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INTERNATIONAL FINANCIAL TRANSFERS

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Abstract: International Financial Money Transfer is an electronic transfer of funds in a particular currency and amount, to a friend, relative or company abroad. The person or company you pay for is known as a user. The bank to which the funds are sent is known as a customer bank. The realization of the activities in the process of operation of the economic, governmental and other entities requires the funds to be transferred from one account to another, ie from one place to another. Banks provide transfers of funds from account to account through networks of banking institutions operating on behalf of and for the benefit of customers.

Keywords: finance, money, transfer.

CONCEPT AND CHARACTERISTICS OF FINANCIAL TRANSFERS

Business owners and individuals need to send money from one place to another every day, in the country or abroad. The reasons may be of a different nature, such as:

- ✓ Payment of liabilities,
- ✓ Procurement of goods,
- ✓ Sending money to the family.

Financial transfer is the act of transferring money from one place to another. This can happen electronically or physically.

Financial transfers or money transfers from account to account are made with the help of financial institutions or organizations that transfer money from one account to another or transfer it from one place to another, as Western Union does. Banks and providers of funds transfer funds from account to account have developed networks and financial branches or agencies that make transfers of funds on behalf and for the account of customers.

Bank transfer is when money is sent from one bank to another. There are a number of ways you can make a bank transfer of money:

➤ Internet banking transfers. They are made through an online account and a selected payment option.

- Telephone transfers. Phone banking of the client's bank is used.
- Bank transfers. By paying money in from the account, to pay the bill for debts incurred.
- Financial transfers are made within the defined paid system of a country.

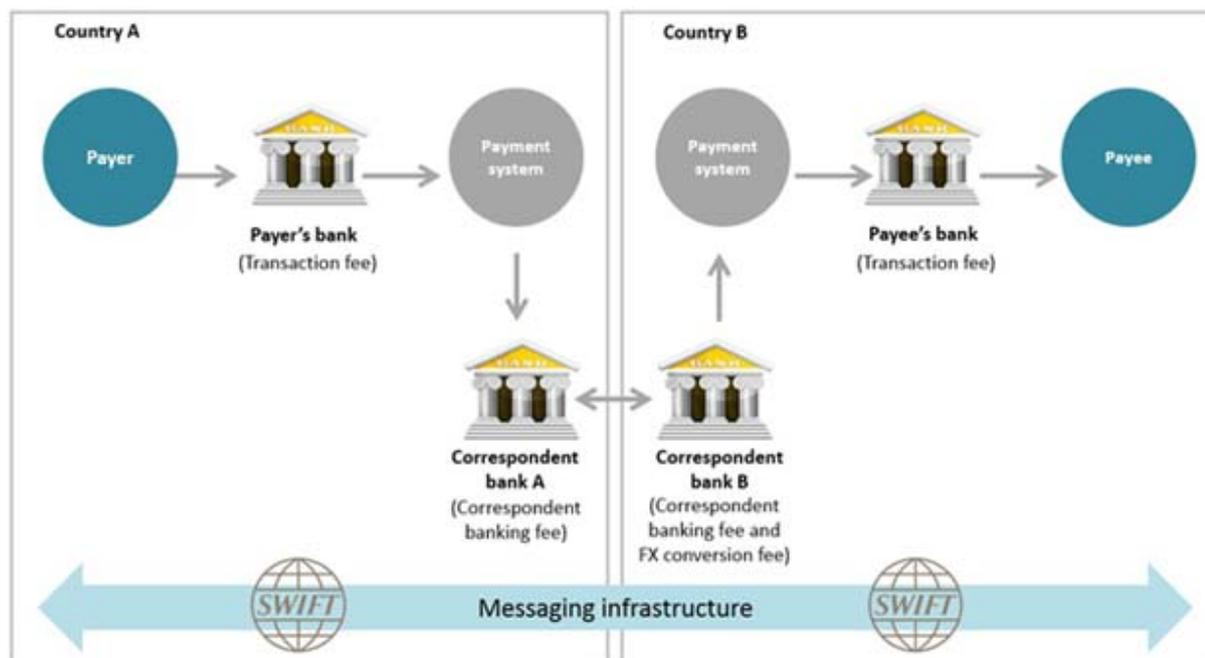


Figure 1. A simple model of payment operations between banks

Source: Twitter Ripple on Twitter: A simple correspondent banking model outlined, (2020), Google pictures about payment systems

The payment system is a set of instruments, procedures and infrastructure for money transfer. It is of great importance to all economic entities because it enables fast and efficient payment. At the top of the payment system is the central bank, which keeps the accounts of the depository institutions - banks. The payment system is shown in the following picture:

The central bank in the payment system has¹:

- Operational function,
- Development function and
- Function of monitoring other payment systems in the country.

At the next level are the banks that keep the accounts of other legal entities and individuals. Accounts are run decentrally - each bank for its customers. The central bank system is used to execute and promptly settle large value payments and urgent payments between banks. A specialized institution - Clearing House for small payments - is used to refund small value payments, and the results of the overdraft are later settled in the central bank system.

Companies, governments and their institutions have a lot of accounts or financial resources that cover various expenses, generate income that are the result of various businesses and other activities. The realization of the activities in the process of operation of the economic, governmental and other entities requires the funds to be transferred from one account to another, ie from one place to another.

¹ What is a Payment System? Federal Reserve Bank of New York, 2015, Available at: wikipedia.org.

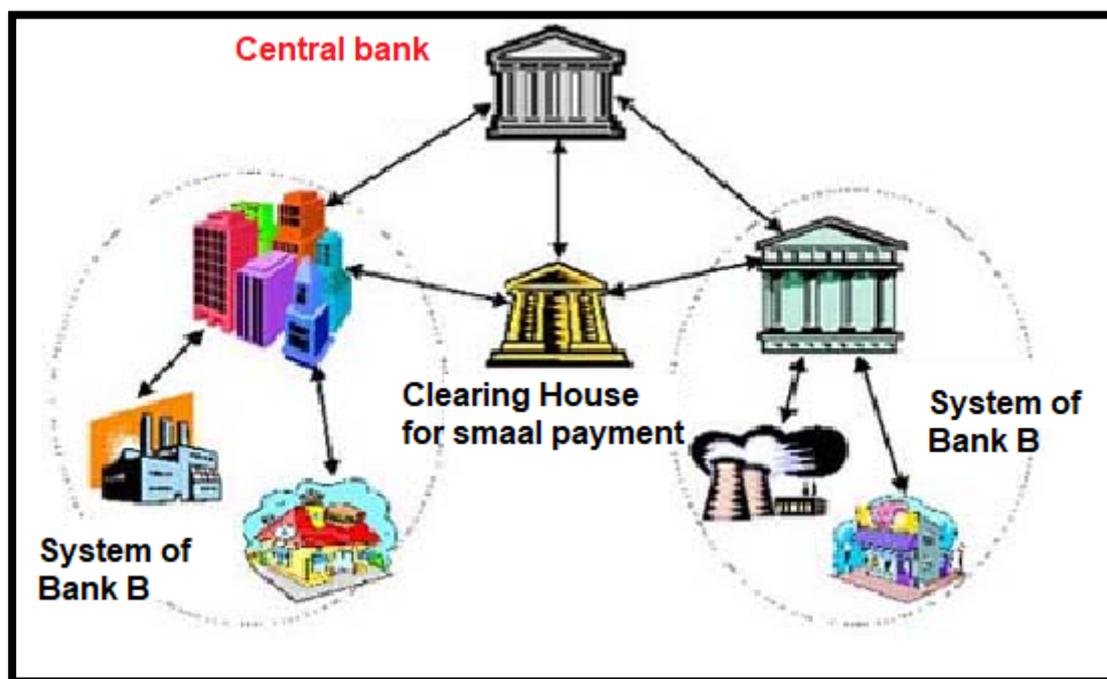


Figure 2. Payment system

Source: *General Features of the Payment System, Pictures of Role of central bank in payment system, Google*

International financial transfers of funds can be intended for:

- Coverage of family living expenses (stay abroad due to education, treatment and other expenses) and personal transfers of funds (family loans, gifts, dowry, inheritances, pledges, settlement of debts of the immigrant to the home country, transfer of funds to the emigrant abroad, games of chance) with, or without the presentation of a document.
- Unilateral personal transfers of funds with presentation of an appropriate document,
- Payment abroad for the purchase of goods and services up to the amount stated in the document,
- Transfer of funds from a domestic account to an account abroad.

TYPES OF FINANCIAL TRANSFERS

Financial transfers, or money transfers today, are made in many ways, both within a country and between countries. International or cross-border payments are transactions where the recipient of the recipient and the transaction are based in different countries.

Transactions can take place between:

- Individuals,
- Companies or
- Banking institutions seeking to transfer funds to territories.

For traders working internationally, it is crucial that they can accept payments in all the countries they target. The major international payment methods used worldwide today include:

- Cash in advance,
- Credit letters,
- Document collections,
- Open account,
- Shipping.

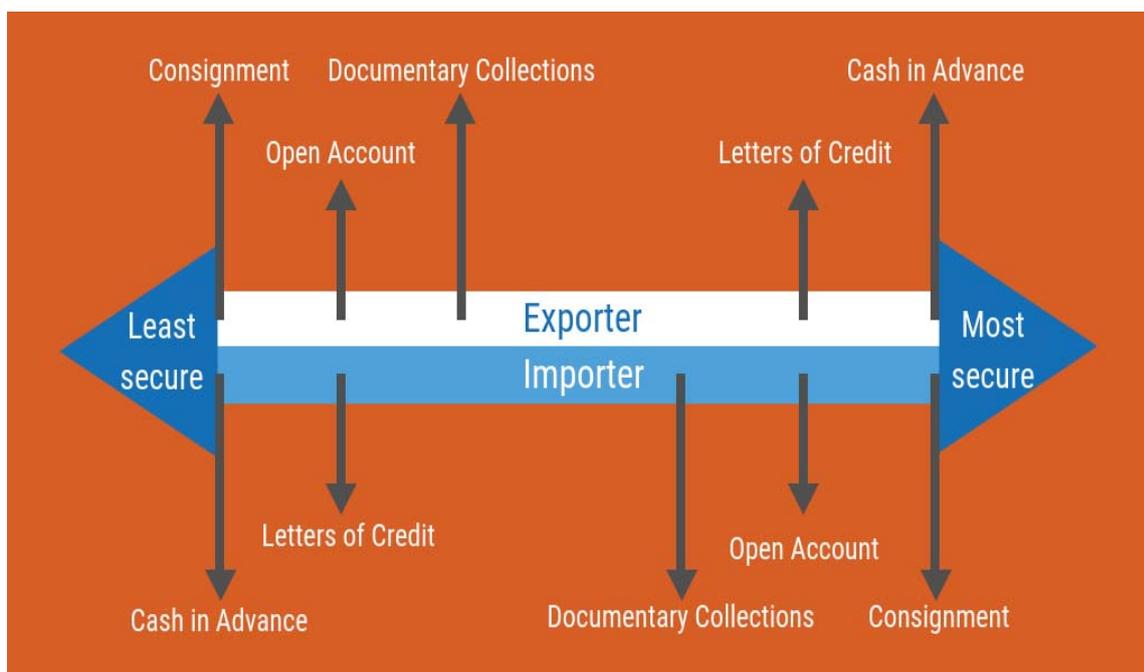


Figure 3. International payment methods

Source: *International payment methods. iContainers, 2020. Available at: www.icontainers.com*

Cash in advance - a transfer known as a subscription. The buyer completes the payment and pays the seller in full before the goods are delivered to the buyer. Credit Payment Other methods for advance payment include debit card payment, telegraphic transfer and international verification.

Credit Letters - A letter of credit is one of the safest international payment methods for importers and exporters, as it includes assistance from established financial institutions, such as banks as intermediaries. With a letter of credit, the payment is made through the buyer's and sellers' banks. After confirming the trading conditions, the buyer instructs his bank to pay the agreed amount to the seller's bank. The buyer's bank then sends a letter of credit as proof of sufficient and legitimate funds to the seller's bank. Payment is sent only after all the above conditions are met by both parties and the shipment has been sent.

Document Collections - Document collection is a process in which the buyer's and seller's banks act as facilitators of trade. The seller submits the documents required by the buyer, such as the bill of lading, which is necessary for the transfer of the goods. The seller's bank will send these documents to the buyer's bank, along with payment instructions. Documents are published only in exchange for payment, which is sent immediately or on a certain date in the future.

Open Account - Under open accounts (also known as paid accounts), goods are delivered before payment, proving to be an extremely attractive option for buyers, especially in terms of cash flow. With this payment option, the seller sends the goods to the buyers with an attached credit period. This is usually in periods of 30-, 60- or 90 days, during which the buyer must make a full payment. Open accounts are usually only recommended for trusted and reputable buyers and sellers who have established a trusted relationship and / or export with a relatively lower value to minimize risk. With the collection of documents, also known as bills of exchange, the seller basically assigns the responsibility for collecting payments to his bank.

Shipping - The shipping process is similar to that of an open account with which the payment is completed only after receipt of the goods by the buyer. The difference lies in the

point of payment. With the shipment, the foreign buyer is obliged to make a payment only after selling the goods to the final consumer. This method of international payment is based on an agreement under which a foreign seller retains ownership of the goods until they are sold. In return, the buyer is responsible for managing and selling the goods to the end customer. Delivery is usually recommended only to buyers and sellers with a trusted relationship or reputable distributors and service providers. Given the high risk involved, sellers should make sure they have adequate insurance coverage that can cover the goods from transit to final sale and mitigate the damage caused in the event of non-payment by the buyer.

In addition to these explanations of the types of international financial transfers, there are several different types of financial transfers that can be highlighted²:

- Wire transfers,
- Bank draft,
- Electronic funds transfer
- Money orders.

All of these methods are used for financial transfers, both for business needs and for individuals. Transfer from account to account are the most well-known financial transfers used to transfer funds from one bank account to another bank account. The ordering party, ie the person who wants to transfer funds from one place to another, gives an order to the bank to transfer the funds from his account to the recipient's account in another bank, in the country or abroad.

There are also so-called cash transfer systems that are informal cash transfer systems. These are the following systems³:

- ***al-Barakat*** – informal money transfer system developed in the Arab world,
- ***Hawala*** – also known as the hundi system - an informal system primarily used to send money to the Middle East, North America, South Africa and South Asia,
- ***Remittance*** - transfer of money from workers abroad to the families in the country of origin. These are the so-called foreign exchange remittances from citizens for temporary work abroad.

PROCEDURES IN THE REALIZATION OF FINANCIAL TRANSFERS

From a business perspective, there are two elements to any payment process. The first involves receiving money from customers, and the second includes outbound payments to suppliers, partners, employees and beyond. International payments or outbound transactions will flow through the following steps:

Customer Determination - This step involves collecting all the necessary information about the recipient of the money - including the username (be it an individual or a company), as you would like to receive the funds, directly by depositing a physical bank account or digitally, and where they are in which country in the world

Foreign Exchange Ratification - This step is unique to modern platforms that offer their customers greater visibility in the transaction process. While traditional providers, such as large banks, often use a fixed exchange rate that does not correspond to currency fluctuations, new systems are updated in real time to provide users with the most accurate, updated courses. In addition, modern platforms allow users to approve a exchange rate before proceeding with the transaction. Buyers need to be on the lookout for a static exchange rate - usually indicating that a large price tag has been established to offset any fluctuations in the exchange rate at the back end.

Reviewing Transaction Details - This is the stage when payment is actually submitted for approval, pending the user's review and acceptance of the details specific to the transaction.

² Lampman, R. J. (2016). Transfer Payments. The New Palgrave Dictionary of Economics, Palgrave Macmillan UK.

³ Slater, R., Farrington, J. (2009). Cash Transfers: Targeting. Overseas Development Institute.

These details are crucial because they represent specific standards for compliance in a given country (standards for which information must be present and verified before processing). From the client's point of view, this step is often seen as an overview of the type of transaction, stating the reasons for the transfer of funds (ie, what products or services are being purchased) and confirming the exact amount to be released in exchange. This amount is an updated report on the duties incurred, taking into account factors such as taxes specific to the region and exchange rates.

Compliance and Screening Checks - This is when the host (bank or third party provider) will first receive payment processing. The transaction host is responsible for conducting all screening tests specific to the region, thus providing additional confirmation of financial protection and identity fraud. Although each country's compliance standards vary, screening usually involves verifying the user's identity and checking the consistency of the transaction information over other records.

Execution of transactions - This is when the funds are released from the paying side, and transferred to the user's account. There are several ways in which a transaction can be performed. The client can pay by credit card, for example - transferring the responsibility to the cardholder to transfer all the necessary funds. They could also decide to pay by giving the recipient of the money bank account information - in which case the recipient of the money would be responsible for withdrawing funds directly from the client's account and placing them on his account. It is also possible for payments to be "imposed" - placing the responsibility in the hands of the client to initiate a transfer from their bank account to the user or service provider.

It can be noted that international financial transfers are made step by step as follows:

➤ Contact is established with the person to whom the funds are to be transferred and the details of the transaction are agreed and for the bank and the account on which the transfer is to be made,

➤ Discuss with your own bank the form of realization of the international transfer of funds. In order for the transfer of funds to take place, the sender must have a receipt in his / her own bank account,

➤ Forms are filled in for the details of the financial transaction and for the account on which the financial transfer is to be made,

➤ Payment for transfer,

➤ A confirmation is received that the transfer is complete.

EXECUTORS OF FINANCIAL TRANSFERS

Financial transfers are business activities and they are realized as a service activity. There are several executors of financial transfers. That's all:

✓ Financial Transfer Agencies,

✓ Banks,

✓ Online transfers,

✓ Cards.

Financial transfer agencies conduct transfers in the country and abroad, they have no accounting receivables and are located in the busiest areas of cities and in large shopping malls. Apply different methods of money transfer. The world's most well-known financial transfer agencies are:

✓ Western Union,

✓ ChequePoint,

✓ Coinstar,

✓ MoneyGram and others.

The transfer of funds depends on the amount of money to be transferred and the place from and to where the transfer of funds should take place.

Banks offer not very expensive means of transferring funds. They have direct communications with many other banks, postal institutions, both at home and abroad. In order to be able to perform the financial transfers, the banks require the clients to have open accounts with them. Transfers of funds through banks today are made quickly and at a lower cost.

The Internet allows financial transfers from one entity's accounts or money cards to another. The Internet has developed the so-called system of Online, ie electronic transfer of funds. Electronic Funds Transfer System (EFTS). enables funds, ie money to be exchanged between the buyer, the retailer and the bank in the form of electronic data. The transfer is made at the time of the transaction, and only if you have funds in the account.

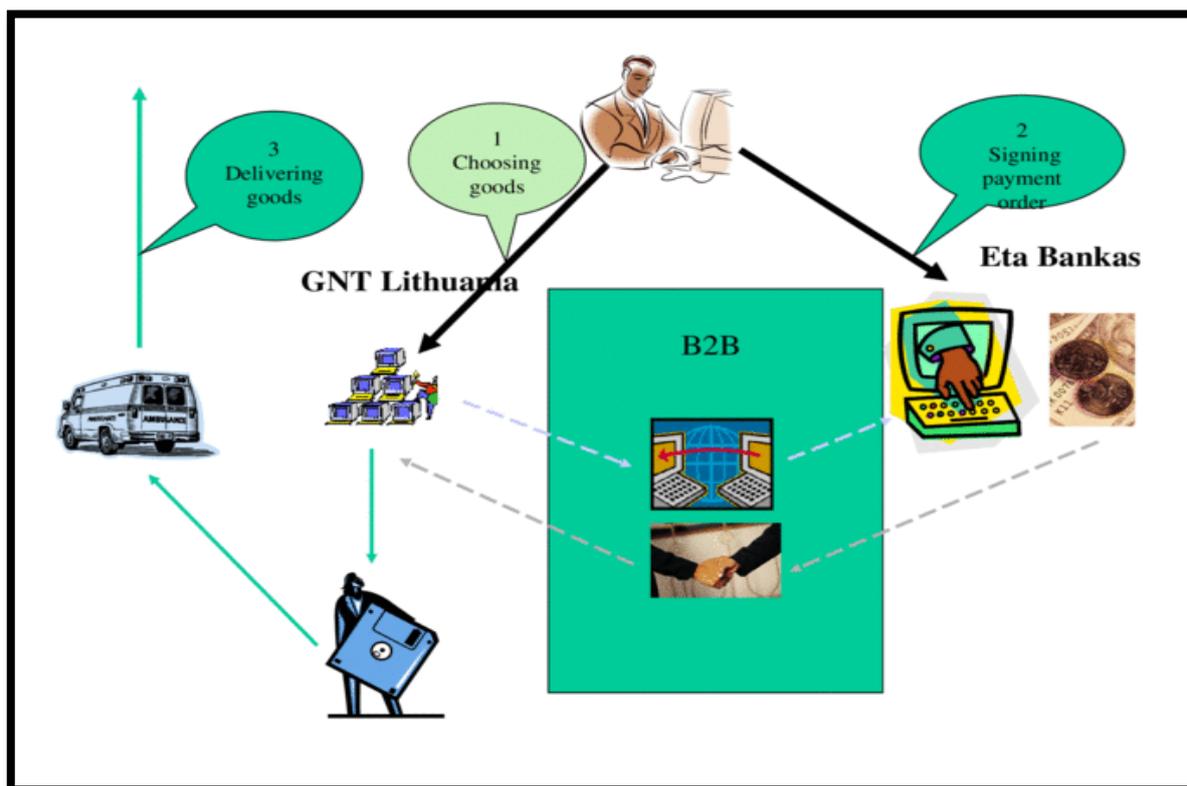


Figure 3. Internet financial transfers

Source: Liutauras Varanavičius Experience of Ūkio bankas Implementing, 2020, Available at: pdfslide.tips

Credit cards money transfer is one of the fastest and most secure ways to send money from anyone and anywhere in the world. The money is sent immediately from the sender's credit cards and is credited to the recipient's account by the fact that the postcard card is used to send money, to whom to send the money and to confirm the sending of the money.

The Email money transfer is realized by selecting the recipient's email address directly from the sender's bank account, a connection is established with the bank account, and the one with the recipient.

SWIFT⁴ money transfer network is only available to financial institutions. It has a closed circle of banks consisting of banks and other financial institutions in 199 countries around the world. Different types of communications are used to send messages from the sender bank to the recipient bank. These are communications for money transfer bank - bank. This way of transferring money is direct, the bank sending the money sends written instructions for the

⁴ SWIFT/BIC codes - What are SWIFT/BIC codes? - Debitoordebitoor.com › dictionary › swiftbic-codes.

payment of the bank in the country where the funds should reach, the name of the recipient of the funds and the number of his account are given.

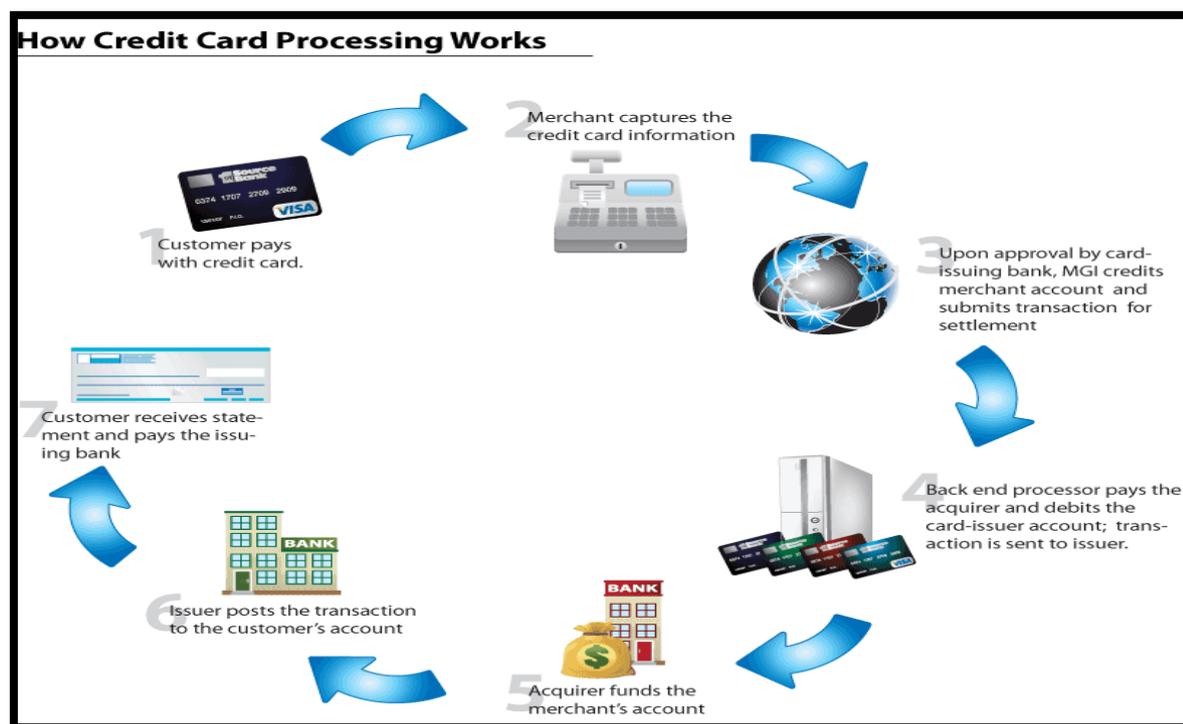


Figure 4. Credit cards money transfer

Source: Chris Corbett: *Visa Money Transfer*, 2020, CEMEA Vendor Relations Training Workshop, London

Transfer funds from person to person or from country to country in cash, realizes it without the help of accounts or cards, in order to transfer money, institutions, ie agencies such as Western Union require only appropriate identification documentation, the money is taken and taken to the recipient. This type of money transfer is used in emergencies, when money is needed urgently and quickly.

Carrying out money transfer transactions via the Internet, as it is called digital money payment, should ensure a simple and economical transaction. In order for the transaction to take place, the payer and the person who has to receive the money, through the bank, must have a computer and appropriate software to make the transaction. As soon as there are technical conditions, safety procedures should be followed.

To accomplish such transactions, the following requirements must be met:

- ✓ security procedures must be followed in order for electronic payment to be made;
- ✓ the payment can be used by a large number of different users and not be expensive;
- ✓ to be able to make payments in small amounts;
- ✓ the public should be informed about the payment system, ie it should be transparent;
- ✓ be simple;
- ✓ payments need to be proven, ie recorded and analyzed;
- ✓ digital money must be converted into real money, ie there must be real money

coverage for the transaction;

When it comes to financial transfers, it should be noted that there are two basic ways to make a transfer:

- ✓ Physical transfer,
- ✓ Electronic transfer.

Electronic money transfer is considered to be the best and fastest, simplest and safest. Physical transfers of assets are considered to be more risky. The normal conduct of electronic financial transfers means the transfer of funds from one account to another. The bank that realizes the transfer of funds sends an e-mail to the bank that is to receive the funds.

CONCLUSION

International money transfer is the electronic transfer of funds in a particular currency when money is transferred from one bank in one country to another in another country. Banks in both the payer country and the recipient country must follow the laws in their respective countries to notify the financial services authority of cash flow / outflow. An international money transfer is used to send money electronically to another country. The transfer can be made in any currency, but is usually made in the currency of the recipient country. International money transfers can also be called money transfers abroad, currency transfers or even electronic transfers.

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