

A Study of Export Import Bank of India as a Specialized Financial Institution for Export Promotion in India

Prof.(Dr.) Namita Dixit

Fortune Institute of International Business, New Delhi
drnamita29@gmail.com

Dr. Suchita Shukla

STEP-HBTI, Kanpur, India
suchi_vs@yahoo.com

Received: 07th July 2021

Revised: 21st August 2021

Accepted: 15th October 2021

Abstract: Finance is the life blood of any organization. Leveraging of financing is an important task of all growing economies in the world. Be it in the area of Primary sector or secondary sector or tertiary sector development. In all the functional areas of Management, finance is the backbone. An important function of the government if have a strong financial sector. Financial sector comprises of Public Sector, Private sector, foreign banks and Specialized Banks. The role of the specialize banks is to work closely in their specified area of work. Export-Import Bank of India is a fully owned government of India undertaking working in specialized area of export financing .For the purpose of promoting foreign trade in India this bank was set up in 1982.Since its inception, this bank is closing working in line with the most developed countries of the world and in accordance with the government of India's plans and policies. A highly successful institution can boost of providing leverage to the most needed, most vibrant, most growing enterprises and sectors in the economy. This paper analyses the role it have played to develop the export sector of the country. The financial standing and the schemes through which it renders these services will be taken up for the study.

Keywords: Financial Leverage, Export financing, Banks export promotion schemes, Pre-shipment Finance, Post shipment Finance.

Introduction

Since its inception, Export Import Bank of India is supporting the Indian industries to develop indigenous market both supported by and providing infrastructural base for the startups in the last few years. The main aim of these companies is to have direct access in foreign markets for seeking raw material and diversify their input supplying

sources for the mutual benefit. Diversifying their portfolio will help the companies in getting competitive advantages. These include setting up new business entities; restructure their existing business hub, expansion, modernization, Mechanization, purchase of highly sophisticated technology and process, etc. All this is being done to build the capacity for not only catering fully to domestic need and requirements but number of breakthroughs in overseas market domain.

It was the mandate and demand of the time that the bank introduced innovative products and services to adhere to the growing demands of the business community to accept the challenges posed by the paradigm shift of the world growing demand. Currently, EXIM Bank is promoting and marketing export credit and hence, play an important role of collaborating with Indian industries in their globalization efforts through a comprehensive range of financing facilities. It extends advisory support functions encompassing all stages of the export business cycle from procuring raw material and accessories to final delivery at the customer's doorsteps.

The Bank is playing a phenomenal role in India with respect to promoting projects. It is encouraging Indian corporate houses to participate in the opportunities of not only the developing nations but developing nations as well. Many Indian companies are operating as sub-contractors as well as consortiums in international markets because of help extended by the bank. With the support of EXIM bank, approximately 75 Indian companies are executing project export contract in nearly sixty-five countries. This is as per March end 2012.

Bank is working closely with the Indian industry not only in mega projects but also retained its focus on micro, small and medium enterprise (MSME) units. The Bank has taken number of projects, which will help small and medium scale entrepreneurs to set up its business establishment. Towards the part of Banks endeavor to augment the competitive strategy of MSME, EXIM Bank of India has created Technology and Innovation Enhancement and Infrastructure Development Fund and designed a financing program for the Creative Industry where MSMEs are predominant. The Bank thoroughly believes in its initiatives of promoting innovative entrepreneurship skills, which would then make a significant contribution in growth and development of all the sectors of Indian economy.

EXIM Bank has once again opened up its export marketing services to help Indian micro, small and medium scale enterprises to establish their products overseas and enter new markets. Given a strong base of research, the program works very successfully in mapping the potential of products for foreign market. These have lot of demand outside the country. Rural marketing initiatives built through capacity and skill development in the interior parts of the country. These projects meant for micro projects having strong rural base, which show newer geographical advantage through EXIM banks initiative of extensive international market research. This will help in the development of industries through employment generations thereby improving the financial status of all the stakeholders. The EXIM Bank is going beyond traditional functions of financing and facilitating the exporters of the country to promote their exportable surplus to number of international markets and create a niche for themselves.

EXIM Bank -Working at Grassroots level to create Livelihoods.

EXIM Bank takes into consideration the passive potential of number of grassroots entrepreneurs aspiring for the presence in foreign markets. Given the need perceived, the Bank has initiatives like the grassroots initiatives for development and marketing advisory services, actively supporting the artisans, clusters, self-help groups and NGOs. In its capacity-building efforts and help, they secure access to institutional financing and technology. These programs cultivate the rich heritage of Indian culture, amongst others, by helping basic workers to secure higher value for their products, and ensure decent livelihoods. For example, during FY 2018-19, the Bank provided financial assistance to a

social enterprise engaged in bee keeping to increase agricultural productivity and helped increase their incomes and improve livelihoods of farmers in India.

In order to build capacity and skills, the Bank supported a month-long design development and technical training workshop for bamboo and cane artisans. The Bank is working with Centre for Microfinance & Livelihood (CML), an initiative of Tata Trusts in the North Eastern region, to develop a new product range out of Bamboo, for the export markets. Capacity building workshops conducted for the Kaunas artisan cluster in Manipur, master weavers from village in Rajasthan, Indian gooseberry growers and producers of Pratapgarh in Uttar Pradesh, amongst others. The Bank has initiated steps in the Ladakh region to support the next generation of weavers and knitters of pashmina wool, which helped them in the process of getting a copyright / patent.

With the 'EXIM - Bazaar', an Initiative in 2017, the bank has been supporting grassroots enterprises and craftsmen across India through 'Exim Bazaar' - a unique platform bringing together a kaleidoscopic collection of exquisite handcrafted and hand woven items organized two exhibitions namely Mumbai and Ahmedabad each in one year itself. Bank recognizes the fact that exports from India cannot be looked at in silos, and that an overall impetus would be required at the State level as well. In recognition of the need for such efforts at the State level and in accordance with its mandate of promoting India's international trade, the Bank has been engaging with number of industrial units to evaluate their export potential and performance and design strategies to improve their competitive advantage. This is in coordination with state governments. The Bank has come up with international trade strategies in Andhra Pradesh, Rajasthan, West Bengal and Uttar Pradesh. The Bank concluded three State level studies, namely, a study in conjunction with the Government of Madhya Pradesh, followed by study on the 'Export Strategy of Bihar', undertaken in consultation with the Government of Bihar and also study emerging export potential of Punjab state.

Importance of Finance to Exporters

For any developing nation, exports are of primary importance. Both at pre and post shipment stage, availability of special finance is important for the promotion of export trade. Procurement of raw material, either indigenous or imported from foreign country will attract export credit to handle an overseas buyer. In international trade, the deliver time or the supply chain is longer than in case of domestic trade. Similarly, the lead time for getting payment from the foreign buyer is much more. The trader has to be alert all the time in dealing with international buyer or seller in all the concerning matters.

The following are the matters of primary concern:

1. Provision of adequate finance.
2. Provision of credit to make internationally competitive products.
3. Provision of hedging funds in case of default payment.
4. Provision of deferred credit funds in case of turnkey projects.

Vijaya Katti (2005), signals that for India to become a major player in world trade, the overall encompassing and comprehensive approach needs to be developed to improve the international trade. The export -import policy was called as the new Foreign Trade Policy to suit the current changes in the global scenario. The objective while building the foreign trade policy were manifold. The primary concern was to double the percentage share in global merchandise trade in five years. Generating employment opportunities in thrust areas to boost economic wellbeing of the nation. The new trade policy was immensely focused to develop India's foreign trade. *Bhagwati and Krueger* (2007), in their comparative analysis of the impact of foreign trade regimes and economic development in a number of

countries, defined a set of analytical phases with reference to export import policy of India. These phases in the foreign trade regime were designed essentially as a descriptive device to capture meaningfully evolution of foreign trade regime in terms of trade controls and pricing.

Objectives of the Paper

The following are the broad objectives of this paper:

1. To understand the role Export Financing in promotion of exports.
2. To analyze the growth of EXIM BANK in the last 10 years.
3. To Analyze the Financial Performance of EXIM BANK OF INDIA using various parameters from the financial statements

EXIM Bank as a financier to the Exporter

The Bank is associated with wide variety of products, projects and services exports. It provides a range of export credit to products and services like finance for export of projects and consultancy services, capital equipment finance, export project cash flow deficit finance, guarantees and letter of credits. The Bank is specialized in offering a comprehensive financing package to Indian exporters including funded support and project related guarantee facilities. During the year 2018-19, the Bank sanctioned loans aggregating approximately 9 billion by way of Buyer's Credit and finance for project exports. During the year, disbursements to the tune of 22.74 billion as well as guarantees around 26.21 billion were undertaken. The total disbursements by the bank under the Buyer's Credit program supported exports to Thailand, UAE, the USA and 14 countries in Africa. During the year, the Bank also extended a credit line of US\$ 5 million to Uganda Development Bank Ltd. to facilitate trading of goods/services from our country. The issue of guarantees during the year to overseas projects are in sectors such as power generation, transmission and distribution, infrastructure development, solar EPC, consultancy services, etc.

Exim Bank supported some major project export during the current times which are as follows:

- In collaboration of Afcons Infrastructures Ltd and Kalpataru Power Transmissions Ltd, EXIM Bank awarded the Construction of bridge, Station Building, Railway tracks, embankment, platforms, sheds, Culvert, etc in Bangladesh.
- In Collaboration with KEC International, the commissioning, design , installation and supply of 225kV substations in Man (Côte d'Ivoire), Nzerekore (Guinea), Yiben and Kamakwie (Sierra Leone);
- Supply of high speed patrol boats for Vietnam Border Guard, Ministry of National defense, Government of Socialist Republic of Vietnam by Larsen & Toubro Ltd.;
- Design, construct and supply of high power transmission line in Papua New Guinea by KEC International Ltd.;
- There was a construction of new substations on Turnkey projects and two former substations of 225 KV in Mali by Tata Projects Ltd.
- The overall designing, technical and construction of a 60MW photovoltaic solar Electricity generation facility at Benban, Egypt, executed by Sterling and Wilson Pvt. Ltd.

In 2011, lot of emphasis was given to the project exports from India mainly in infrastructure sector. Under the Government of India's National Export Insurance program, it tied up with ECGC Ltd.,

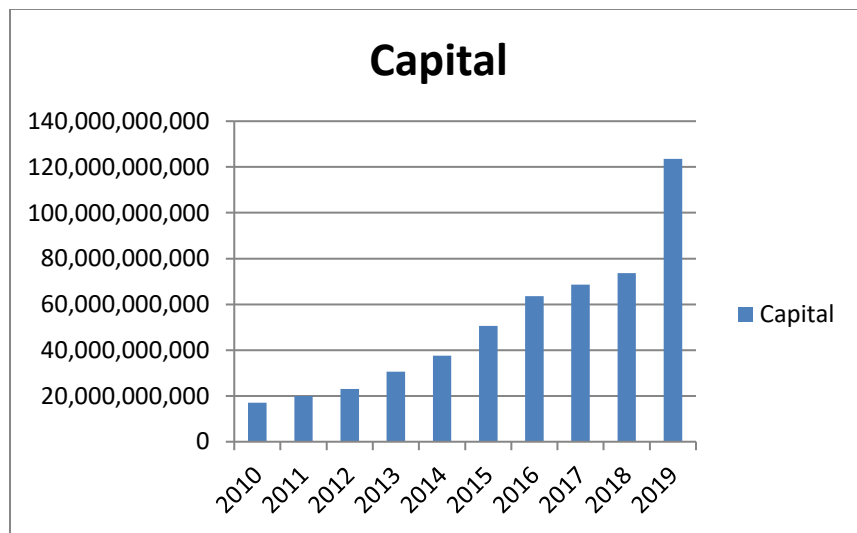
Research Methodology

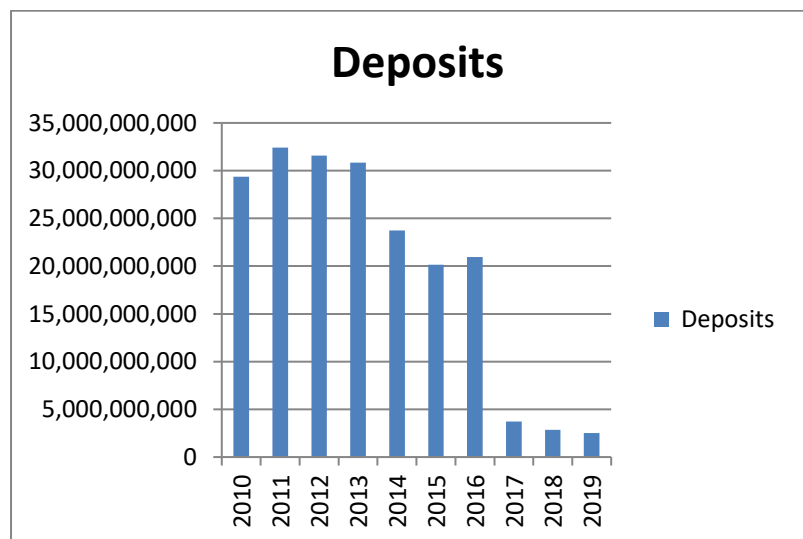
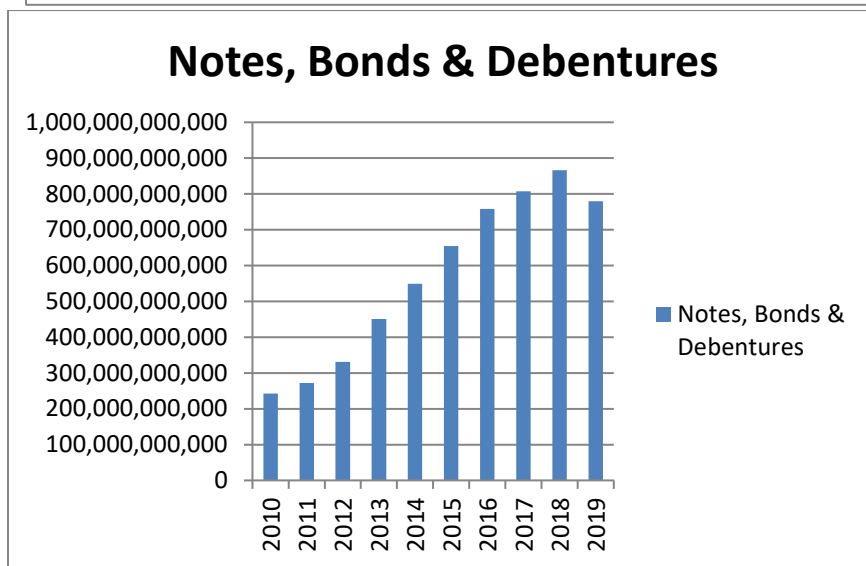
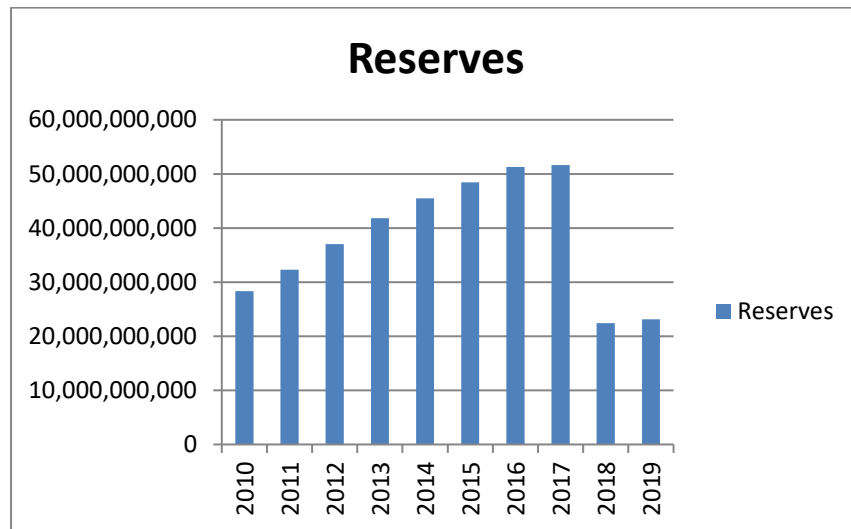
The methodology used is collection of secondary data from the financial statements of EXIM Bank in the form of annual reports for the last 10 years i.e., from 2010 to 2019. Few parameters from Balance Sheet, Profit & Loss Account are taken which reflect the growth, importance and commitment of the bank towards the Society. This data has then been empirically studied through graphs and charts to understand the trend in the growth and also the reasons behind such trends.

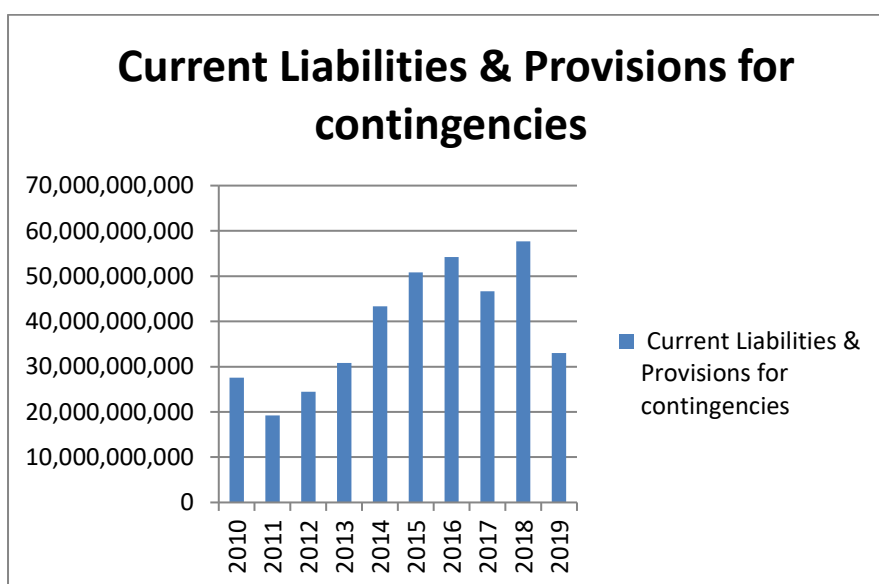
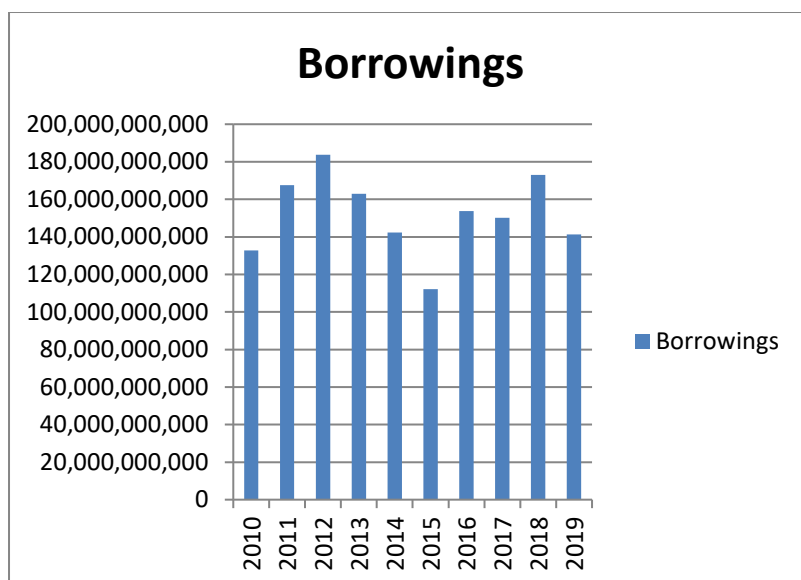
Data Analysis and Interpretation

Financial statements Parameters

	As on 31st March 2010	As on 31st March 2011	As on 31st March 2012	As on 31st March 2013	As on 31st March 2014	As on 31st March 2015	As on 31st March 2016	As on 31st March 2017	As on 31st March 2018	As on 31st March 2019
Capital	16,999,918,881	19,999,918,881	22,999,918,881	30,593,663,881	37,593,663,881	50,593,663,881	63,593,663,881	68,593,663,881	73,593,663,881	123,593,663,881
Reserves	28,315,629,973	32,301,675,061	37,002,681,596	41,795,912,670	45,503,735,880	48,432,478,706	51,274,380,950	51,645,199,126	22,407,896,155	23,142,671,603
Notes, Bonds & Debentures	242,893,652,328	272,039,838,387	331,211,593,806	451,020,235,742	548,867,892,091	654,813,805,834	758,415,735,967	806,929,554,112	865,817,469,885	779,195,625,139
Deposits	29,382,680,792	32,410,009,720	31,566,106,796	30,833,633,817	23,727,794,562	20,145,564,929	20,957,976,444	3,726,434,552	2,860,514,358	2,527,597,036
Borrowings	132,810,931,842	167,467,614,510	183,768,137,343	162,993,757,004	142,225,187,006	112,145,856,396	153,792,093,951	150,072,777,722	172,972,652,705	141,317,894,176
Current Liabilities & Provisions for contingencies	27,584,429,434	19,188,062,320	24,435,979,771	30,788,467,247	43,293,522,489	50,853,115,547	54,223,325,895	46,637,552,503	57,705,066,214	32,992,875,864







Capital Consists of Authorized, Issued and Paid-up: (Wholly subscribed by the Central Government) which are continuously rising since 2010. Capital had risen to the peak in the year 2019. Reserves consist of Reserve Fund, General Reserve, Other Reserves, Investment Fluctuation Reserve, Sinking Fund (Lines of Credit) 4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961,Capital from Government of India by way of budget allocation and recapitalization bonds, Transferred to Investment, Transferred to Reserve Fund, Sinking Fund Fluctuation Reserve, Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961, Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act,1981) Reserves were rising from 2010 till 2017 but suddenly declined after that due to more disbursement and less recovery.

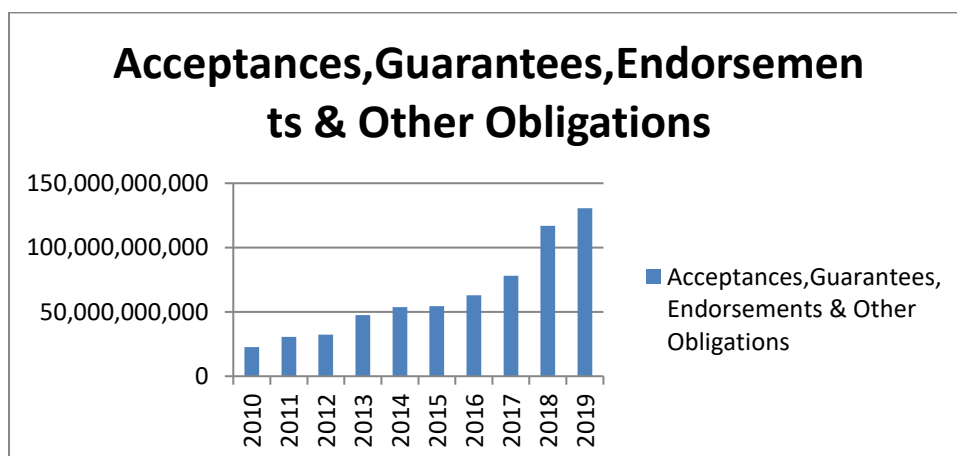
Similarly Notes, bonds and debentures were continuously rising till 2018 but fell in 2019.

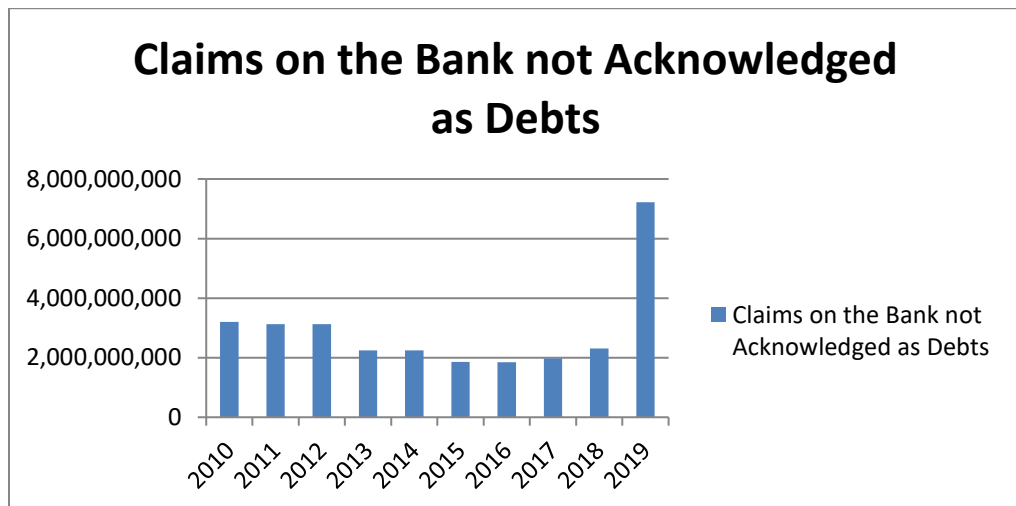
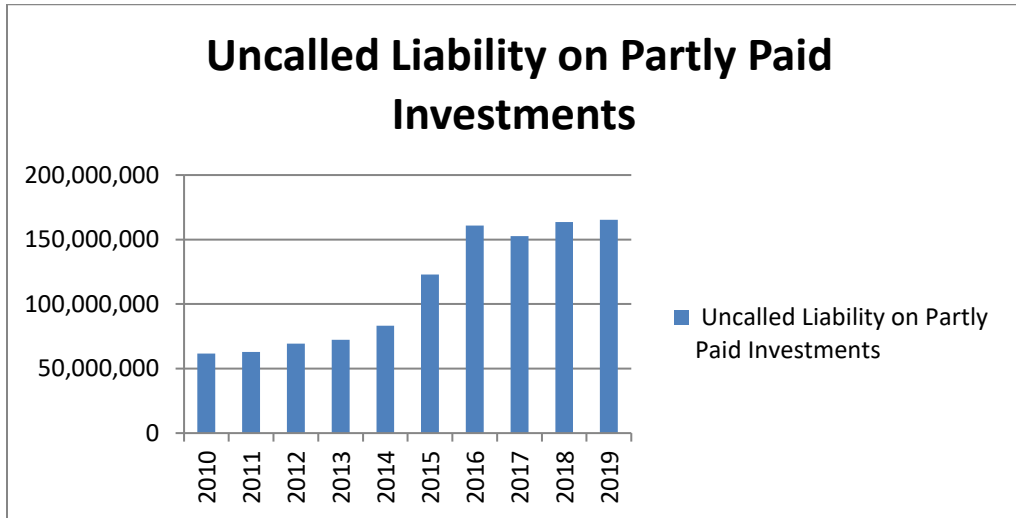
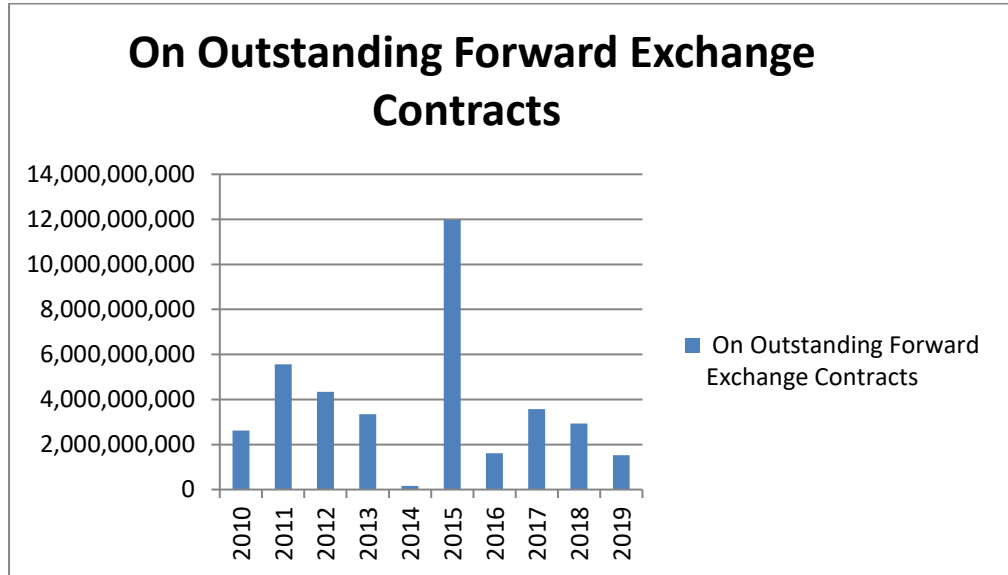
Deposits: In India, Outside India. EXIM Bank's resource base includes Certificate of deposits, rupee bonds, term deposit, commercial papers, FC bonds, loans and long-term swaps. Borrowings are from Reserve Bank of India,

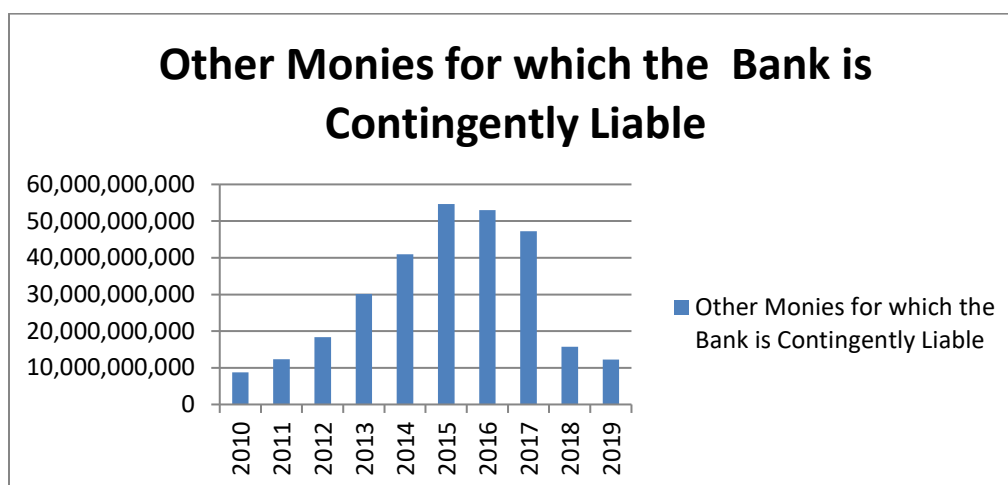
A Study of Export Import Bank of India as a Specialized Financial Institution for Export Promotion in India

Against Trustee Securities , Against Bills of Exchange, Out of the National Industrial Credit (Long Term Operations) Fund, From Government of India, From Other Sources: In India and Outside India. Deposits were rising from 2010 to 2011 but fell thereafter and continued till 2019. Borrowings were on rise till 2013, thereafter fell till 2015 and then it was a period of high and low both. Current liabilities and provisions for contingencies are also seen continuously to flicker giving it a high and low platforms both.

Contingent Liabilities	As on 31st March 2010	As on 31st March 2011	As on 31st March 2012	As on 31st March 2013	As on 31st March 2014	As on 31st March 2015	As on 31st March 2016	As on 31st March 2017	As on 31st March 2018	As on 31st March 2019
Acceptances, Guarantees, endorsements & other obligations	22,735,865,100	30,556,876,000	32,406,987,000	47,439,835,800	53,668,306,500	54,510,751,000	63,035,684,000	78,177,713,070	116,927,666,502	130,545,759,983
On outstanding forward exchange contracts	2,620,098,700	5,556,188,200	4,338,169,300	3,351,809,300	166,261,700	11,975,645,800	1,606,793,100	3,573,212,731	2,929,986,250	1,527,375,944
Uncalled Liability on partly paid investments	61,665,000	62,869,500	69,450,000	72,283,500	83,124,000	122,925,000	160,936,200	152,677,850	163,491,675	165,294,180
Claims on the Bank not acknowledged as debts	3,199,220,000	3,124,700,000	3,124,700,000	2,249,300,000	2,249,300,000	1,853,700,000	1,851,000,000	1,971,000,000	2,305,300,000	7,216,381,446
Other monies for which the Bank is contingently liable	8,713,530,600	12,362,324,700	18,329,300,900	30,127,878,700	40,914,713,500	54,684,530,400	53,009,168,100	47,274,958,286	15,771,727,879	12,223,083,677







Acceptance, Guarantees, Endorsements and other Obligation includes project Guarantees, Financial Guarantees, Letter of Credit and Standby L/C. The above terms are self explanatory and the trend for the past ten years is seen in the graphs above.

Acceptance, Guarantees, endorsements and other obligations were continuously rising so much so that it multiplied by more than 5.5 times since 2010.

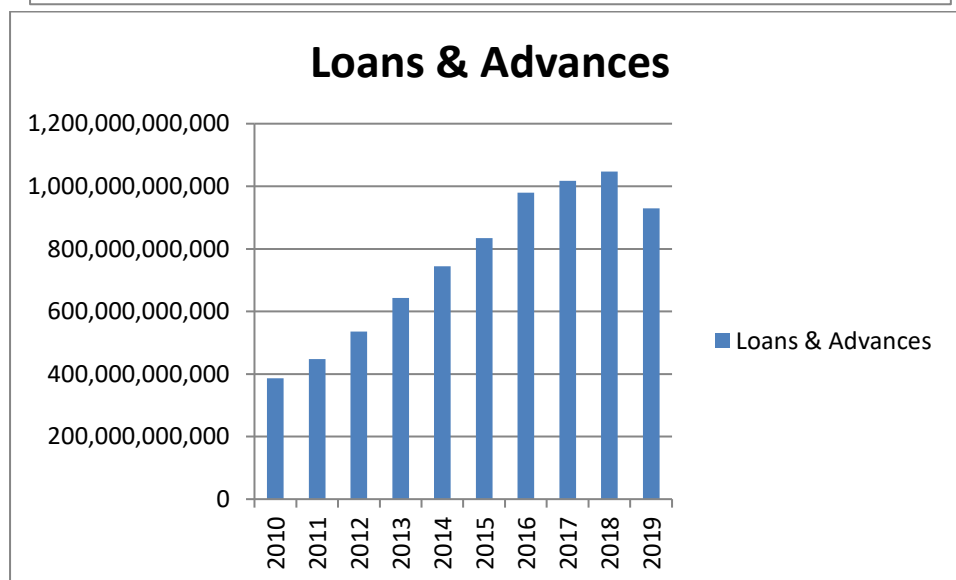
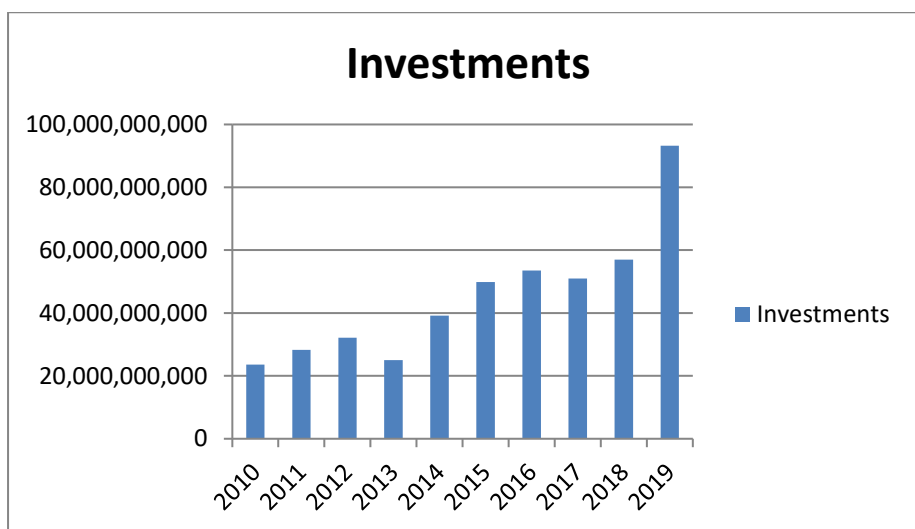
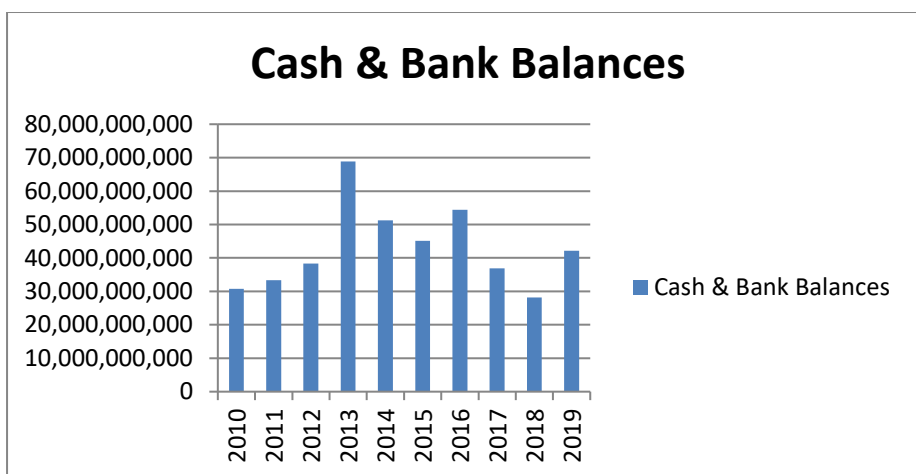
The outstanding forward exchange contracts flickered as per needs and requirement and not very stable.

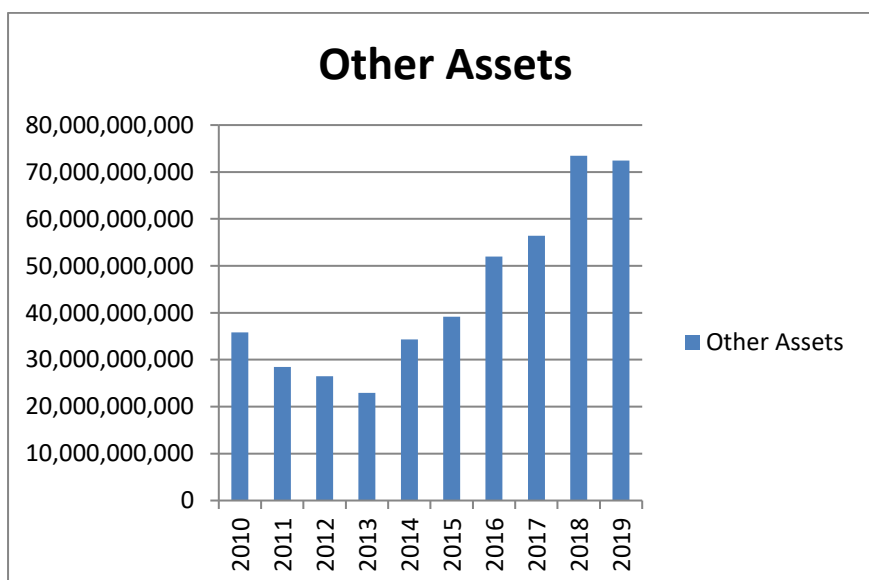
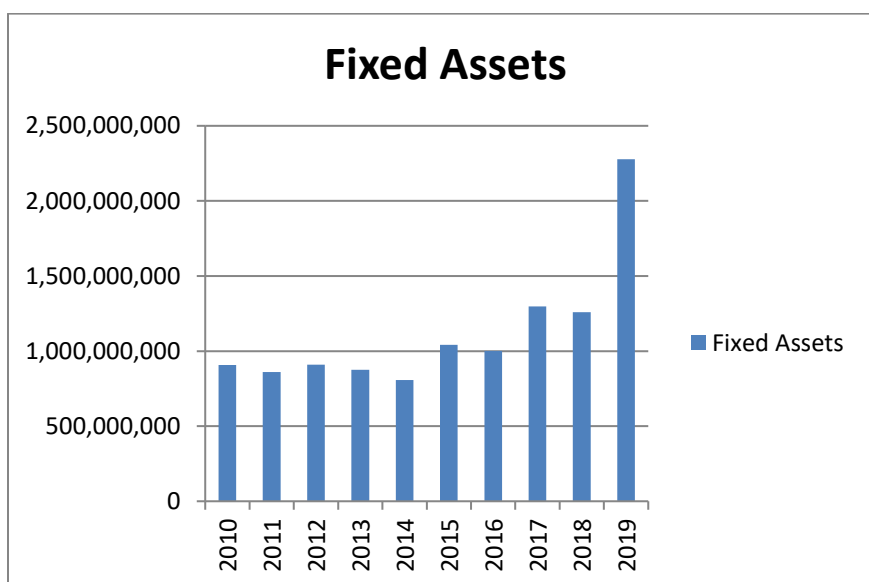
Uncalled Liability on partly paid investment has been seen as continuously rising except in the year 2017.

Claims on the bank not acknowledged as debts has been some what stable except in few years like 2016 but suddenly risen in the year 2019.

Other monies for which the Bank is contingently liable is rising till 2015 and declined thereafter.

Assets	As on 31st March 2010	As on 31st March 2011	As on 31st March 2012	As on 31st March 2013	As on 31st March 2014	As on 31st March 2015	As on 31st March 2016	As on 31st March 2017	As on 31st March 2018	As on 31st March 2019
Cash & Bank Balances	30,753,682,353	33,341,610,030	38,296,746,521	68,869,000,977	51,240,826,117	45,119,549,425	54,437,772,262	36,908,866,611	28,154,996,173	42,119,521,997
Investments	23,610,173,614	28,255,648,626	32,117,235,480	24,981,627,680	39,162,531,095	49,820,071,236	53,555,303,809	51,029,294,879	56,969,220,517	93,273,853,320
Loans & Advances	386,106,824,649	447,968,000,400	535,897,823,856	643,529,812,314	743,983,407,926	834,209,687,541	979,917,321,381	1,017,159,983,605	1,046,570,568,346	929,171,509,101
Fixed Assets	907,639,967	859,904,809	909,845,977	875,915,639	807,273,023	1,041,036,561	1,001,849,707	1,298,367,915	1,259,022,689	2,277,439,560
Other Assets	35,817,798,634	28,492,367,640	26,508,221,160	22,925,375,727	34,295,632,347	39,168,985,368	52,015,270,333	56,427,179,137	73,485,774,745	72,412,158,800

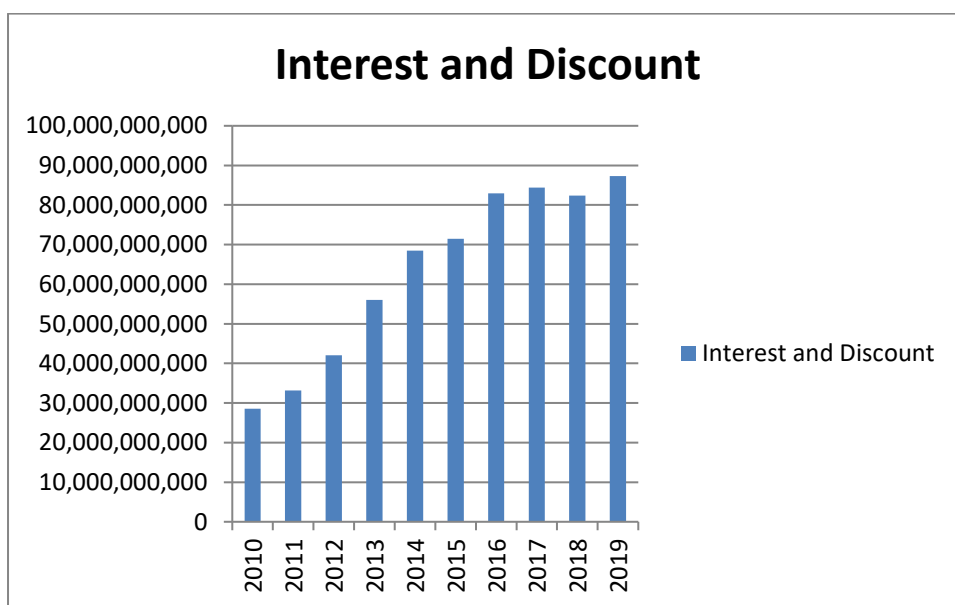


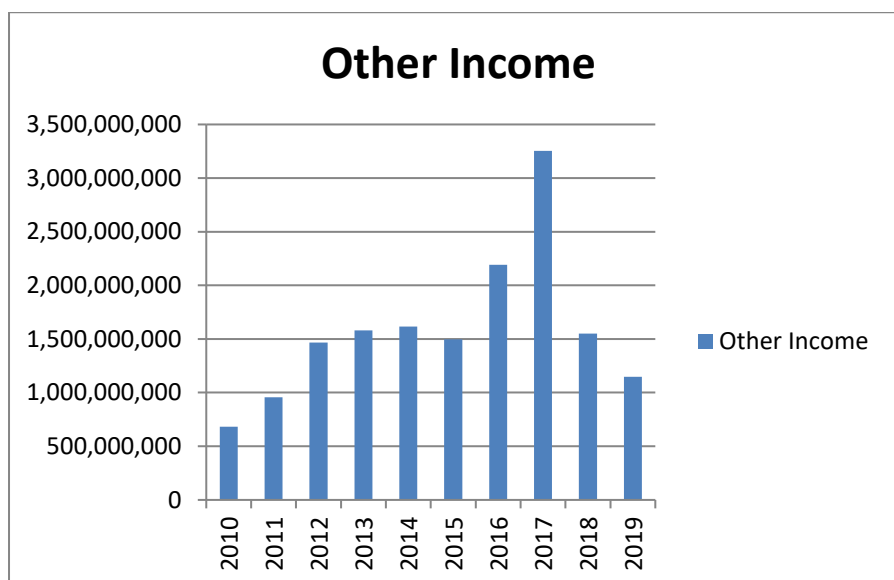
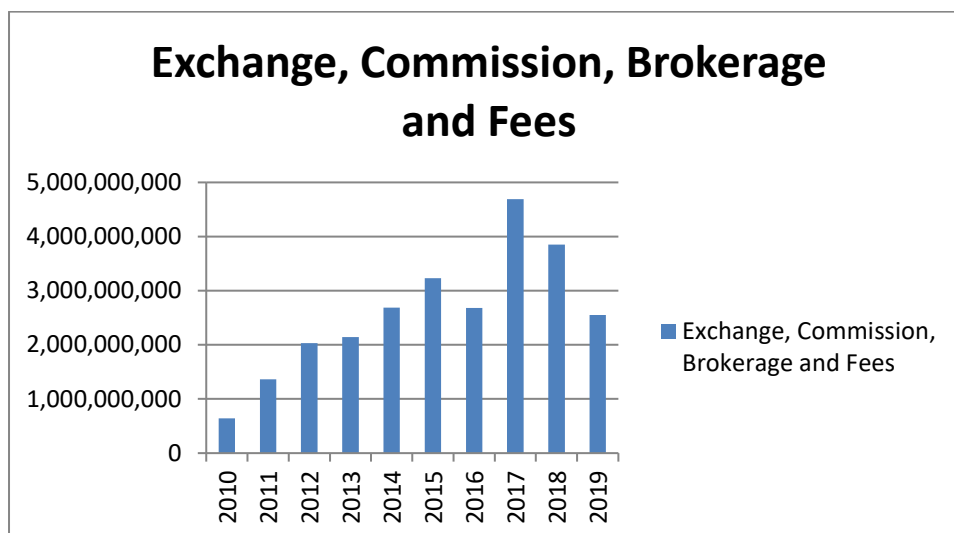


Cash and Bank Balances include cash in hand, Balance with Reserve Bank of India, Balances with other Banks- In India, in current accounts , in other deposit accounts. Outside India money at call and short notice also lending under CBLO/TREPS. Investments are net of diminution in value, if any, Securities of Central and State Governments, Equity Shares and Stocks, Preference Shares and Stocks, Notes, Debentures and Bonds, Others. Loans and Advances include loans to foreign governments, banks in India as well as outside India also includes to Financial Institutions in India, outside India and others under various lending programme of the Government of India from time to time. Fixed Assets are at cost less depreciation, Premises Gross Block b/f Additions during the year, Disposals during the year, Gross Block as at the end of the year Accumulated Depreciation Net Block, Others, Gross Block b/f, Additions during the year , Disposals during the year Gross Block as at the end of the year, Accumulated Depreciation , Net Block, Other Assets include accrued interest on- investments/bank balances, loans and advances, Deposits with sundry parties, Advance Income Tax paid (net), Others [including Deferred tax asset of previous year. Other Expenses

are Export Promotion Expenses, Expenses on and related to Data Processing, Repairs and Maintenance, Printing and Stationery, Others.

Incomes	As on 31st March 2010	As on 31st March 2011	As on 31st March 2012	As on 31st March 2013	As on 31st March 2014	As on 31st March 2015	As on 31st March 2016	As on 31st March 2017	As on 31st March 2018	As on 31st March 2019
Interest and Discount	28,560,765,789	33,181,043,739	42,018,962,657	56,071,056,229	68,463,527,765	71,478,625,732	82,937,552,343	84,410,889,852	82,383,628,713	87,265,632,379
Exchange, Commission, Brokerage and Fees	639,823,936	1,360,847,383	2,030,912,507	2,145,168,726	2,685,378,606	3,232,767,339	2,679,635,294	4,687,969,751	3,849,952,278	2,553,741,219
Other Income	682,110,407	957,179,775	1,467,880,896	1,579,310,565	1,615,263,817	1,495,596,490	2,193,134,970	3,254,498,001	1,549,190,403	1,146,364,869





Interest and Discount consists of Interest and Discount on loans and advances/bills discounted/ rediscounted, Income on Investments/bank balances. Business income includes Interest on Loan, Exchange, Commission, Brokerage and Fees.etc. Other Income consists of Net Profit on sale/revaluation of investments, Net Profit on sale of land, buildings and other assets.

Conclusion

The facility of Lines of Credit is extended to the financial institutions in many countries to enable them import variety of developmental projects from India on deferred payment basis. This is a very prominent function of EXIM Bank. With the introduction of Buyer's credit- National Export Insurance Account number of projects have been financed in the recent years. The financing facility for procuring technological procurements in India and promoting joint ventures, take overs and subsidiary building in a twofold policy which benefits the country in multiple manner. The Bank is financing many kinds of research and development programs of the exporting and trading firms in

India. In the year ending 31st March 2015, total sanctioned loans were approximately 60,000 crores and loan assets stood close to 90,000 crores. Also the Bank issued India's first USD denominated Green bonds with a benchmark size of US\$500 million.

Under the Government of India's 'Act East Initiative', the bank sanctioned number of loans under Export Development Fund (EDF) facility and hence consequent to that many Project development companies have been set up in Cambodia, Laos, Myanmar, and Vietnam (CLMV countries).

With the collaboration of Exim Bank, State Bank of India, IL&FS, and AfDB, many Project Development Companies were floated in Africa, based in Mauritius. The Bank is also working on to collaborate with banks in BRICS countries for mutually beneficial trade projects and investments.

The bank always seeks to diversify in different segments to cater to the requirements of exporters and their diverse trade cycles. Towards this end, the bank extends helping hand in locating foreign buyers/distributor/ wholesaler / partner. This adds on to the globalization effort of our policy builders. In its advisory role, bank emphasis on mobilizing export capabilities and foreign competitiveness of Indian Corporate houses. Hence, the bank not only helps Business community domestically but also internationally.

References:

- [1] Andriamananjara and Nash (1997). Have Trade Policy Reforms led to Greater Openness in Developing Countries? *World Bank Working Paper* No. 1730, Washington DC: The World Bank.
- [2] Bhagwati, J. N. and A. Krueger (2007). The Foreign Trade Regime: Analytical Phases and Changes Overtime, quoted in IGNOU, MS3 Economic and Social Environment, New Delhi.
- [3] Burange and Chaddha. (2008). India's Revealed Comparative Advantage in Merchandise Trade, Working Paper UDE28/6/2008, Department of Economics, University of Mumbai, India.
- [4] Vijaya Katti (2005). Foreign Trade Policy - An Appraisal, *Yojana*, Vol. 49 No.5, May, pp.43-46.
- [5] EXIM BANK OF INDIA, Annual Report & Accounts, 2004-05 to 2013-14.
- [6] www.iibf.org.in/documents/the-export-import-bank-of-india-iibf.docx
- [7] www.financialservices.gov.in
- [8] www.adfiap.org/members/EXIM_INDIA/EXIMINDIA.html
- [9] www.eximbankindia.in
- [10] www.economicstimes.indiatimes.com
- [11] www.asianeximbanks.org
- [12] http://www.export.gov/faq/eg_main_017507.asp
- [13] www.imf.org/external/pubs/ft/wp/2011/wp11262.pdf
- [14] <http://www.brownconsultancy.com/ds-theory-international-trade>
- [15] <https://articles.economicstimes.indiatimes.com>
- [16] <http://www.eximbankindia.in/sites/default/files/Research%20Brief/RB152.pdf>, retrieved on 15 March 2014.
- [17] <http://econpapers.repec.org/article/agsaerae/47370.htm>
- [18] <http://pezzottaitejournals.net/index.php/IJTGBP/article/view/1389>
- [19] http://planningcommission.gov.in/data/datatable/0814/table_41.pdf
- [20] <http://www.planningcommission.nic.in/data/datatable/0306/table%2042.pdf>
- [21] <http://www.planningcommission.nic.in/data/datatable/0306/table%2045.pdf>

[22] http://www.ripublication.com/gjfm-spl/gjfmv6n7_11.pdf

[23] <http://www.walesbusiness.org/2012/04/how-wales-needs-to-bank-on-international-growth>.

[24] [https://financialservices.gov.in/banking-divisions/Financial-Institutions-and-others/Export-Import-Bank-of-India-\(EXIM-Bank\)](https://financialservices.gov.in/banking-divisions/Financial-Institutions-and-others/Export-Import-Bank-of-India-(EXIM-Bank))