A STUDY ON INTERNATIONAL TRADE FINANCE WITH REFERENCE TO ONLINE TRADING AND STOCK BROKING

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ABSTRACT:

The overview of this article is to study on international trade finance with reference to online trading and stock broking has been done to know how the importer arranges for the issuing bank to open an Letter of Credit (LC) in favor of the exporter and it mainly focused on the issuing bank transmits the LC to the advising bank, which forwards it to the exporter. To know how the exporter forwards the goods and documents to a freight forwarder and to Study the freight forwarder dispatches the goods and submits documents to the advising bank. An elaborate work done to check the procedure in stock bro-king sector for international banking remittance as criteria. Analysis done by using SPSS to check the analysis of variance in particular companies listed.

Key words: Trade Finance, Stock, Foreign trading, ANOVA.

1.0 INTRODUCTION

By streamlining trade procedures and processes, trade facilitation tries to cut down on transaction costs and time. Securing funding so that a deal can really happen is one of the biggest problems for traders involved in it. More trade will be facilitated if the procedure of funding an overseas transaction is quicker and simpler. To fund their trading activity, traders need working capital, or short-term borrowing. Before obtaining payment, exporters typically need money to prepare or produce goods for the international market. Pre shipment finance is the name for this type of financing. In contrast, importers will want a line of credit in order to purchase items abroad and resell them on home markets prior to paying for imports. Foreign customers typically do not expect to pay in advance and typically wait until the items arrive before making payment.

2.0 OBJECTIVES OF THE STUD :

- To Study the importer arranges for the issuing bank to open an LC in favor of the exporter
- To Know the issuing bank transmits the LC to the advising bank, which forwards it to the exporter.
- To Study the exporter forwards the goods and documents to a freight forwarder.
- To Study the freight forwarder dispatches the goods and submits documents to the advising bank.

3.0 PERFORMANCE EVALUATION

Performance Evaluation is specification of method and procedure for accruing the

information needed to structure to solve the problem. Various statistical tools are used for the study are average, standard deviation, variance, covariance, correlation and beta values and the study has conducted on companies like HCL TECH, TCS, SATYAM, WIPRO, INFOSYS, PATNI COMP,FINANCIAL, TECH, SASKEN COMM, TECH MAHINDRA,GEOMETRIC, MPHASIS, NIIT TECH, HEXAWARE, INFOTECH, TATA ELXI, POLARIS, HINDUJA, SAKSOFT, BLUE STAR, RAMCO, SOFTPRO, SONATA, CRANESSOFT, CYBERTECH, ONWARDTECH, GOLDSTONE, UTV, SUBEX AND MEGASOFT as they are listed commonly on both stock exchanges.

where first day trading of a month is consider as opening price and last day of trading of a month is consider as closing price of stock. After collecting the all 24months values monthly returns are calculated by using the standard formula i.e. (P1-P0/P0)*100, like this for all 30 companies return were calculated from NSE and BSE. Next step is finding of average return of securities by sum of the monthly return /number of months.

Second thing is calculation of risk which can be know with a formula of

STANDARD DEVATION

$$(1/n\text{-}1\sum_{t=1}^{n} r_{it} - \bar{r}_i)$$

Where = n is number of securities

rit is historical or ex-post return generated by ith stock in time period‘t’. ri is excepted return generated by ith stock in time period ‘t’.

Analysis of Returns of the Different Stocks by Using T-Test:

4.0 SAMPLE DATA COLLECTION AND ANALYSIS

Sample data is consisting of 30 common companies listed on NSE nifty and BSE Sensex.

COMPANY NAME	RETURN ON NSE	RETURN ON BSE
HCL Tech	1.932	1.190
TCS	-0.243	0.282
Satyam	-3.319	-3.795
Wipro	2.319	2.200
Mastek	2.949	3.181
Infosys	1.938	1.879
Patni Computer	2.805	2.668
Financial Tech	-0.144	-0.624
SaskenComm	0.649	1.001

Tech Mahindra	1.820	1.452
Geometric	0.481	0.180
Mphasis	4.910	4.350
NIIT Tech	0.507	1.224
Hexaware Tech	2.373	1.981
Infotech Enter	2.268	1.318
Tata Elxsi	0.510	0.489
Polaris	3.989	2.737
Hinduja venture	-0.949	-1.638
Saksoft	-1.963	-10.442
Blue Star Info	-0.451	-0.042
Ramco System	-0.779	-0.298
Softpro system	3.199	2.233
Sonata Software	-1.191	-0.264
Cranes Soft	-5.706	-4.96
Cybertechsys&sof	-0.589	-2.398
Onward technology	-0.487	-1.813
Goldstone Tech	-2.684	-2.881
UTV Soft	-1.671	0.018
Subex System	-1.833	-1.821
Megasoft	-4.046	-3.965

As sample design is less than 30 t-test is applicable for above data.

μ 1= average return of 10 different security listed on NSE. μ 2= average return of 10 different security listed on NSE.

NULL HYPOTHIES: it states that there is no significance difference of return on securities listed commonly on NSE and BSE. H0: μ 1= μ 2

Alternative hypothesis: it states that there is significance difference of return on securities listed commonly on NSE and BSE.

H1: μ 1= μ 2

Name	NSE VALUE	BSE VALUE
Mean	0.223	-0.223
Variance	6.002	8.788
Observations	30	30
Pearson Correlation	0.823314	
Hypothesized Mean		
Difference	0	
Degee of freedom	8	
t Stat	19.05	
P(T<=t) One-tail		
t Critical One-tail	1.645	
P(T<=t) two-tail		
t Critical two-tail	1.96	

INTERPRETATION: The calculated t-test value is 19.05, which is greater than the table value of 1.960 at 5%level of significance. Since the calculated value is less than the table value its lie in rejected area it inferred that it accepted null hypothesis by stating that it state that there is no significance difference of return on securities listed commonly on NSE and BSE.

The above table showing GDP growth also a factor in market rally towards bullish zone, but it's not only a cause to growth, there are so many other factors also involved in market volatility. When GDP numbers increases market participates in bullish, decreases market participates in bearish. Analysis of risk of the different stocks by using t-test

Company Name	NSE Values	BSE Values
HCL Tech	18.852	18.336
TCS	19.147	18.055
Satyam	23.965	23.224
Wipro	18.319	18.613
Mastek	23.040	23.107

Infosys	13.385	13.507
Patni Computer	19.762	19.697
Financial Tech	28.370	27.420
SaskenComm	26.951	27.752
Tech Mahindra	23.462	23.002
Geometric	23.039	24.131
Mphasis	19.876	19.746
NIIT Tech	23.230	23.713
Hexaware Tech	21.569	20.792
Infotech Enter	21.066	19.275
Tata Elxsi	19.789	19.944
Polaris	23.683	23.450
Hinduja venture	24.531	25.102
Saksoft	19.962	17.719
Blue Star Info	20.026	18.840
Ramco System	24.796	24.992
Softpro system	30.219	28.393
Sonata Software	20.189	20.229
Cranes Soft	17.469	17.857
Cybertechsys&sof	19.354	18.140
Onward technology	22.865	20.672
Goldstone Tech	35.910	35.856
UTV Soft	20.144	20.275
Subex System	27.405	26.977
Megasoft	23.719	24.275

As sample design is less than 30 t-test is applicable for above data.

μ 1= average risk of 10 different security listed on NSE. μ 2= average risk of 10 different security listed on NSE.

NULL HYPOTHIES: it states that there is no significance difference of risk on securities listed commonly on NSE and BSE. H0: μ 1= μ 2

Alternative hypothesis: it state that there is significance difference of risk on securities listed in NSE and BSE

H1: μ 1= μ 2

Name	NSE Values	BSE Values
Mean	21.63327	21.33472
Variance	27.51962	27.4258
Observations		
Pearson Correlation	0.982784	
Hypothesized Mean		
Difference		
Degree of freedom	58	
t Stat	5.654	
P(T<=t) One-tail		
t Critical One-tail	1.645	
P(T<=t) two-tail		
t Critical two-tail	1.96	

INTERPRETATION: The calculated t-test value is 5.654, which is greater than the table value of 1.960 at 5%level of significance. Since the calculated value is greater than the table value its lie in accepted area it inferred that it accepted null hypothesis by stating that it state that there is a significance difference of return on securities listed commonly on NSE and BSE.

4.1 Discussions &Suggestions

Fluctuations are more in secondary market than any other market. There are more speculators than investors. Information plays a vital role in the secondary market. Previously rolling settlement is T+5 days, now it changed to T+2 days and further it will be changing to T+1 day. Observed how to trade shares in the stock markets through online. Analyzed how to reduce fraud nature trading and outside trading BSE was conducting worldwide trading (ex: foreign exchanges also) and NSE was conducting national wide trading under the India. Identified how to check opening price and high price while comparing to other companies. Finally online trading was better than manual trading compare to time consumption among both trading.

Private companies still have to perform their trading well compare to government companies. SEBI has to learn the online trading process for illiterate investors. Because they can be have some interest to trading. SEBI has to give more suggestions to stock markets for attract the more investors into trading. Both government and SEBI have to support the small companies if they getting losses due to market fluctuations. As there is a market risk is involved in the market so investors point of view they have to keep certain amount of money in the fixed

deposit and keep few amount of money into the share market Before investing the amount in the share market Investors has to go through the company and their performance in details

5.0 CONCLUSIONS

The most common trade finance methods and techniques have been introduced in this article, along with an explanation of their relevance. Government involvement in the industry, which would also aid in facilitating and expanding trade, may help to alleviate the scarcity of trade financing in developing countries. However, the best long-term solution to overcome the limits in trade finance is to promote the growth and development of a vibrant, competitive financial system, with the majority of its players coming from the private sector. This is important since some of the government-backed trade financing programmes may Trade Finance Trends in Asia. The recent economic downturn has increased the urgency for strong financial systems and efficient trade finance laws. In an effort to save money, many companies postpone payments, and the number of SMEs in rising Asian economies with high credit risk is growing. This is partially due to a regional trend toward unsecured, open-account types of transactions. Large Western consumers prefer open-account terms versus using guarantees like letters of credit for the sale of their products from Asian suppliers (LCs). These buyers just don't want to pay the extra fees for payment assurances, and if open-accounts aren't offered, they'll buy their items elsewhere. Due to the freedom to delay payments provided by these open accounts, clients are increasingly asking Asian suppliers for credit. The economic downturn has forced many businesses to reevaluate their reliance on electronic trading and payment systems. The labor-intensive trade finance process' costs may be greatly reduced by these tools, but it also becomes more difficult to excuse payment delays. Large Western customers aren't the only ones delaying payments. In fact, many businesses prefer working with these wealthy customers over the underfunded clients that are typical in many developing Asian economies since they are so trustworthy and carry such low credit risk (i.e., even if they delay payment a little, they will pay).

6.0 References

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