	4.06	
3	**Relationship Stability**		
h	Confidence in the correspondent banks' services is increased by their rapid handling and resolution of problems.	3.76	.81
i	Long-term relationships are positively impacted by correspondent banks' corporate social responsibility initiatives and ethical standards.	3.97	.75
j	To guarantee secure cross-border transactions and uphold confidence, the correspondent banks actively invest in security, technology and innovation.	3.77	.82
	Mean of Relationship Stability	3.83	

(Data Source: Field Survey, 2025)

Table 2 shows that the Nepalese commercial banks have high trust and good reputation to correspondent banks in three dimensions namely Reliability, Compliance Credibility and Relationship Stability. In Reliability, the mean score is 3.84 indicating some overall agreement on the dependability of correspondent banks with higher scores being 3.93 in timely service and 3.79 in intermediary responsibilities. The best mean is Compliance Credibility, which scores 4.06, which means that there is a great deal of perception of integrity and adherence to international standards, and the value of trustworthiness is 4.18. In Relationship Stability, they were indicated to have a mean score of 3.83 showing positive perceptions about the importance of ethical standards (M = 3.97) and proactive resolution of issues (M = 3.76). Therefore, the reliability and relationship stability are also significant, yet compliance credibility is found to be the most significant in the promotion of trust and reputation among the correspondent banks in *Nepal.*

Performance of Nepalese Commercial Banks in International Trade Facilitation (Mean and Standard Deviation)

The mean and standard deviation analysis reveals the performances of the Nepal commercial banks in relation to the facilitation of the international trade as per the appropriateness of the Nepal commercial banks to have correspondent banking relations. The estimated mean values have shown that a majority of the respondents believe that their banks are performing well in the management of services related to trade which include, letters of credit, cross-border payments and risk mitigation. The mean on these indicators is relatively high which implies that correspondent banking greatly improves in terms of trade efficiency and competitiveness. The standard deviation scores that are moderately low indicate a homogeneous evaluation of the performance of their banks by the respondents. The average and dispersion may be displayed as shown below:

Table 3: Performance of Nepalese Commercial Banks on International Trade facilitation

S. N.	Statement	Mean	SD
1	**Trade Facilitation Efficiency**		
a	The services of correspondent banks significantly ease our facilitation of international trade.	3.96	.81
b	Trade-related risks are reduced through reliable correspondent bank services.	3.97	.77
c	De-risking by global correspondent banks has negatively impacted local bank 's international business/services	3.47	.91
d	The correspondent banks play a vital role in providing letters of credit services and handling trade related bills/documents	4.08	.84
e	The efficiency of correspondent banks supports the competitiveness of our trade services.	4.06	.73
f	Correspondent banking relationships improve local bank 's ability to facilitate international trade transactions.	4.08	.78
	Mean of Trade Facilitation Efficiency	4.04	
2	**Risk Mitigation and Regulatory Factors**		
g	Local banks with strong correspondent banking partners experience	4.08	.79

	faster processing of cross-border payments.		
h	Correspondent banking relationships help mitigate risks in international financial transactions.	3.96	.82
	Mean of Risk Mitigation and Regulatory Factors	3.72	
3	**Compliance and Operational Constraints**		
i	Compliance requirements from correspondent banks raise operational costs for domestic banks.	3.69	.90
j	Regulatory requirements for correspondent banks have made it more difficult for Nepalese Commercial Banks to retain such relationships.	3.48	.92
	Mean of Compliance and Operational Constraints	3.59	

(Data Source: Field Survey, 2025)

The above Table 3 outlines Nepalese commercial banks' views on correspondent banks' roles in international trade, categorized into three key areas: Trade Facilitation Efficiency, Risk Mitigation and Regulatory Factors and Compliance and Operational Constraints. In Trade Facilitation Efficiency, a mean score of 4.04 indicates strong consensus on correspondent banks' importance in promoting trade efficiency, specifically through letters of credit (M = 4.08) and faster cross-border payments (M = 4.08), despite lower scores indicating challenges from de-risking (M = 3.47).

In the cases of Risk Mitigation and Regulatory Factors, the mean of 3.72 demonstrates considerable contributions to the reduction of international financial risks with agreements on benefits containing faster payments (M = 4.08), and increased security of the transaction (M = 3.96). Nonetheless, Compliance and Operational Constraints indicate worries regarding the increased compliance costs where the mean score (M) is 3.59 is seen as indicative of the challenge of growing AML and KYC demands (M = 3.69) in terms of maintaining the sustainability of the correspondent relationships (M = 3.48). Although correspondent banks promote trade, and reduce risks, the strict regulatory requirements have continued to challenge local banks in Nepal.

Association between Trust and Reputation of Correspondent Banks and Performance of Nepalese Commercial Banks' in International Trade Facilitation

The relationship between the trust and reputation of correspondent banks and the performance of Nepalese commercial banks in facilitating international trade is the most important issues. Establishing such an association is essential to understanding how credibility, compliance and reliability in correspondent banking influence trade facilitation efficiency and cross-border risk management. The chi-square test was applied to assess the statistical significance of this association based on the responses of banking professionals across various departments.

Table 4: The Association between Correspondent Banks' Trust and Reputation and Nepalese Commercial Banks' Performance in International Trade Facilitation

Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2115.276a	840	.000
Likelihood Ratio	602.406	840	1.000
Linear-by-Linear Association	126.732	1	.000
N of Valid Cases	300		

a 899 cells (100.0%) have expected count less than 5. The minimum expected count is .00.

Table 4 indicates the statistical correlation between the trust and reputation of the correspondent banks to the performance of the Nepalese commercial banks in the international trade facilitation through Chi-square test. The Pearson Chi-Square (= 2115.276, 840, p = 0.000) demonstrates the statistically significant relationship between the two variables at the level of 1 percent. The null hypothesis of no connection is rejected due to the fact that the p-value (.000) does not exceed the standard level of 0.05. The research concludes that the reliability, compliance credibility and relationship stability criteria used by correspondent banks to determine the extent of influence on facilitation by Nepalese commercial banks of international trade have a significant influence on the effectiveness of the international trade in country.

DISCUSSION

This paper replaces the idea of trust and reputation in correspondent banking as a historical or relational heritage and a governance system that economizes on transaction costs in the case of regulatory and operational uncertainty. In line with the Tenement Cost Economics, credible correspondent relations serve as alternative to intensive monitoring and the enforcement of contracts, which reduces ex-ante screening and ex-post exception controlling costs (Williamson, 1985; Dyer and Chu, 2003). This occurs empirically as realized in faster confirmations, reduced SWIFT repair and more robust settlement chains. These results are in line with the rest of the literature that perceives inter-organization trust as a cost-saving coordination tool as opposed to a socialized phenomenon.

Simultaneously, the results have much in common with the Resource Dependence Theory that stresses asymmetry of power relations, when a small group of foreign correspondent banks maintains control over access to essential resources, including USD clearing, confirmation lines, and nostro liquidity (Pfeffer & Salancik, 1978). In the case of Nepalese banks, reliance on few suppliers of correspondents enhances the strategic worth of the reputation capital, but comes at the cost of concentrated risk. This twofoldity is a reflection of the previous small and import-intensive economies, where the transmission of correspondent withdrawal occurs quickly into the bottlenecks of the trade and macroeconomic tension (Pant, 2013; Nepal Rastra Bank, 2024).

Nevertheless, it can also be seen that there is a conflict with the de-risking literature in the findings. International data indicate that amid increasing compliance systems, corresponding banking networks have kept shrinking, although the amount of the cross-border transactions grows, leading to lengthening and weaker payment networks (CPMI, 2016; World Bank, 2018a; Soution, 2020). This is somewhat contrary to positive interpretations of only compliance investments being able to restore correspondent access. Rather, the findings indicate compliance is a prerequisite, though inadequate condition: trust and reputation are a path-dependent resource that is built by regular performance and behavior during crisis, and not regulatory alignment.

The paper also mirrors institutional view that defines lightweight contracts such as trust and reputation that allow cooperation when it is costly (incomplete) to enforce contracts formally (Guiso et al., 2009; Ke and Wei, 2007). The vulnerability of an import-intensive economy like Nepal to reputational shocks has even short-term impacts on the supply channels of petroleum, machinery and intermediate-goods rippling through the economy, enhanced by the economic impact of reputational shocks. This justifies the current macro-level results but also provides a transactional perspective that serves to elucidate the operation of these shocks.

However, there are a few shortcomings that should be taken into consideration. To start with, the analysis largely covert institutional quality and continuity of relationships to infer trust and reputation, and does not entirely unravel relational trust and formal compliance credibility. Second, the causal identification is limited because there is no information at the level of individual transactions, especially in isolating reputational effects and tightening of international regulations. Third, the specificity of the Nepal situation does not allow to generalize on bigger or more diversified banking systems.

These gaps should be filled in future research that disaggregates trust and splits it into institutional, relational, and performance-based elements and incorporates objective outcome measures such as LC confirmation rates, rejection ratios, and settlement lags based on discrete de-risking episodes through the use of panel or event-study designs. The inclusion of macro-level indices of trust and governance would also help to bring out a clear picture to either increase or reduce the reputation effects of firms by the broader institutional settings (Roy et al., 2014).

Altogether, the discussion supports one of the main conclusions that are similar to, though more sophisticated than those of existing literature: in the age of concentrated payment rails and increased compliance, demonstrable trust and reputation are not soft qualities, but strategic assets. In the case of Nepal, they are directly translated into reduced transaction friction, more predictable access to liquidity, and predictable trade finance, which compliance can not assure.

CONCLUSION

The study shows that correspondent banks' trust and reputation are significantly associated to improved trade-finance performance among Nepalese commercial banks. Evidence from multiple variables and the association test suggests that higher perceived credibility of correspondents leads to faster cross-border settlements, smoother LC processing, and stronger operational dependability outcomes, which are especially important for Nepal's import-dependent economy. Among the trust pillars, compliance credibility (integrity, standard conformance, and transparency) appears as the most powerful driver, successfully reducing coordination and monitoring frictions and validating the positive association hypothesis. In practice, banks that can demonstrate auditable AML/CFT quality, sanctions screening rigor and transparent information sharing with partners maintain pathway access and transform reputation capital into measurable trade-service advantages.

Reliability, compliance credibility and relationship stability all contribute to the expansion of local banks' trade-financing capacity by increasing confirmation headroom, decreasing exceptions, and shortening payment cycles. However, the analysis reveals constraining constraints; worldwide de-risking and rising compliance costs make relationship maintenance more difficult, particularly where risk is concentrated in a few correspondents. The study thus recommends a targeted playbook signal quality through verifiable KYC/CDD and data lineage; diversifying correspondents, currencies, and time zones to hedge dependency; leveraging multilateral trade-finance programs to preserve LC lines during stress; and investing in screening, fraud analytics, and real-time payments to maintain strong reputational signals. When completed simultaneously, these phases connect the trust architecture with operational capability, ensuring Nepalese Commercial Banks.

LIMITATIONS AND RESEACH FOR FURTHER STUDY

The study has the following limitations:

a. This study is limited by its cross-sectional, perception-based design, which includes causal inference and may be affected by common-method; generalizability is bounded to Nepalese commercial banks and the specific period studied.
b. Measurement relied on self-reports rather than objective performance indicators, and some chi-square cells had small expected counts, reducing test robustness.
c. Potential confounders such as institutional quality, societal trust, corridor-specific risk, and correspondent concentration were not fully modeled.
d. Future research should employ longitudinal or panel designs, event studies around de-risking shocks, and causal strategies (e.g., instrumental variables, difference-in-differences).
e. Mixed-methods work combining surveys with bank-level operational data (LC confirmation rates, SWIFT volumes, settlement lags, rejection ratios) and interviews with correspondent banks would sharpen mechanisms.
f. Comparative South Asian or cross border network analyses and structural modeling (SEM /PROCESS) that integrate compliance quality, governance and macro-trust indices can further validate and extend these findings.

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