



**EXIM BANK- TAKING INDIA GLOBAL**

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**ABSTRACT**

*The role of Global trade in the development of a developed or developing economy can be judged by the proportion of foreign trade contributions to its national income. Transnational trade can be rightly identified as the foundation of globalization. Active engagement in global trade has become one of the key factors in the growth of the firm and the prosperity of countries. For over three decades, Exim Bank has been playing a catalytic role in ensuring India's increasing integration with the global economy by promoting, financing and facilitating India's global trade and investment. The Exim Bank of India is the official export credit agency of India, regulating as an apex, independent and self-sustaining agency to support Indian Exporter by facilitating the financial support to the exporters and importers for making them competitive in Global Market and fuel the economy by enhancing the global trade of the country.*

*The present study is an attempt to appraise the role of Exim Bank of India and its various services to promote exports from the country. The contribution of different financial product initiated by Exim Bank will be examine for the study period and also reveals how EXIM Bank acts as an advisory body for helping Indian companies going Global. Further the study reveals that the financial product initiated by the Bank is one of the good ways of creating a trade architecture which is a self-sustainable and create a long term demand for Indian product and services across the globe.*

**KEY WORDS:** *Exim Bank, Export and Import, Line of Credit, Export Finance.*

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## **INTRODUCTION**

The idea of growth through trade is not a new concept, as foreign trade has since long been termed as “engine of growth”, an “activator of change”, and a barometer of economic progress. Initially India begins its global trade with primary commodities and traditional manufactured goods, soon after that the engineering sector began to make its marks such as project export occupies an important place in India’s export portfolio. Trade between nations makes accessible to people those goods which cannot be produced within the zone and also empowers people to obtain goods from different source of supply. Hence, with a view to enhance international trade; a legitimate requirement for exporters would be to access finance at competitive rates and under suitable terms and conditions. In this regards Export Credit Agencies (ECAs- also referred to as Exim Banks) plays a pivotal role.

Export Credit Agencies (ECAs) are highly specialized banks, insurance companies, financial corporations or dependency of the government, which offers loans and guarantees, insurance, technical assistance etc. to support exporters by covering both commercial and political risk related to export sales, with the backing or approval of the national government and thus dedicated to support the nation’s exports.

Realizing the significance of these ECAs; the Indian government aimed at achieving a higher level of technological and industrial progress and hence initiated a series of export promotional measures and made a successful attempt in January 1, 1982 by establishing one of the first ECA in any developing country in the form of a statutory corporation i.e. “Export-Import Bank of India”. “ for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country’s international trade” As Exports and Imports are the crucial parts of any foreign trade. The Bank provides finance to EOUs in the forms of term finance, Equipment finance, working capital finance, overseas investment finance, export marketing finance, finance of research and development, import finance etc. Export of goods and services energises economic growth globally and also



bring about economies of scale in production due to improvement in the extent of market and at times tends to soften the impact of recessionary conditions in the home market.

The Export Import Bank of India, herein after referred as Exim Bank, was set up as a Corporation in 1982 under the Export Import Bank of India Act, 1981 for providing financial assistance to exporters and importers and for functioning as principal financial institution for coordinating 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 connected matters. The study will be devoted towards the working appraisal of the Exim Bank of India which is the one of the first ECAs to be set up in a developing economy, and analyses its performance in this regards. The core of the study will be to examine and evaluate different activities of Export-Import Bank of India that was designed to promote export activities of export oriented business firms, project executing companies involve in export activities.

#### **OBJECTIVE AND METHODOLOGY OF THE STUDY**

- To examine the role of Exim Bank for promoting global trade.
- To explore the different products and offerings of EXIM Bank.

The study is purely based on secondary data source. The required data is collected from different annual reports of the bank, Articles, Books, websites and so on as per the requirement.

The study period covers five financial years of the Bank i.e. from FY 2010-11 to FY 2014-15

#### **EXIM BANK- AN OVERVIEW**

Export and Import Bank of India set up in 1982 by an act of parliament and is fully owned by government of India. The Bank mission is to facilitate globalization of Indian business, with its global foot print. Exim Bank plays a vital role of a catalyst to boost India's global trade and help companies at all stages of their Export business cycle.



Exim Bank is a principle financial institutions body for coordinating the work of institutions engaged in financing Export and Imports of goods and services, thereby promoting India's international trade and cross border relations. Prior to 1982, the financing and refinancing, facility for foreign trade was being provided by the Reserve Bank of India and some of the other commercial bank meeting some of the credit needs of the exporters both at the pre-shipment and post-shipment stages. But with the establishment of the Export-Import Bank of India on 1<sup>st</sup> January 1982, the refinance business has also been entrusted to this Bank.

Initially, The Exim Bank refinance only the export trade of India and concentrated mainly on medium and long term credit for exports of goods and services on deferred terms, but eventually Exim Bank extends direct and indirect financial assistance in the short, medium, and long term for the promotion of international trade, and acts as an apex body for coordinating the activities of institutions engaged in similar business. It offers credit on liberal terms to enable Indian exporters to compete in Global Markets. It also provides financial assistance to Indian promoters towards their equity participation in joint ventures abroad and also extends assistances to foreign buyers for the purchase of Indian goods.

## **REVIEW OF VARIOUS FINANCIAL PRODUCTS**

### **Line Of Credit**

The phasing out of advances and government to government line of credit in 2004 represented a move towards articulating a new and large development assistance framework and one that articulated Indian development assistance as a part of Indian foreign policy.

Line of credit is a financial mechanism or a financial scheme act as an export promotion vehicle, it is loan given to friendly countries by taking decision at government level to enhance global and bilateral trade between two nations. It is very prominent and perfect instrument to enhance the trade relations among two friendly countries by lending credit limit of financing. The bank provides the financing facilities to the countries and it is typically mandate to use 75% of the loan by importing goods from India by the partner countries. Thus it can be said line of credit is a first wave to take Indian good and services to new countries.



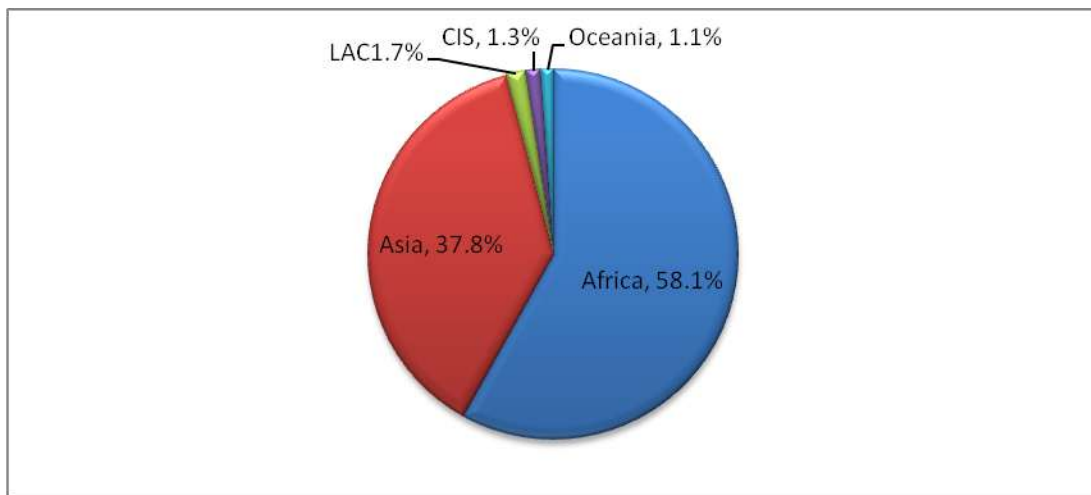
Active Line of credit (LOCs)

Table 1

| FY as on .....31 <sup>st</sup><br>March | No of active<br>LOCs | No of<br>Countries | Values of LOCs<br>(US\$ Billion) | Annual Growth<br>Rate |
|---|----------------------|--------------------|----------------------------------|-----------------------|
| 2010-11                                 | 138                  | 72                 | 6.66                             | -----                 |
| 2011-12                                 | 157                  | 75                 | 8.16                             | 22.52                 |
| 2012-13                                 | 167                  | 75                 | 8.57                             | 5.02                  |
| 2013-14                                 | 189                  | 75                 | 10.03                            | 17.03                 |
| 2014-15                                 | 194                  | 63                 | 11.68                            | 16.45                 |

Table 1 exhibits the recent active line of credit from FY 2010-11 to FY 2014-15 which were extended by the banks to the partner and friendly countries across the globe. Throughout the study period it is noticeable that credit limit has been increased in terms of values and also in numbers with sustainable annual growth rate. 194 LOCs, covering 63 countries in Africa, Asia, CIS, Latin America, and Oceania with credit commitment aggregating US\$ 11.68 Billion are currently available for utilization.

Geographic distribution of LOCs



Source

e: Exim Bank Report



### Buyer's Credit

Buyer's Credit is a unique programme of Exim Bank under which, the Bank facilitates Indian exports by way of extending credit facility to overseas buyers for financing their imports from India. Under Buyer's Credit programme, Exim Bank makes payment of eligible value to Indian exporters, without recourse to them. Buyer's Credit is a safe, non-recourse financing option available to Indian exporters, especially to small and medium enterprises, and motivates them to enter overseas markets.

### Credit Facility to Overseas Buyers

Table 2

| FY as on .....31 <sup>st</sup><br>March | No of overseas<br>companies & Buyers | Credit amount in<br>Rupee Billion | Growth Rate |
|---|--------------------------------------|-----------------------------------|-------------|
| 2010-11                                 | 29                                   | 17.86                             | -----       |
| 2011-12                                 | 18                                   | 10.74                             | -39.86      |
| 2012-13                                 | 28                                   | 17.81                             | 65.82       |
| 2013-14                                 | 27                                   | 22.27                             | 25.04       |
| 2014-15                                 | 26                                   | 33.20                             | 85.63       |

The table 2 depicts the credit facility by the bank in overseas market. The bank extended buyer's credit time to time with increasing the credit limit to all the overseas companies, small and medium so that they can motivate to enter in overseas market. In FY 2010-11 the total amount of credit is INR 17.86 billion to 29 Indian companies, the value of disbursements in FY 2014-15 is INR 33.20 billion.

### Buyer's Credit under (NEIA)

Exim Bank in conjunction with the Export Credit Guarantee Corporation of India Ltd (ECGC) introduced a new product, Buyer's Credit under Government of India's National Export Insurance Account (NEIA), to boost project exports from India. Sovereign governments and government-owned entities overseas can use the Buyer's Credit facility for financing import of projects from India on deferred payment terms. It is a broad framework within which Bank proposed to develop infrastructure in partners countries and help Indian exporters and project



executing companies to find business across the globe, and thereby build a long period chain of supplying from India in the way of services like repairs, maintenances, contracts and so on. It is much more sustainable way of doing trade in developing countries rather than a simple supply of goods and commodities. Thus it can be said that buyer's credit (NEIA) is a very promising financial tools mechanism for enhancing the global trade of countries, so far Bank covered about US\$1.7 Billion worth of NEIA.

### Overseas Investment Finance

The overseas investment finance is a mechanism used to finance EOUs in India by way of an equity loan for setting up overseas joint ventures/ wholly owned subsidiaries abroad. Overseas investment by Indian corporates is a facet of their increasing competitiveness and integrations with the global economy. Therefore, the Exim Bank actively support and facilitates outward investment by outward oriented Indian companies in their quest for enhanced access to global market. The Bank has so far provided finance to 533 ventures set up by 430 companies in 91 countries .Aggregate assistance for overseas investment amounts to `43,210crore.

### Overseas Investment Finance

Table 3

| FY as on .....31 <sup>st</sup><br>March | No of corporate<br>ventures | No of<br>countries | Aggregate<br>assistance Rupees<br>Billion | Growth Rate |
|---|-----------------------------|--------------------|---|-------------|
| 2010-11                                 | 331                         | 68                 | 208.74                                    | -----       |
| 2011-12                                 | 387                         | 69                 | 250.52                                    | 20.01       |
| 2012-13                                 | 436                         | 71                 | 292.80                                    | 16.87       |
| 2013-14                                 | 494                         | 80                 | 371.39                                    | 26.84       |
| 2014-15                                 | 533                         | 91                 | 432.10                                    | 16.34       |

Table 3 exhibits the total sanctioned among by the bank under overseas investment finance. Up to FY 2010-11 the total 331 corporates were sanctioned funded and non-funded assistance aggregating INR 208.74 billion which increased to 533 corporates venture with total assistance



of INR 432.10 billion clearly so an exponentially high commitment by the banks towards Internationalizing India.

### Project Exports

Exim Bank has played a pioneering role in promoting project exports from India and has been actively encouraging Indian firms to participate in overseas project opportunities. With the Banks' support many Indian companies operate as either sub-contractors or consortium members in export markets. Project export occupies an important place in India's overall export portfolio, the engineering sector of India is directly benefited and back up by Exim Bank at every stage of financing as it requires a huge amount of financing. Today 139 Indian companies are collectively involve in 414 projects in 81 countries with total worth of INR 1897.36 Billion

### Project Export Finance

Table 4

| FY as on<br>.....31 <sup>st</sup><br>March | No of Indian companies & their active<br>Projects |                           | No of<br>Countries | Values in<br>Rupee Billion |
|--|---|---------------------------|--------------------|----------------------------|
|  | No. of Com.                                       | No. of Active<br>Projects |                    |                            |
| 2010-11                                    | 53  | 259                       | 43                 | 1036.00                    |
| 2011-12                                    | 74  | 341                       | 62                 | 1284.00                    |
| 2012-13                                    | NA  | NA                        | NA                 | NA                         |
| 2013-14                                    | 99  | 319                       | 74                 | 1403.20                    |
| 2014-15                                    | 139   | 414                       | 81                 | 1897.36                    |

The table 4 depicts the net value of project export supported by the bank during the study period. During FY 2012-13, 85 project export contract amounting to INR 242.55 billion covering 38 countries were secured by 47 Indian exporters. However the total project contract for FY 2012-13 was not applicable in the report of the bank. The contribution of bank has been exponentially high towards the project export contracts and net value supported is increasing year by year.





As on March 31<sup>st</sup> 2015, 414 projects contract value at INR 1897.36 Billion supported by the bank in 81 countries across Asia, Africa, and CIS by 139 Indian companies.

### **Corporate Banking**

Exim bank provides a full range of services so that the Indian companies and exporter successfully deliver on their projects. The bank is a specialized financial institution governed by RBI and banking institutions for internationalizing India by providing long term credit, funded and non-funded operations. The bank supports corporates, MSMEs and enterprises at grassroots level for their upliftment. The bank provides:

- 1. Research & development finance for export oriented units**
- 2. Pre-shipment/post-shipment credit programme**
- 3. Lending programme for export oriented units**
- 4. Technology & innovation enhancement and infrastructure development fund**
- 5. Lending programme for financing creative economy**

### **CONCLUSION**

For over three decades, Exim Bank has been playing a catalytic role in ensuring India's increasing integration with the global economy. By promoting, financing and facilitating India's international trade and investment, Exim Bank has contributed in building 'Brand India'. Project exports supported by Exim Bank encourage Indian companies in overseas markets to source inputs from India, in turn creating jobs and leading to income generation. Indian companies executing such projects have showcased their expertise and promoted economic development in partner countries. The Bank's Technology and Innovation Enhancement and Infrastructure Development Fund and Financing programme for the Creative Industry are part of the Bank's endeavours towards augmenting the competitiveness of MSMEs and creating jobs. Exim Bank believes that such initiatives would go a long way in stimulating innovative ideas and entrepreneurial skills, while making significant contributions towards economic development and enhancing exports. Thus, The EXIM bank of India is regarded as the drivers behind global trade and corporate globalization.



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