



ANALYSIS OF FINANCIAL ASSISTANCE BY EXIM BANK FOR EXPORT CREDIT IN INDIA

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Abstract

An efficient system for providing export finance to Indian exporters will add to their international competitiveness. Such finance is required for short periods of time both before and after the shipment of an export order. Banks provide export finance at a rate lower than their prime-lending rate.

The Export-Import Bank of India (Exim Bank of India) is India's national Export Finance Institution, fully owned by the Government of India. The present paper spells out the role and share of Export Import Bank of India in export financing and issues in export financing i.e. aspirations and requirements of borrowers and discontentment of banks with the present regulation of export credit.

The present study is an attempt to examine the present institutional set-up for export finance in India, the special emphasis being placed on the working performance of Exim Bank in so far as their export credit functions are concerned.

Key Words: *Export Credit, EXIM Bank, Financial Resources, Premium, Policies.*

Introduction

An export credit agency (known in trade finance as ECA) or Investment Insurance Agency is a private or quasi-governmental institution that acts as an intermediary between national governments and exporters to issue export financing. The financing can take the form of credits (financial support) or credit insurance and guarantees (pure cover) or both, depending on the mandate the ECA has been given by its government. ECAs can also offer credit or cover on their own account. This does not differ from normal banking activities. Some agencies are government-sponsored, others private, and others a combination of the two.

Export-Import Bank of India is the premier export finance institution in India, established in 1982 under the Export-Import Bank of India Act 1981. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other Export Credit Agencies in the world, Exim Bank of India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalization efforts, through a wide range of products and services offered at all stages of the business cycle, starting from import of technology and export product development to export production, export marketing, pre-shipment and post-shipment and overseas investment.

Objective and Methodology

It has been correctly recognised that appropriate institutional framework for financing export should be valued as part of the export promotion strategy of the country. In fact, the present world market is characterised by tough competition which is combined not only to price and quality of the product, but also on the credit terms which are allowed to foreign buyers by the exporters. Thus, a well organised institutional set-up for export finance is considered essential to promote export. In this context, a reference may be made of Asian Development Bank's Study on the Operational Priorities and Plans, which has correctly identified the strengthening of national export credit mechanism as a step to reinforce the self- approach of developing countries in the area of export trade.

It is heartening to note that India has number of institutions involved in export credit. These are Reserve Bank of India, a large number of commercial banks including foreign bank, Export Credit Guarantee Corporation and Export-Import Bank of India. Export-Import Bank of India is playing important role in boosting up India's exports by providing export credit and guarantees assistance either directly or indirectly through their various schemes.

The objectives of the present study are:

1. To examine how satisfactorily the EXIM Bank is supplying export credit under their various schemes.
2. To study the working performance of EXIM bank in terms of its funded and non funded assistance.
3. To identify the weaknesses in the working of export credit institutions and offer suggestions for their improvement.

Study Period

The study covers a period of 10 years beginning 2004 to 2013. Thus, with a view to maintaining uniformity in our analysis, export credit assistance of other institutions has also been analysed from 2004 onwards. Further, this study covers Exim Bank, which is engaged in financing export trade in the country.



Data Collection

The study is based on secondary data published in the Annual Reports of Exim Bank, which were collected from their registered offices. The required data have also been collected from various issues of the Reserve Bank of India Bulletins, Reports on currency and Finance and Economic Survey of India and economic newspapers like Economic Times and Financial Express. The data so collected have been analysed with the help of simple statistical tools like percentage and ratio analysis.

Limitation of the Study

We may now briefly note the limitations of the study:

- a) One of the limitations of the study relates to the lack of published information on export credit in India. From no source we get detailed published information regarding export credit by banks except total export credit outstanding which is published by RBI in its Annual Reports and in Reports on Currency and Finance. Exim Bank publishes total amount of non-funded assistance and not scheme-wise.
- b) This study also does not cover some of the aspects of export credit in India. The present study would have been more useful had we studied the problems being faced by exporters in obtaining export credits and export credit agencies in lending the credit to exporters. In fact, we originally planned to conduct a survey of exporters and the export credit agencies to find out their problems, but because of their poor response, we had no alternatives but to drop it. Moreover, this would have involved a lot of workload. Similarly, we have not examined the procedural aspects including terms and conditions of export credit. We have also not studied cost of export credit and the demand and supply of export credit with a view to making projection for the future. No doubt, these are the important aspects of export credit but because of the time and resource constraints, it is not possible for an individual researcher to make study of each and every aspect of export financing in the country.

This study outlines the modus operandi of the various export credit schemes and examines, from the available data, the export credit assistances provided by different institutions, besides offering some valuable suggestions. The study is, thus, independent and complete in itself and is expected to be useful to all those who are concerned with export trade and export finance including academics.

Financial Resources and Profitability

The Exim bank was setup with paid up capital of Rs. 650 Crore the total resource at its command which was Rs. 15,519.20 Crore in 2004, it increased to as high as Rs 3059.40 crore (or 5 time) by the end of 2013 as shown in table 5.1 the bank is authorized to raise resource from the government of India both by way of share capital and borrowing Reserve bank of India domestic and international capital markets Public deposited etc besides internal generation of funds. The average paid up capital is Rs.1,500.94 crore during the study period, which is just 3.75% of total resources. In the year 2005 paid-up capital has kept 5.42%, which is the biggest portion in the total resources during the study period.

Reserves of the bank is Rs.1493 crore in 2004, and it has reached to Rs.4180 in 2013. Reserves accounted an increasing trend throughout the study period. On an average Rs.2532 crore of reserves are in the total resources. Throughout the study period reserves are maintained 6.32% portion in the total resources in which 10.59% is highest portion in the year 2005 and 5.49% in the year 2013.

In total financial resources borrowings have kept the biggest portion as its average is 84.19% for the study period. It was 2005, when portion in the total resources of paid up capital and reserves were highest, borrowings was 76.55%. Borrowings increased to Rs.64485 crore in 2013 from Rs.11921 crore in 2004. On an average borrowings' portion in total resources are 84.19%, which is larger than net worth of the bank.

Research & Analysis

Exim Bank's Research & Analysis Group (RAG) offers a vast range of research products. The Bank's team of experienced economists and strategists provide insights on aspects of international economics, trade and investment through qualitative and quantitative research techniques. RAG monitors the global trends in the world and domestic economies and the impact of these trends, especially on India and other developing economies. RAG caters to the constituents within the Bank, as well as to those external to the Bank such as Government, RBI, exporters/importers, trade & industry associations, external credit agencies, academic institutions and researchers.

The research work carried out in the Group under the broad classification of regional, sectoral and policy related studies, are published in the form of Occasional Papers, Working Papers, Books, etc. These research studies primarily envisage identifying avenues for enhancing India's international engagement.



The group also undertakes country profiles, which assess the economic, political, currency and credit risks involved, along with the export opportunities in the country concerned. Further the profiles provide short-to-medium term economic outlook of a country, indicating the economic risk involved in doing business with country.

Further, the group also prepares exposure limit for countries of business interest to the Bank, and similarly tracks development in the key industries for the benefit of the Bank's business exposure in these industries.

As a part of the support services and with an objective to provide contemporary information to Indian traders and investors, the group disseminates information on export opportunities and highlights developments that have a bearing on Indian exports, through its quarterly bulletin, Eximius: Export Advantage. The newsletter comprises of regional and industry outlooks, Bank's activities, opportunities in multilateral funded projects and contract awards, review on select traded currencies and countries, and a section on the happenings during the quarter. The newsletter is a free publication, effectively distributed to a wide network of scholars, economists, institutions, Government of India offices, and export promoting organisations.

The Bank also brings out a bi-monthly publication titles 'Agri Export Advantage' in English, Hindi and 10 regional languages (Assamese, Bengali, Gujarati, Kannada, Marathi, Malayalam, Oriya, Punjabi, Tamil, and Telegu). The newsletter provides stakeholders of Indian agribusiness with updates on global agri-environment and markets, research reports on agri-commodities, international issues related to agri-business, prospective areas of agribusiness, agricultural trade and trade policies, regulatory issues in international trade, WTO Government schemes and assistance, latest international news brief and Bank's activities to promote agri-export from India.

The Bank Brings out a bilingual 'Indo-China Newsletter' featuring areas of cooperation between India and China.

The group also undertakes customised research on behalf of interested companies in areas such as establishing market potential, defining marketing arrangements and specifying distribution channels. We also assist companies in developing export market Entry plans.

Financial Resources of EXIM Bank

Table 1 exhibits the financial resources of EXIM Bank, in which the average total resources are Rs. 40071Crore. On an average 84.19% of total resources are raised through borrowings and remaining through paid up capital with 3.75% and reserves with 6.32%. Total resources have rose by 5 times during the study period, from Rs.15519 crore to Rs.76118 crore.

Table 1: Financial Resources of EXIM Bank

Year	Paid-up-Capital	% in T. R.	Reserves	% in T. R.	Borrowings	% in T. R.	Total Resources
2004	650	4.19%	1493	9.62%	11921	76.81%	15519
2005	850	5.42%	1663	10.59%	12012	76.55%	15692
2006	950	4.72%	1770	8.79%	16009	79.49%	20140
2007	1000	3.81%	1874	7.14%	21662	82.54%	26244
2008	1100	2.95%	2106	5.65%	31716	85.03%	37301
2009	1400	3.17%	2468	5.58%	37202	84.16%	44202
2010	1700	3.61%	2832	6.02%	40509	86.06%	47072
2011	2000	3.65%	3230	5.90%	47192	86.19%	54751
2012	2300	3.61%	3700	5.81%	54655	85.84%	63673
2013	3059	4.02%	4180	5.49%	64485	84.72%	76118
Average	1501	3.75%	2532	6.32%	33736	84.19%	40071

Note: T.R. = Total Resources

Analysis of the Bank Assistance

As it has been stated the Exim bank is the principal financial institution in India for co-ordinating the working of institution engaged in financing export and import trade. the bank has been playing a catalyst role in the promotion of India s exports and has crossed the stages of childhood and adolescence keeping in view its objective of Financing facilitating and



promoting foreign trade in India it has evolved various schemes and offered various facilities Exim bank extends finance to exporter of capital and manufactured goods. Exporters of software and consultancy service and to overseas joint venture and turnkey/construct project abroad project exporters can also avail of guarantee support and multi- currency financing facilities .However term loans are also extended to projects located within India in export zones Exim Bank financing can also supplement working capital finance extended by commercial banks at the pre shipment stage. Various programmes of the bank can be classified under two broad heads viz funded programmes and non funded programmes of the bank can be classified under two broad heads viz. funded programmes and non funded programmes our discussion in this section relates to the analysis of the banks over all assistance including both funded and non funded assistance this will be followed by a detailed analysis of the assistance under these two programmes separately.

Table 2: Profitability Ratios

Year	Capital to Risk Assets Ratio (%)	PBT to Paid-Up Capital (%)	PBT to Net Worth (%)	PBT to Assets (%)
2004	23.50	46.80	14.20	2.20
2005	21.60	41.90	13.50	2
2006	18.40	41.90	14.40	2.1
2007	16.40	40.10	14.00	1.7
2008	15.10	50.80	17.50	1.7
2009	16.80	48.80	17.20	1.5
2010	18.90	49.80	18.40	1.7
2011	17.00	46.90	17.80	1.7
2012	16.40	47.10	18.00	1.7
2013	15.30	40.60	16.40	1.60
Average	17.94	45.47	16.14	1.79

Table 2 depicts the profitability position of EXIM bank. It is clear that capital to risk assets ratio of the bank is 23.50% in the year 2004 and it reduced to 15.30% in the year 2013. On an average, this ratio is 17.94%. From the table it is found that capital to risk assets ratio is reducing every year.

PBT to Paid-Up Capital ratio is showing stability in the bank. It was 46.80% in the year 2004 and reduced by 1.20%. In the year 2008, PBT to capital was 50.80%, which was highest during the study period and lowest was 40.10% in the year 2007. On an average, PBT to Paid-Up Capital is 45.47%, at which level it is moving around.

PBT to Net Worth shows an increasing trend throughout the study period. PBT to Net Worth was moving between 14.00% of 2007 to 18.40% of 2010. On an average PBT to Net Worth is 16.14%.

PBT to Assets is very low as it was just 2.20% in the year 2004 and it was the highest ratio between Profit before Tax and Total Resources during the study period. Throughout the study period this ratio has reduced to 1.60% in the year 2013. The average PBT to Assets is 1.79%.

These ratios show that low portion of paid up capital in the total resources is the main reason for high profitability ratio, and lower return on assets.

Over-all Assistance

As would appear from Table 3 Exim Bank had sanctioned average total assistance of Rs 33003.22 crore every year during 2004 to 2013 taken as whole of this the average utilisation amounted to Rs. 25695.08 crore which constituted nearly 80 per cent of the total sanctions . The rate of utilization may be regarded satisfactory. Another notable feature is that the bulk (91.9 per cent) of the total sanctions and disbursement was related with the funded assistance.

As regards trend both sanction and disbursement witnessed a marked increase over the period of study, thus while the total amount of sanctions increased from Rs 9265.70 crore to Rs. 41918.50 crore the rise in the funded assistance both in absolute as well as relative terms. Non Funded assistance on the other hand had declined over the period.



Table 3: Over-all Assistance

Year	Sanctions	Disbursements	Loan Assets
2004	9265.7	6957.5	10775.1
2005	15853.5	11435.2	12910.4
2006	20488.7	15038.9	17593.1
2007	26762.2	22076	22886.2
2008	32804.5	27158.7	28776.7
2009	33628.5	28932.7	34156.4
2010	38843	33248.5	39035.7
2011	47798.4	34423.3	45655.8
2012	44411.9	37045.1	53889.8
2013	41918.5	40634.9	64353.0
Average	31177.49	25695.08	33003.22

During the study period disbursement has reached to Rs.40,634.90 crore in 2013 from Rs.6957.50 crore in 2004. Throughout the study period, disbursement of loans has increased year by year. Loan Assets are net of provisions for NPAs effective 2004-05. Loan assets have increased from Rs.10775.10 crore in 2004 to Rs.64,353.00 crore in the year 2013. Average loan assets are 33,003.22 crore during the study period.

Funded Assistance

Funded financial assistance includes such assistance which requires immediate commitment of funds while non funded assistance does not require immediate commitment of funds on the part of exim bank funded financial assistance is extended to enable Indian exporters to operate in international markets. To begin with the bank started functioning with the six funded scheme which were operated by the IDBI. Over the years it has added several new dimensions to the funded schemes. Presently the bank is operating as many as 17 funded schemes in addition to 6 non funded schemes (mainly in the form of guarantees).

The Funded schemes may be classified according to may further be classified according to user groups as under:

1. Lending Programmes for Indian Companies/other Exporters
2. Lending Programmes for Foreign Government Companies and Financial Institutions
3. Lending programme for Commercial Banks in India
4. Other Funded Assistance

Table 4: Direct Financial Assistance by EXIM Bank

Year	Sanctions	Utilisation	Utilisation as % of Sanction
2004	1079.2	574.3	53.22%
2005	1588.7	1560.2	98.21%
2006	4326.4	2195.9	50.76%
2007	4997.8	1697.2	33.96%
2008	2199.4	2038.6	92.69%
2009	1618.4	1031.5	63.74%
2010	1350.8	387.5	28.69%
2011	3216.5	1153.5	35.86%
2012	2754.9	1361.1	49.41%
2013	5807.5	2937.8	50.59%
Average	2893.96	1503.76	56.34%



Exim bank sanctioned Rs.1079.20 crore in the year 2004 in the same year total utilisation of assistance was Rs.574.30 crore, which was 53.22% of total sanctioned amount. The biggest sanctioned amount during the study period was Rs.3,216.50 crore in 2011. From 2004 to 2007, the sanctioned amount was increased to Rs.4997.40 crore, but after that this amount reduced to Rs.2199.40 crore in the year 2008. In 2013, total sanctioned amount has increased two times from Rs.2754.90 crore to Rs.5807.50 crore at the last of the study period.

Total utilisation of assistance was Rs.574.30 crore in the year 2004 and it increased to Rs.2,937.80 crore in 2013. Average utilisation of assistance provided by EXIM bank is Rs.1,493 crore.

Maximum utilisation of assistance provided by EXIM bank was 98.21% in the year 2005 and 28.69% in the year 2010 was the lowest utilisation of total sanctioned amount.

Project Export Contracts Secured during 2004 to 2013

As on 2005, 175 project export contracts valued at Rs.228.5 bn were under execution in 43 countries by 41 Indian Companies with Exim Bank's support. These cover construction, turnkey and consultancy contracts. In , 2008, 202 project export contracts valued at Rs. 494.6 billion were under execution in 35 countries by 42 Indian Companies. These cover construction, turnkey and consultancy contracts during 2012-13, 85 project export contracts amounting to Rs. 242.55 billion covering 38 countries were secured by 47 Indian exporters, as against 53 project export contracts worth Rs.229.75 billion covering 23 countries secured by 28 Indian exporters during 2011-12.

The contracts secured during the year comprised 52 turnkey contracts valued Rs.160.71 billion, 15 construction contracts valued Rs. 72.14 billion, 12 supply contracts valued Rs.8.81 billion and six technical consultancy and services contract valued Rs. 0.89 billion.

Table 5: Project Export Contracts Secured

Year	West Asia	South Asia	Sub-Saharan Africa	Europe	North Africa	America	South East Asia	Total
2004	95.5	41	16.1	1.5	27.9	2	16	200
2005	109.4	26.1	15.3	28.5	4.5	3.4	41.3	228.5
2006	125.7	40.2	17.5	4.5	61.4	2.6	17.6	269.5
2007	199.8	42.3	83.6	7.3	83.6	1.6	7.3	367.4
2008	291.68	43.04	10.07	11.18	85.89	0.5	52.28	494.6
2009	432.2	39.1	48.5	4.5	109.3	0.5	79.6	714.7
2010	460.68	70.49	5.58	11.16	226.79	0.5	57.99	833.2
2011	549.08	124.32	10.36	20.72	238.28	10.36	124.32	1036
2012	125.22	112.45	35.67	17.6	187.9	2.5	53.8	535.14
2013	86.46	73.68	52.75	15.94	6.53	5.37	1.82	242.55
Average	247.572	61.268	29.543	12.29	103.209	2.933	45.201	492.159

Conclusions

Our Foregoing analysis shows that Exim bank Being an apex institution for financing facilitating and Promoting foreign trade has been playing important role in the Development of India foreign trade ever since its inception in 1982 it has devised a number of funded and non funded schemes to suit the requirement of various customer groups Presently it is operating with as many as 23 scheme of assistance including 17 funded scheme and 6 non funded scheme the total assistance sanctioned.

Under all schemes was of the order of Rs 47798.40 crore of which as high as 92 percent related to funded assistance while only 8 percent related to non- funded assistance in the form of guarantees further of the total assistance as high as three-fourths related to indirect assistances was mainly in the form of refinancing and Rediscounting of export bills.

While we have no comments to make on the industry pattern of the bank assistance the regional distribution of the same has not been satisfactory. For nearly two thirds of its total assistance had gone to financing exports to Asian countries only and



the remaining one third was shared by all other continents of the world. No doubt India's exports to Asian countries have been the largest and thus the export finance. But since the bank is the principal institution for not only financing foreign trade but also for facilitating and promoting foreign trade it should make vigorous efforts in lowering down such an in balance.

Further the globalization wave which is blowing throughout the world is expected to increase India Export in further year this requires increase in the supply of export credit in the country , Thus Exim Bank along with other exporter credit agencies needs to augment its Financial resources as the debt equity ratio is comparatively low in the bank, it should try to increase its resource through debt instrument however this requires improvement in the bank Profitability as the same very low present and is sufficient to bear the burden of additional debts.

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