

Abstract

This research explores the role of trade credit in facilitating international trade, with a particular focus on payment practices between global trading partners. Trade credit, wherein a seller provides goods or services to a buyer with deferred payment terms, is a vital tool for enabling transactions, especially in markets with high uncertainty or limited access to financing. The study investigates how trade credit influences trade flows, risk management, and liquidity for businesses engaged in cross-border commerce, considering its implications for both developed and developing economies.

Using a mixed-methods approach, the research combines quantitative data on trade credit usage and payment patterns with qualitative interviews from international trade professionals, including exporters, importers, and financial institutions. The study examines how businesses use trade credit to mitigate financial risks, secure long-term client relationships, and manage cash flow. It also explores the challenges associated with trade credit, such as payment delays, default risks, and the varying levels of trust and legal enforcement across countries.

The findings indicate that trade credit is crucial for facilitating international transactions, particularly for small and medium-sized enterprises (SMEs) lacking access to traditional financing. However, the study also highlights that the effectiveness of trade credit depends on factors such as market conditions, creditworthiness, and institutional frameworks. The paper concludes with recommendations for businesses to better manage trade credit risks and for policymakers to improve global trade financing systems to promote smoother international trade.