**Sources of Trade Finance**

The financing of international trade operations is similar to domestic finance operations. Banking, government subsidies and special lines of credit are some means to obtain financial assistance. Requesting sources for financing international trade is like any other financial funding request, with additional concerns over country risk and legal issues. A working plan of the company portfolio is necessary, as well as an excellent understanding of the trade countries' export and import needs.

**Trade Credit**

Normally the seller requires payment of goods 30 or 60 days post shipment. Trade credit, which is probably the easiest and cheapest arrangement is based mainly on trust directly between the buyer and the seller. When the two parties are less well known to each other, or if the creditworthiness of the buyer is not known, a bank backed bill of exchange can be issued and guaranteed by the buyer’s bank.  
**Cash Advances**

A cash advance is a payment of funds (unsecured) to the exporting business prior to the shipment of goods. It’s often based on trust; a cash advance is usually favourable and sought by the exporters so that they are able to manufacture or produce goods following an order.

**Receivables Discounting**

Invoices, post-dated checks or bills of exchange can be immediately sold on the market at a reduced rate, less 10-30% of the invoice value. Receivables are mainly commercial and financial documents, and new finance houses and marketplaces allow such documents to be sold at discounted prices in return for immediate payment. The discount rate, which is relatively high and can be costly for SMEs is calculated based on the risk of default, creditworthiness of the seller and whether the transaction is international or domestic. Find out more about invoice discounting and [invoice factoring in our guide here](https://www.tradefinanceglobal.com/services/invoice-finance/).  
**Term Loans**

Longer term debt (including loans, commercial mortgages and overdraft facilities) can be more sustainable sources of funding. They are often security or guarantee backed. Often in the world of international trade and finance, securing against assets owned by business owners in other countries is more tricky, especially due to different ownership regulations in other jurisdictions. Find out more about [term loans and business loans here](https://www.tradefinanceglobal.com/services/business-loans/).

**Leasing and Asset-backed Finance**

Leasing involves the borrowing of funds against assets such as machinery, vehicles and equipment. There are several finance mechanisms which allow SMEs have access to assets which are repaid in smaller contractual, tax deductible repayments.

Asset finance allows SMEs to purchase equipment or assets over a period of time, worry less about the maintenance, and it is favourable for tax treatment in many markets. There are different types of leasing / asset finance, including finance leases, hire purchase and operating leases. We’ve detailed these and written an [asset finance guide](https://www.tradefinanceglobal.com/services/asset-finance/) which you can access here.