

An Ephemeral Study on Contribution of Exim Bank India in Export Financing

Reeva Verma

Department of Commerce & Management Studies C.C.S University Meerut

Abstract—*Export-Import Bank of India is a specialized financial institution, wholly owned by Government of India, set up in 1982, for financing, facilitating and promoting foreign trade of India. For the purpose of Export promotion, this bank provides terms credit facilities for Indian exports of machinery and Engineering goods on deferred payment basis. Besides merchant banking counseling to Indian exporter specially exporter of machinery and engineering goods are different services provided by EXIM bank. The economic liberalization programme initiated in the early 1990s placed the Indian Economy on a higher growth path compared to the three decades of relatively low growth rates prior to liberalisation. Exim Bank's Finance program gives a variety of facilities for Indian reserves and acquisitions overseas. As part of Exim Bank's marketing Finance Program, the bank offers support to small and medium enterprises in their export marketing efforts consisting of financing the soft expenditure linking to completion of tactical and systematic export market development plans. The objective of the paper is to analyse the need of export financing and institution engaged in export financing and throw light on contribution of Exim Bank in providing financial assistance to importers and exporters.*

Keywords: *Export market development, Investment finance, Export credit & SME finance*

1. INTRODUCTION

Export-Import Bank of India (Exim Bank) was set up by an Act of the Parliament “THE EXPORT-IMPORT BANK OF INDIA ACT, 1981” for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for co-ordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.

Exim Bank has two broad business streams: one, the traditional export finance typical of export credit agencies around the world and two, financing of export oriented units (export capability creation), which are non-traditional for export credit agencies.

The EXIM Bank act also empowers the Bank to finance export of consultancy and related services, assist Indian Joint Ventures in third world countries conduct export market studies, finance export oriented industries and provide international merchant banking services.

The EXIM bank grants in and outside India loans and advances by itself or in participation with any bank or financial institution for the purpose of export or import.

2. LITERATURE REVIEW

Rosenstein-Rodan (1943), Harrod (1939), Domar (1946), Hirschmann (1958) Ragner Narkse (1952), S.J Patel (1965) “The independent India had faced foreign exchange problem that leads to export stagnation, as was happened in other underdeveloped countries. In this context, Ragnar Narkse observed that, stagnation in underdeveloped countries' export was mainly attributed to slowly expanding world markets for traditional products. The same argument was also corroborated by Indian Government Committee and S. J. Patel. the grand economic theories ('Big Push' theories and unbalanced/strategic growth models) attributed variously to Rosenstein-Rodan (1943), Harrod (1939) and Domar (1946) and Hirschmann (1958) led to a dominant role for state in most areas of industrial activity.

Bhagwati (1982), Krueger (1975), and Srinivasan (1985) “[There is the well known argument about the greater effectiveness of export oriented industrialisation (EOI) as compared to import substituting industrialisation (ISI) [Prebisch (1970); Frank (1969); Myrdal (1957)]. The opposing views on trade as an ‘engine’ of growth [Lewis (1980)] or a ‘handmaiden’ of growth [Kravis (1970); Riedel (1984)] are also well known.

F. Langdana and P.T. Murphy, (1935), “Trade theories from the Mercantilism to New Trade models of recent origin focuses on (i) export as a leading sector; (ii) export as a balancing sector; and, (iii) export-linked import liberalization - in both developed and developing countries. In simplest form, various theories explain how the differences between countries give rise to trade and gains from trade.

Research Brief No. 65, August 2011, “The study highlights that there exists a robust and long run relationship between exports and economic growth in case of Indian economy and an uni-directional causality from export growth to GDP growth. This also indicates that one can use exports to better predict the GDP than simply by the past history of GDP.

The empirical evidence indicates that the movements in the exports of goods and services appear to lead the movement of GDP in Indian economy.

3. NEED FOR EXPORT FINANCING

Export finance is a kind of advance by which not only the customer is benefited but also the country itself as it brings valuable foreign exchange earnings. Hence, government has given more importance to export finance and has simplified various procedures involved in obtaining finance.

4. FORMS OF FINANCIAL ASSISTANCE PROVIDED BY EXIM BANK TO INDIAN EXPORTERS

Delayed Payment Exports Term loans are provided to those exporters who deal with exporting of goods and services and this enables them to offer delayed credit to the foreign buyers.

This system of deferred credit covers Indian consultancies, technology and other services.

Pre-shipment credit - Indian companies which are highly involved in the execution of export activities beyond the cycle time of six months are funded by EXIM Bank. The construction or turnkey project exporters enjoy the provision of rupee mobilization.

Foreign Investment Finance - EXIM bank provides financial assistance for equity contribution to the Indian companies who form Joint Venture with the foreign companies.

Financing export marketing - It helps the exporters carry out their export market development plan in Indian market.

Export Credit Guarantee Corporation:

Export Credit Guarantee Corporation (ECGC) of India, established in 1957 by the Government of India is the principal organization for promoting exports by covering the risks of exporting on credit. It functions under the administrative control of the

Ministry of Commerce. ECGC is the world's fifth largest credit insurer in terms of coverage of national exports.

The ECGC mainly:

- i. Provides a range of credit risk insurance covers To exporters against loss in export of goods and services
- ii. Offers guarantees to banks and financial institutions to enable exporters obtain better facilities from them
- iii. Provides overseas investment insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

5. ACTIVITIES OF EXIM BANK INDIA:

- EXIM Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental

and infrastructure projects, equipments, goods and services from India, on deferred credit terms. EXIM Bank has laid strong emphasis on enhancing project exports, the funding options for which have been enhanced with introduction of the Buyer's Credit-National Export Insurance Account (BC-NEIA) program. The Bank facilitates two-way technology transfer by financing import of technology into India, and investment abroad by Indian companies for setting up joint ventures, subsidiaries or undertaking overseas acquisitions.

- To promote hi-tech exports from India, the Bank has a lending programme to finance research and development (R&D) activities of export-oriented companies. During the year ended 31st March, 2015, EXIM Bank sanctioned loans of ` 57,684 crore, while disbursements amounted to ` 38,508 crore. Loan Assets stood at ` 86,953 crore as on March 31, 2015.
- Bank issued India's first USD denominated Green bonds with a benchmark size of US\$500 million. During the year, an Export Development Fund [EDF] facility, a special fund,
- established by GoI under the Exim Bank Act and administered by Exim Bank, to sanction loans in the interest of international trade towards meeting strategic objectives was put to use.
- The Bank has entered into a Cooperation Agreement on Innovation with the four major development Banks of the BRICS countries which is expected to promote intra-BRICS cooperation in innovation financing. The Bank, with its diverse programmes, caters to different segments of exporters and the export cycle.

6. NEW INITIATIVES OF EXIM BANK

The Bank provides a range of export credit

products like finance for export of projects and consultancy services, capital equipment finance, export project cash-flow deficit finance and guarantees.

Green Bonds

EXIM bank successfully launched a 5-year Reg S Green Bond issue of USD 500 million on March 24, 2015 under the Bank's USD 10 billion Euro Medium-Term Note Programme. The issue attracted subscription of around 3.2 times the issue size led by strong demand, across 140 accounts.

The issuance has allowed the Bank to expand its investor base and to support an important market as investors seek more

socially responsible investment options. The Bank has used the net proceeds from the sale of the notes to fund

Eligible Green Projects related to Transportation in Bangladesh and Sri Lanka.

billion.

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