

Pre-Shipment Finance and Post-shipment finance differences

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Pre-Shipment Finance and Post-shipment finance

- **Meaning**
- **Purpose**
- **Amount of Finance**
- **Beneficiary**
- **Form of Finance**
- **Period of Credit**
- **Documentary Evidence**
- **Lending Institutions**

Meaning

- Pre-Shipment finance refers to the credit extended to the exporters prior to the shipment of goods for the execution of the export order.
- Post-Shipment Finance Post-shipment finance refers to the credit extended to the exporters after the shipment of goods for meeting working capital requirement.

Purpose

- It is granted for s as purchase, processing, manufacturing or packing of goods as defined by the Reserve Bank of India.
- Short-term finance is extended for meeting working capital requirement and medium and long-term for exports on deferred payment

Amount of Finance

- Generally, the amount of packing credit does not exceed the FOB value of the goods to be exported or their domestic value whichever is less.
- Post-shipment finance can be given to the extent of 100% of the invoice value of the goods exported

Beneficiary

- It is extended to the Indian exporters or deemed exporters from India.
- It is extended to the Indian exporters as well as the overseas importers.

Form of Finance

- It is extended in the following forms:
- Extended Packing Credit Loan;
- Packing Credit Loan (Hypothecation and Pledge);
- Secured Shipping Loan.
- It is extended in the following forms
- It is extended in the following forms:
- Discounting of export bills,
- Against undrawn balances
- Against retention money;
- Against goods on consignment.

Period of Credit

- It is granted for a maximum period of 180 days and can be further extended for a period of 90 days with a prior permission of the RBI.
- It can be granted for short, medium and long term for periods ranging from 90 days to 12 years depending upon the nature of exports.

Documentary Evidence

- It is extended against the documentary evidence of confirmed export order or letter of credit.
- it is extended against the evidence of shipping documents certified by the customs authorities.

Lending Institutions

- It is generally extended by commercial banks in India.
- Short-term post-shipment credit is extended by the commercial banks while medium and long-term credits are extended by the EXIM bank.

THANK YOU