



## **A Study of the Growth and Development of EXIM Bank in India in the Context of Increasing Exports**

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### **Abstract**

*Credit and finance is the life and blood of export transactions due to the prevalence of novel non-price competitive techniques encountered by exporters in various nations to enlarge their share of world markets. The selling techniques are no longer confined to mere quality; price or delivery schedules of the products but are extended to payment terms offered by exporters. Liberal payment terms usually score over the competitors not only of capital equipment but also of consumer goods. The payment terms however depend upon the availability of finance to exporters in relation to its quantum, cost and the period at pre-shipment and post-shipment stage. Production and manufacturing for substantial supplies for exports take time, in case finance is not available to exporter for production. They will not be in a position to book large export order if they don't have sufficient financial funds. Even merchandise exporters require finance for obtaining products from their suppliers. This paper is an attempt to throw light on the export financing mechanism, different types of risks faced by an exporter, the role of EXIM BANK in promoting export finance and analysing its Financial Performance.*

**Key Words:** *EIGC, Export Finance, EXIM Bank, Post Shipment Credit and Pre Shipment Credit.*

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## **I. Introduction**

Exports are instrumental in the development of an economy, particularly developing nations. One of the major contributory factors for promotion of export trade is the availability of “Special Finance” both at pre and post-shipment stages. An exporter has not only to procure the raw materials either indigenous or imported for processing the same in finished goods and boarding them of ship/air, but also has to often allow credit terms to an overseas buyer. Delivery period in international trade transactions is normally longer compared to the domestic counterpart and correspondingly. The lead time for getting payment from the overseas buyer is more. The exporter has thus to be extra cautious to ensure that the overseas buyer is reliable one and payment for the goods/services sold/rendered will be realised expeditiously. Therefore, the issues involved in export finance primarily involve availability of adequate and timely finance, provision of concessional credit on order to make the export internationally competitive, institutional support to protect the losses on account of default risks of the overseas buyers and availability of special deferred credit for promotion of paper exports including turnkey assignments. India to become a major player in world trade, an all encompassing, and comprehensive view needs to be taken for the overall development of the country's foreign trade. While increase in exports is of vital importance, we have also to facilitate those imports which are required to stimulate our economy. Coherence and consistency among trade and other economic policies is important for maximizing the contribution of such policies to development. Thus, while incorporating the existing practice of enunciating an annual EXIM Policy, it is necessary to go much beyond and take an integrated approach to the developmental requirements of India's foreign trade. This is the context of the new Foreign Trade Policy. In the above backdrop, this study was undertaken to look into the various aspects of export financing in India with particular reference to the role of EXIM BANK OF INDIA. 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 Bank is engaged in financing, facilitating and promoting India's two-way international trade and investment, and seeks to enhance the international competitiveness of Indian enterprises. Recognizing the dynamics of international trade, EXIM BANK of India's vision has evolved beyond providing export credit to a conscious, systematic effort at creating international competitiveness capabilities by arranging competitive finance and services at all stages of the business cycle.

Government of India launched the institution with a mandate, not just to enhance exports from India, but to integrate the country's foreign trade and investment with the overall economic growth. 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. Export finance and credit are the most important non-pricing techniques like quality, packaging and delivery to export more. Competition both for consumer and capital goods is getting intensified in world



markets. There is now a buyers' market all over where the buyer dictates intensified terms not only in regard to price but also quality, packaging, delivery schedule and above all on appropriate credit terms. Credit is also partly asked for by overseas buyer on account of difficult money market position and also foreign exchange problems faced in many countries, particularly the developing world. The buyer's (importer's) choice of supplier (exporter) is influenced by the credit offered by the latter. Export credit has become an important tool of export promotion in countries like India. Even the developed countries like United States, Germany and Japan are developing comprehensive systems and institutions for providing finance to their exporters.

## II. Literature Review

*Vijay Katti (2005)* [1], points out that for India to become a major player in world trade, an all encompassing and comprehensive view needs to be taken for the overall development of the country's foreign trade. The EXIM policy was renamed as the new Foreign Trade Policy. The Foreign Trade Policy was built around two major objectives. These are to double our percentage share of global merchandise trade within the next five years, and to act as an effective instrument of economic growth by giving a thrust to employment generation. She was of the opinion that the new trade policy was of immense use to India's foreign trade. *Bhagwati and Krueger (2007)* [2], 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 the EXIM policy of a country. These phases in the foreign trade regime were designed essentially as a descriptive device to capture meaningfully the evolution of foreign trade regime in terms of its restricting content and the dimensions and pattern of its use of control and price instruments. *Andriamananjara and Nash (1997)* [3], studied a country's degree of integration in the world economy and how this changes over time. It is difficult to do is that there are a wide array of policy instruments used to affect trade. In the simplest possible case, a uniform tax or subsidy on imports or exports with no other restrictions, measurement would be relatively simple. A reasonable measure of integration or ("openness") would be the rate of the tax or subsidy. In the more common case of a non-uniform trade tax structure, the task is more formidable since even with the same average rate, the effect on trade will differ, depending on which goods are taxed at high rates and which at low. *Burange and Chaddha (2008)* [4], attempted to evaluate India's RCA in exports and imports in different type of goods categorized on the basis of their production. These include, Ricardo', 'Heckscher-Ohlin' (HO), 'Product-cycle' (PC) goods and 'Others'. Results suggest that India enjoys a comparative advantage in the exports of Ricardo and HO goods. PC goods in contrast have not displayed any improvement in the RCA universe. On the import front, it is essentially Ricardo goods where India enjoys comparative advantage. All production of goods requiring standard technology is shifting to developing economies like India as reflected in the absence of RCA in imports of HO goods.



### **III. Objectives and Methodology**

- To understand the role of EXIM BANK in promoting export finance.
- To study the latest initiatives taken by EXIM BANK in promoting export finance.

This is an exploratory research. The methodology used is collection of secondary data financial data of EXIM BANK OF INDIA for last 10 years i.e., from 2004-05 to 2013-14 from various Reports related to Export Finance and the annual reports of EXIM BANK OF INDIA.

### **IV. Establishment and Structure of EXIM Bank of India**

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 and for matters connected therewith or incidental thereto. Over the years, EXIM BANK has developed 35 lending programmes covering all stages of the export cycle namely Import of Technology, Export Product Development, Export Production, Export Marketing , Pre-shipment, Post-shipment, Investment Abroad. 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. Since inception, EXIM BANK has been the principal financial institution in the country for financing paper exports and exports on deferred credit terms.

EXIM BANK extends funded and non-funded facilities for overseas turnkey papers, civil construction contracts, technical and consultancy service contracts as well as supplies.

### **V. Services Provided By EXIM Bank of India**

EXIM BANK, under powers delegated vide the PEM, provides post-award clearance for paper export contracts valued up to USD 100 million. Paper export contracts valued above USD 100 million need to be provided post-award clearance by the inter-institutional Working Group. The Working Group is a single-window clearance mechanism, comprising EXIM BANK as the conveners and nodal agency, RBI – Foreign Exchange Department and Export Credit Guarantee Corporation of India Ltd. [ECGC]. In the case of very large value papers, officials of Ministry of Finance, Ministry of Commerce and Industry and Ministry of External Affairs, Government of India, are invited to participate in the Working Group Meetings. In order to obtain immediate clarifications for speedy clearance of proposals by the Working Group, the exporters concerned and their bankers are also associated with the meetings. With the same objective, participation of the main sub-suppliers, sub-contractors or other



associates and their bankers in such meetings is also encouraged, particularly in respect of proposals for high value contracts. EXIM BANK also plays the role of a financier and provides funded and non-funded support for paper export contracts of Indian Entities. In addition to paper exports, EXIM BANK also extends fund-based and non-fund-based facilities to deemed export contracts as defined in Foreign Trade Policy of GOI, e.g., secured under funding from Multilateral Funding Agencies like the World Bank, Asian Development Bank, etc.; contracts secured under International Competitive Bidding; Contracts under which payments are received in foreign currency.

## VI. Various Export Credit Facilities

For Indian Companies executing contracts overseas: **Pre-shipment credit** - EXIM BANK's Pre-shipment Credit facility, in Indian Rupees and foreign currency, provides access to finance at the manufacturing stage - enabling exporters to purchase raw materials and other inputs. Pre-shipment credits are usually extended by exporters' commercial banks for period up to 180 days. EXIM BANK extends pre-shipment / post-shipment credit either directly or in participation with commercial banks. In order to offer one-stop banking products to export clients, the Bank has also been offering short-term pre / post shipment credit either directly or through exporter's bankers. EXIM BANK may consider extending pre-shipment credit and post-shipment credit for periods exceeding 180 days, on case-to-case basis and subject to the merits of the case.

**Supplier's Credit** - This facility enables Indian exporters to extend term credit to importers (overseas) of eligible goods at the post-shipment stage. Post-shipment Supplier's Credit can be extended to Indian exporters up to the extent of the deferred credit portion of the export contract, either in Rupees or in foreign currency. The period of deferred credit and moratorium will generally depend on the nature of goods [List A and List B of Memorandum PEM] or nature of papers, as per guidelines contained in the Memorandum PEM of RBI.

**For Paper Exporters:** Export Paper Cash-Flow Deficit Financing Programme [EPCDF] - Indian paper exporters (including those under Deemed Exports category) incur expenditure in rupee or foreign currency while executing contracts i.e. costs of mobilisation/acquisition of materials, personnel and equipment etc. EXIM BANK's facility helps them meet these expenses for Paper Export Contracts; Contracts in India categorized as Deemed Exports in the Foreign Trade Policy of India.

**Capital Equipment Finance Programme (CEFP)** - Capital Equipment Finance Programme [CEFP] has been conceived to cater to capital expenditure for procurement of capital equipment to be utilized across multiple contracts. CEFP provides direct access to EXIM BANK's finance for eligible Indian companies for procurement of indigenous and imported capital equipment for executing overseas papers / deemed export papers.



**For Exporters of Consultancy and Technological Services:** EXIM BANK offers a special credit facility to Indian exporters of consultancy and technology services, so that they can, in turn, extend term credit to overseas importers.

**Guarantee Facilities:** Indian companies can avail of guarantee facilities of different types to furnish requisite guarantees to facilitate execution of export contracts (including deemed export contracts) and import transactions.

- (a) **Advance Payment Guarantee (APG):** Issued to paper exporters to secure a paper mobilization advance as a percentage (10-20%) of the contract value, which is generally recovered on a pro-rata basis from the progress payment during paper execution.
- (b) **Performance Guarantee (PG):** PG for up to 5-10% of contract value is issued valid until completion of maintenance period and/or grant of Final Acceptance Certificate (FAC) by the overseas employer/client.
- (c) **Retention Money Guarantee (RMG):** This enables the exporter to obtain the release of retained payments from the client prior to issuance of Paper Acceptance Certificate (PAC)/ Final Acceptance Certificate (FAC).

**For Overseas Entities: Buyer's Credit** - Overseas buyers can avail of Buyer's Credit from EXIM BANK, for import of eligible goods from India on deferred payment terms. As per Memorandum PEM guidelines, RBI has authorised EXIM BANK to extend overseas buyer's credits up to USD 20 mn for paper exports without seeking approval of RBI. The facility enables exporters/contractors to expand abroad and into non-traditional markets. It also enables exporters/contractors to be competitive when bidding or negotiating for overseas jobs.

**Buyer's Credit under NEIA** – It is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long-term basis. Under this facility, EXIM BANK facilitates paper exports from India by way of extending credit to overseas sovereign governments and government owned entities for import of Indian goods and services from India on deferred credit terms. EXIM BANK will obtain credit insurance cover under NEIA through ECGC. NEIA is a trust set up by the Ministry of Commerce and administered by Export Credit & Guarantee Corporation of India (ECGC). Facility is available for paper exports requiring medium or long term deferred credit.

**Export Capability Creation:** The primary objective of providing Export Capability Creation loans is to facilitate export production and international competitiveness of borrower



companies. EXIM BANK provides a comprehensive range of products and services covering financial needs of the borrower companies at all stages of their business cycle. The Bank's vision is to develop commercially viable relationships with a target set of externally oriented companies by offering them a comprehensive range of products and services aimed at enhancing their internationalisation efforts.

**Overseas Investment Finance Programme:** EXIM BANK encourages Indian companies to invest abroad for, inter alia, setting up manufacturing units and for acquiring overseas companies to get access to the foreign market, technology, raw material, brand, IPR etc. For financing such overseas investments, EXIM BANK provides:

- a. Term loans to Indian Companies up to 80% of their equity investment in overseas JV/ WOS.
- b. Term loans to Indian companies towards up to 80% of loan extended by them to the overseas JV/ WOS.
- c. Term loans to overseas JV/ WOS towards part financing
  - (i) capital expenditure towards acquisition of assets,
  - (ii) working capital,
  - (iii) equity investment in another company,
  - (iv) acquisition of brands/ patents/ rights/ other IPR,
  - (v) acquisition of another company,
  - (vi) any other activity that would otherwise be eligible for finance from EXIM BANK had it been an Indian entity.
- d. Guarantee facility to the overseas JV/ WOS for raising term loan/ working capital.

**Financing Programme for Export - Oriented Units:** The Bank offers a number of financing programmes for Export Oriented Units (EOUs), importers and for companies making overseas investments. The financing programmes cater to the term loan requirements of Indian exporters for financing their new paper, expansion, modernization, and purchase of equipments, R&D, overseas investments and also the working capital requirements.

**Research & Development Finance for Export Oriented Units -** EXIM BANK encourages Indian exporters to invest more in their R&D spending in order to develop new products/processes/ IPRs for enhancing export capabilities. Considering the need to bridge the funding gap of Indian exporters in R&D space, the Bank has a dedicated R&D Financing Programme. Under the said Programme, financing for R&D can be extended to any export



oriented company/ SPV promoted by companies, irrespective of the nature of industry. The financing covers both capital and revenue expenditure.

**Pre-shipment/Post-shipment Credit Programme** - EXIM BANK extends export credit to Indian exporters to meet a wide range of trade financing requirements for execution of an export transaction. The Bank provides working capital finance by way pre-shipment credit and post-shipment credit. Bank also extends as part of export credit assistance, non-fund based limits inter alia including issuance of Letters of Credit (both Foreign & inland) and Bank Guarantees (both Foreign & inland) for its clients. The credit limits are generally extended as part of Borrower's consortium limit and are operated as a running account facility. The limits may be renewed for further period subject to satisfactory review of account and depending on the Borrower's export credit requirement. The facilities can be drawn in either Indian Rupee or Foreign Currency.

**Lending Programme for Export Oriented Units** - EXIM BANK provides term loans to export oriented Indian companies to finance various capital expenditures including certain soft expenditures in order to improve their export capability and to enhance their international competitiveness. Loans/Guarantees are extended for the following purposes: Expansion, modernization, upgradation or diversification papers including acquisition of equipment, technology etc.; export marketing; export product development; setting up of Software Technology Parks;

**Additional Services Granted to SME's:** Apart from the Corporate Banking facilities, there are additional services that EXIM BANK offers to support Small and Medium Enterprises.

**SME-ADB Line** - EXIM BANK has arranged for a credit line from the Asian Development Bank (ADB) for providing foreign currency term loans to the MSME borrowers in certain specific lagging states of India, viz. Assam, Madhya Pradesh, Orissa, Uttar Pradesh, Chhattisgarh, Jharkhand, Rajasthan and Uttarakhand. These foreign currency term loans can also finance domestic capital expenditure of the borrowers in Indian Rupees, besides meeting their foreign currency capital expenditure requirements. The assistance to these MSMEs will help in increasing competitiveness in the relatively backward states and help in integrating them into the mainstream economy.

**For cluster of Indian MSME EOUs** - EXIM BANK, besides providing financial assistance to individual MSME EOUs, also provides financial assistance to Special Purpose Vehicles (SPVs) of a cluster of MSMEs. Term loans are provided to such clusters of MSME units for the following activities:

- i. Development of new geographically contiguous cluster/industrial park, involving creation & maintenance of common infrastructure and common facilities, including



inter alia construction of buildings and civil works, acquisition of assets/technology, for the benefit of industrial units within the cluster/industrial park.

- ii. Development of an industrial estate, by industrial users, industry associations and/or Government bodies.
- iii. Up-gradation of an existing industrial cluster or industrial estate.
- iv. Development of specific infrastructure, including common effluent treatment plant, captive power plant, transportation linkages, hazardous waste disposal.
- v. Development of Common Facilities Centres like testing centres, cold storages, for industrial clusters, industrial estates, or a group of industries with common interests.

**(a) Technology & Innovation Enhancement and Infrastructure Development Fund:**

With a view to facilitate credit flow to the MSME sector at competitive rates, EXIM BANK has set up a Technology and Innovation Enhancement and Infrastructure Development (TIEID) fund of USD 500 mn exclusively for MSMEs, to augment their export competitiveness and internationalisation efforts, by partnering with banks / FIs. TIEID seeks to meet long term foreign currency loan requirements of Indian exporting entities in the MSME sector for meeting capital expenditure, through refinancing of Banks / FIs against their eligible SME financing portfolio.

**(b) Lending Programme for Financing Creative Economy:**

The Creative Industries are those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and Job creation through the generation and exploitation of intellectual property viz., Advertising, Architecture, Art and Antiques Market, Crafts, Design, Designer Fashion, Film and Video, Interactive Leisure Software, Music, Performing Arts, Publishing, Software and Computer Services, Television and Radio etc. In view of the large untapped potential for increasing exports by the creative industries and in order to provide a strategic focus to this sector and enhance EXIM BANK's presence in the creative economy space, and as a corollary, in the MSME segment, EXIM BANK has introduced a Programme specifically for financing the Creative Economy.

**Finance for Grassroots Enterprises:** The Bank supports globalisation of enterprises based out of rural areas of the country through its GRID programme. Through this initiative, the Bank extends financial support to promote grassroots initiatives/technologies, particularly those having export potential. The objective of the programme is to help artisans/producer groups/clusters/small enterprises across the country realize remunerative return on their produce essentially through facilitating exports from these units. The group handles credit proposals from such organizations working at the rural /grassroots level and offers tailor-made financial products to cater to their needs. The group is mandated to work towards developing a robust, vibrant and holistic approach in its intervention by providing assistance at various stages of product development / business cycle including capacity building, export



capability creation, expansion/diversification and finally exports. The broad areas of support extended by the Bank through its grassroots initiatives inter alia include capacity building, development of common facility centres, and construction of raw material bank, technology upgradation and creation of export capability.

**Line of Credit (LOC):** LOC is a financing mechanism through which EXIM BANK extends support for export of papers, equipment, goods and services from India. EXIM BANK extends LOCs on its own and also at the behest and with the support of Government of India. EXIM BANK extends Lines of Credit to Foreign Governments or their nominated agencies such as central banks, state owned commercial banks and para-statal organizations; National or regional development banks; Overseas financial institutions; Commercial banks abroad; Other suitable overseas entities. The above mentioned recipients of LOCs act as intermediaries and on lend to overseas buyers for import of Indian equipment, goods and services. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters to enter new export markets or expand business in existing export markets without any payment risk from the overseas importers.

**Marketing Advisory Services:** EXIM BANK plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian companies. EXIM BANK through its Marketing Advisory Services helps Indian exporting firms in their globalisation efforts by proactively assisting in locating overseas distributor(s)/buyer(s)/partner(s) for their products and services. The Bank assists in identification of opportunities overseas for setting up plants or papers or for acquisition of companies overseas. MAS Group leverages the Bank's high international standing, in depth knowledge and understanding of the international markets and well established institutional linkages, coupled with its physical presence, to support Indian companies in their overseas marketing initiatives on a success fee basis. EXIM BANK has been able to successfully place a range of products in overseas as well as domestic markets.

**Export Advisory Services Group:** The Export Advisory Services Group [EAS] offers a diverse range of information, advisory and support services, which enable exporters to evaluate international risks, exploit export opportunities and improve competitiveness. Value added information and support services are provided to Indian papers exporters on the papers funded by multilateral agencies. The Group undertakes customised research on behalf of interested companies in the areas such as establishing market potential, defining marketing arrangements, and specifying market distribution channels. Developing export market entry plans, facilitating accomplishment of international quality certification and display of products in trade fairs and exhibitions are other services provided.



## VII. Latest Business Initiatives

The Bank supported 75 paper export contracts aggregating to ` 341.3 billion secured by 40 Indian companies in 35 countries, reflecting the capabilities of Indian corporate to secure and execute a diverse range of papers. As on March 31, 2014, 319 paper export contracts valued at ` 1403.2 billion supported by the Bank were under execution, in 74 countries across Asia, Africa and USA by 99 Indian companies. During the year, the Bank also extended Buyer's Credit facility to 27 overseas companies to facilitate exports from India. Buyer's Credit under the Government of India's National Export Insurance Account (BC-NEIA), which was recently launched in conjunction with the Export Credit Guarantee Corporation of India Ltd. to promote paper exports from India, has made steady progress. The Bank has so far sanctioned an aggregate amount of US\$ 1.4 billion for 11 papers valued at US\$ 2.67 billion under BC-NEIA. The Bank has also given in-principle commitments for supporting several papers and the current active pipeline includes papers aggregating US\$ 6.5 billion under BC-NEIA. During the year, 24 new LOCs aggregating US\$ 1.77 billion were extended by the Bank to support export of papers, goods and services from India. As on March 31, 2014, the Bank had in place 189 LOCs covering 75 countries in Africa, Asia, CIS, Europe and Latin America with credit commitments aggregating US\$ 10.3 billion. With Indian companies having established themselves as global investors, the Bank provides impetus to such outward-oriented corporates. The Bank assisted 55 corporates for part financing their overseas investments in 22 countries. The Bank plans to set up a Paper Development Company in Africa, which will essentially look to bring infrastructure papers in Africa to a bankable stage and facilitate exports from India to Africa. This is a new initiative EXIM BANK has taken. During the year, the Bank formed a new joint venture, viz. Bharat Handloom Marketing Company Ltd. (BHMCL) in association with the National Handloom Development Corporation Ltd. and the Association of Corporations and Apex Societies of Handlooms.

BHMCL has been incorporated as a public limited company under the Companies Act, 1956 to carry out the business of promotion and marketing of handloom and handicraft products both at the domestic and global levels. During the year, the Bank raised foreign currency resources aggregating US\$ 3.2 billion equivalent through a variety of instruments, different investor bases and across various geographies. In March 2014, the Bank issued 5.5-year US\$ 500 million Eurodollar bonds, which are included in the Emerging Market Bond Index. In fact, EXIM BANK is the first Indian entity to be included in the Emerging Market Bond Index. The Bank raised US\$ 171 million equivalent in April 2013 by way of issue of Uridashi Bonds (a bond denominated in a foreign currency and sold directly to Japanese household investors) in three different currencies viz., Turkish Lira, Japanese Yen and Mexican Peso thereby achieving diversification of investor base. In July 2013, the Bank followed up with another issue of Uridashi Bonds of US\$ 148 million equivalent. The Bank has now tapped the Uridashi Bond market on three occasions and continues to be the only Indian entity in this



market. The Bank continued its endeavours to support globalisation of rural industries through the Grassroots Business Initiatives.

Towards fostering institutional linkages, the Bank has signed memoranda of understanding with several key institutions in India and abroad, including UK Trade and Investment, in order to exchange information to boost cooperation particularly between SMEs from India and the UK, helping them to locate suitable JV and trade partners; Small & Medium Business Development Chamber of India, to facilitate trade and investment among the SMEs in India and abroad; Visveswaraya Trade Promotion Centre, a Government of Karnataka owned institution, for conducting various skill building programmes for exporters; Women on Wings, The Netherlands, with an objective to create one million jobs for women in rural India by 2018; National Centre for Design and Product Development, with an objective of product development of Indian handicraft items; World Craft Council, to cooperate in areas through which Indian grassroots / social enterprises and crafts could be supported; International Trade Centre, Geneva to help increase enterprise and sector competitiveness and promote capacity-building in trade intelligence, including market research and analysis.

Stronger cross-border linkages are necessary to enhance trade and investment opportunities by expanding the market for final demand, increasing capital accumulation and improving factor productivity. Such cross-border linkages also provide opportunities to capitalise on diverse comparative advantages in a region. Cooperation with multilateral agencies and global players in international finance has assumed increasing importance as a key mechanism for the development agenda of emerging and developing economies.

Export-Import Bank of India since its inception in 1982 has played a catalytic role in ensuring India's increasing integration with the global economy by promoting, financing and facilitating India's international trade and investment. The Bank has also fostered a network of alliances and institutional linkages with a number of multilateral agencies, export credit agencies, banks and financial institutions, trade promotion bodies, and investment promotion boards across a number of developed and developing countries to help create an enabling environment for supporting trade and investment for Indian entrepreneurs. The Asian EXIM BANKs Forum set up in 1996 to facilitate and enhance intra-Asian trade, and the Global Network of EXIM BANKs and Development Finance Institutions (G-NEXID), set up in 2006, and is milestone initiatives of EXIM BANK with the objective of fostering trade and investment cooperation among member countries.

With the encouragement of the Bank's Board for the top management to foster institutional linkages by networking and sharing experiences through exchange of delegations, EXIM BANK has entered into several cooperation agreements with various national and international institutions during the year, with a view to further harness institutional linkages.



In this regard, the Bank is also in the process of updating a Vision Document, which will be aligned with the Government of India's policy direction.

Thus the Bank endeavours to meet its objectives which is to provide financial assistance to exporters and importers, and function as the principal 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.

### **VIII. Conclusion**

This paper is an attempt to throw light on the EXPORT FINANCING mechanism and the role of EXIM BANK in promoting export finance. The conclusions are as follows:

1. Developing countries like India concentrate more on increasing the value and volume of the export turnover to attain economic developments to provide employment opportunities to utilize all the available resources and to finance for exports. But the export sector involves high amount of risk.
2. The Indian exporters have to be protected from several types of risks involved in export business. Here EXIM BANK plays vital role. By improving the performance of export, bank is in better position to extend its services to all types of exporters effectively.
3. EXIM Bank extends beyond international banking which in its narrow sense relates to delivery of trade products and services to business and trade Customers.
4. Thus, The EXIM BANK of India is regarded as the drivers behind global trade and corporate globalization.
5. The paper suggests for increasing the flow of bank credit to export sector, restructuring the interest rates.
6. It also calls for a change in the attitudes of banks conservative and risk averse. The need for coordination between banks and financial institutions, role of EIGC in timely settlement of claims are impetus for a favourable export business.
7. The stress is on introducing the new innovative services of counter trade, overseas borrowings, international factoring and banker's acceptance for accelerating promotion of exports.



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