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The New Payment Term BPO and Its Effects on Turkish International Business

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Abstract

At the present day, we rapidly live in an information age. Globalisation has removed the borders and shortened the distances between the countries. Some reasons such as information speed, shortening of distances and competition have brought innovative solutions in international business transactions. If we look generally to innovative developments in international business life, the most important examples are observed at payment and delivery terms. Recently with the impact of the revision made in 2010 there were radical changes at INCOTERMS. On the other hand a new form of payment BPO has been suggested to importers and exporters which hosts speed, technology and trust factors inside. One of the most important issues in international business transaction is payment. Exporter and importer pay similar attention to this subject and both of them wonder about how and when the payment will be done. Thus far, with effect of competition, speed and technology traditional payment terms such as cash, cash against documents and letter of credit remained inadequate, unreliable and expensive. In order to meet these needs, developing new payment method BPO has taken place in international business since 2013. In this study, payment terms in international business were examined. On the other hand, from the moment it entered into force in 2013, the new payment term BPO how often used, and previously which payment terms used instead of BPO were analysed. However, BPO and other payment terms are compared with each other and BPO's effects on Turkish international business life are also determined.

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1. Introduction

Nowadays, international trade has become inevitable both for companies and countries. We can define this globally made "World Trade" as, the exchange of goods and services by the individuals living in different places. The main reasons for this trade which continues for centuries can be listed as follows (Güven, 2002:1);

- The increase of the opportunities offered by technology,
- New needs caused by the environmental and health conditions,
- The huge demand to more than necessary manufactured goods in some places,
- The lack of equal distribution of resources in the world.

Nowadays countries are focusing on efforts to upgrade to higher capacity of foreign trade by specialization. For example, Americans tend to buy Mercedes cars, the Germans spend holiday in Spain, Turkey buys oil from the Arabic countries. The main reason of these examples is the unattractive power of domestic markets and attractive power of international markets. (Parasız, 2003: 499).

This "World Trade" preferred by companies as a way out, has some basic principles. These basic principles are the mechanisms established to protect the rights and obligations of the parties. The basic instruments used in international business transactions are gathered under main headings such as; transportation, insurance, finance and sales (Shangina, 2007: 17).

The factor of trust in international business is almost negligible. This is actually caused by the long distance between countries and companies. Although communication and transportation sectors provide fast solutions today, foreign trade formalities consist of huge differences from the domestic trade. One of the biggest problem encountered in international business is payment. It is very important for both exporter and importer to know how and when the payment will be done. In the cases which are subject to international arbitration are usually caused by the payment issues (Başlangıç, 2015:51).

Exporter should prepare and load the goods in accordance with its agreement with the importer and moreover exporter should think about the payment in order to make a finance programme. If the exporter can not collect the payment on time, than he will enter into a big difficulty. In order to avoid such difficulties, exporter should have enough information on payment terms and choose the most suitable one for himself.

2. Payment Terms

In international business, it is possible to speak about different types and varieties of payment terms, according to the agreement and condition between the buyer and seller. However, in general the method of payment defined as; the determination of guarantee for the exporter before losing the control over the goods (Bağrıaçık and Yıldırım, 2008:19).

Although many traditional payment methods used so far in foreign trade, we can elaborate the seven basic and important methods.

2.1. Cash in Advance:

This is an advance payment for the goods or services from the importer to the exporter before the receipt of exported products. This payment method depends on mutual trust and usually takes place between the buyer and seller who know each other very well (Şahin; 2002:5).

This payment method is the most disadvantaged payment term for an importer because the money is fully paid by importer and now he is completely at risk. After the payment, all initiative passes to the exporter and also importer loses the chance to earn interest income (Güven; 2002:175).

2.2. Cash Against Documents:

In this type of payment, exportation documents have been sent by correspondent banks to the issuing bank in return for the exporting value. In other words, the documents which are necessary to perform customs clearance of goods were given to importer against payment of the invoice (Şahin; 2002:17). This payment method covers the following stages (Güven; 2002:176-177);

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