

Structured Trade Finance: How It Helps Your Business Run

What is structured trade finance?

Trade structured trade finance are inevitable tools for financing your business whether they are related to goods or commodities. Structured trade finance is basically a method that aids many importers and exports of goods and commodities to conduct their business without any hitch. This article will act as your trade finance advice tool and will introduce you to the benefits of trade finance and structured trade finance which you can take advantage of, if you run short of cash during any point of time of your day to day business activities.

Why do we need structured trade finance?

No one can disagree with importance of commodity trade finance for smooth operation of import and export business activities. It is needless to mention that today the business is virtually handicapped sans working capital which infuses life in your business. However, given the uncertainty and slow liquidation factors in the business, it sometimes becomes tough for a businessperson to arrange money for making fresh purchase. This is where the needs of structured trade finance come into picture.

How different is it from traditional form of financing from banks?

When you turn to a bank for financing your business in the midst of financial crisis, it might not help you much. Ideally, a bank may finance up to certain limit which largely depends on the financial picture of your business in the balance sheet. Where as the structured trade finance is tailor-made to assist you to finance you business just the way you like it. With structured trade finance in place, you can easily make purchase from your suppliers even when you do not have immediate money to pay your suppliers. Commodity trade finance acts as a useful tool to pay your suppliers at a later date ensuring you run your normal business process smoothly.

How does structured trade finance work?

In structured trade finance or commodity trade finance, as they call it, the bank takes the releasable stock of your finished products as collateral. The bank usually lends money against the total worth of the stock minus some amount which is calculated taking into account the price and other risk factors.

In the structured trade finance method, the bank also considers the way the deal is structured between both buyer and the seller. If something goes wrong, then the bank will take possession of the goods and commodities and sell them to realize money to reply any loan amount outstanding.

How does the structured trade finance benefit you?

The structured trade finance helps you get advance on your slow paying invoices, giving you the working capital to pay employees and suppliers. It also helps you get money to pay your suppliers enabling you to deliver your large purchase orders.

Daniel John Day Robinson the Managing Director of Day Robinson International, a global consultancy and training provider based in the United Kingdom which serves the [international trade finance and commodities markets](#). He offers expert trade finance advice on [Structured Trade Finance & Commodity Trade Finance](#) as well. Apart from managing the Day Robinson Group companies in the UK and in Asia as Chief Executive, he provides consulting services in the emerging markets. For more information log on to www.dayrobinson.com.

Author: danieljohn

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