

CHAPTER - 6

EXIM BANK :

**ANALYSIS OF
EXPORT FINANCE
SCHEMES
AND OPERATIONS**

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Out of four developed countries selected for comparison with India in respect of export finance policies, two Japan and U.S.A. have Exim banks as discussed in chapter no. 2. The Indian Exim Bank closely resembles Exim banks of these two countries in almost all respects. This chapter briefly deals with the objectives resources, functions and operation of Exim Bank. The focus of the analysis is on various export finance instruments (schemes) and an empirical analysis of funded and non-funded operations of the Exim Bank for the period 1982 to 1988.

On August 17, 1981 parliament passed the bill for setting up the Exim Bank to work in Collaboration with the R.B.I., ECGC and commercial banks. It was established on January 1, 1982 under the Export Import Bank of India Act 1981 and began functioning from March 1, 1982. It is a statutory corporation wholly owned by the Union Government.

Prior to the establishment of Exim Bank, export financing was the responsibility of the Industrial Development Bank of India (IDBI). But with progress of industrialisation, it became very difficult for IDBI to pay proper attention of foreign trade promotion. An urgent need was felt for providing export advise, market studies, financial and promotional services, counselling facilities and information to both banks and traders. Exim Bank was established in response of this long felt need. The Bank was expected to play a special role in providing medium and long term finance for capital goods, project exports and civil construction

contracts.

Chapter IV of the Exim Bank act provides, "The Exim Bank may grant in or outside India, loans and advances, by itself or in participation with any Bank or financial institution, whether in or outside India, for the purpose of export or import, and shall also function as the principal financial institution for coordinating the working of institutions engaged in financing of export and import in such manner as it may deem appropriate".

Exim Bank is authorised to transact the following types of business under the Act.

- (1) 'Granting loans and advances to schedule banks or any other bank or financial institution notified in the official Gazette by the Central Government in this behalf, by way of refinance of loans and advances granted by it for the purpose of export or import ;
- (2) Underwriting the issue of stocks, shares, bonds or debentures of any company engaged in export or import ;
- (3) Issuing bid bonds or gurantees in or outside India by itself or in participation with any Government, bank or financial institution in or outside India;
- (4) Accepting, collecting, discounting, re-discounting, purchasing, selling or negotiating in or outside India, bills of exchange or promissory notes arising out of transactions relating to export or import and granting of loans and advances in or outside India, against such bills or promissory notes;
- (5) Granting, opening, issuing, confirming or endorsing letters

- of credit and negotiating or collecting bills and other documents drawn thereunder;
- (6) Undertaking any transaction involving a combination of Government to Government and commercial credit for purposes of export or import;
 - (7) Granting lines of credit to the Government of any foreign state or any financial institution or person outside India for purposes of export or import;
 - (8) Granting loans and advances outside India for any India Joint Venture;
 - (9) Granting loan and advances to any persons in India, for any Indian joint ventures;
 - (10) Financing export or import of machinery and equipment on lease basis;
 - (11) Subscribing to or investing in or purchasing of stocks, shares, bonds or debentures of any development bank or Export-Import Bank of any country outside India;
 - (12) Buying or selling of or entering into such other dealings in foreign exchange as may be necessary for the discharge of its functions;
 - (13) Opening of any account in any bank in or outside India or making of any agency arrangements with or acting as an agent or correspondent of any bank or other constitution in or outside India;
 - (14) Transferring, for consideration, any instrument relating to loans and advances granted by it;
 - (15) Issuing participation certificate;
 - (16) Subscribing to, or investing in, or purchasing of stocks,

- shares bonds or debentures to the extent necessary for the enforcement of a lien, pledge or other contractual right;
- (17) Undertaking and financing of research surveys, techno economic or any other study in connection with the promotion and development of international trade;
 - (18) Providing technical, administrative and financial assistance of any kind for export or import ;
 - (19) Planning, promoting, developing and financing export oriented concerns;
 - (20) Forming or conducting subsidiaries for carrying out its functions;
 - (21) Acting as agent of the central Government, any state Government, the Reserve Bank, the Development Bank or any other person as the central Government may authorise;
 - (22) Collecting, compiling and disseminating market and credit information in respect of international trade;
 - (23) Doing any other kind of business which the central Government may authorise; and
 - (24) Doing such other acts and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this act or any other law for the time being in force, including sale and transfer of any of its assets.

Exim Bank's assistance may be classified into three categories viz. funded assistance, non-funded assistance and other facilities. Through a variety of financing packages, the bank promotes Indian exports. Fifteen lending schemes operated by the bank serve as tool for delivery of finance to exporters

Exim Bank's Programme of Financing

The Exim Bank provide three types of financing facilities viz. loans, refinancing/rediscounting and guarantees. The various instrument offered by Exim Bank are discussed below with reference to three categories, those for banks, exporters and others.

I. Exim bank offers two types of financing facilities to commercial banks as discuss below:

A. Export bills Rediscounting Programme

Commercial banks in India who are authorised dealers in foreign exchange can rediscount with Exim Bank, their short term usance export bills not exceeding 180 days arising out of bonafide post shipment export transactions, for unexpired period not exceeding 90 days. Rediscount of bills is made with recourse to a discounting bank. Discounting bank is required to furnish from time to time a statement showing particular of bills rediscounted by it with Exim bank. The rediscounted bills are retained by discounting bank in trust for Exim Bank. Discounting banks are also required to give an undertaking to Exim Bank that the proceeds of re-discounted bills would be utilised by them for further financing of exports from India. The discounting banks are also not eligible for interest subsidy for the portion of bills discounted by them with Exim Bank. The Rediscounting facility available to commercial banks @9.95 per cent p.a.

In the year 1985, Exim bank had extended the facility of rediscounting bills to the small scale industry exports. Here, the discounting banks are required to give an undertaking to the

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Exim Bank that the rediscounting is sought for SSI exports and the proceeds of rediscounted bills would be utilized by them for further financing of SSI exports from India and that these bills of SSI sector are not included in export bill rediscounting programme of Exim bank. Under this scheme the sanctioned amount shot-up from Rs.50 crores in 1985 to Rs.189 crores in 1986 and further reached Rs.179.47 crores in December 1987.

B. Refinance of export credit

Under this scheme, commercial banks in India who are authorised to deal in foreign exchange can obtain from Exim Bank 100 per cent refinance of term loans extended to exporter of Indian capital goods. An export contract of Rs.10 million for capital goods can be refinance under this scheme. For contracts above Rs.10 million, commercial banks can jointly with Exim Bank provide financial facilities to the exporter. Under this scheme banks share is minimal. Presently the refinance facility is provided at 9.95 per cent per annum by Exim bank to the banks. All the dealings with Exim bank are handled by Central office/Head office of the banks.

II. Schemes of Exim Bank for exporters

Funds are provided in deferred payment terms to Indian exporters of eligible goods and services, which enables the exporter to extend deferred credit to overseas buyer. Commercial banks participate in this programme directly or under risk syndication facility. Capital and producer goods are eligible for term credit even beyond two years. Consumer durables and industrial manufacturers normally exported on cash basis are

eligible for credit upto a maximum period of two years. Deferred credit can be extended by commercial banks with refinance from the Exim bank. The commercial banks are given 100 per cent refinance facility by Exim Bank against deferred credit extended by them. Refinance can also be provided to cover retention money receivables after the six months period.

1. Consultancy and technology Services

Indian companies can avail themselves of Exim Bank's financial facility against deferred credit extended to overseas buyers of Indian consultancy, technology and other services. This could help in enlarging the market for Indian consultancy exports. Indian consultants having corporate status or otherwise who have secured a contract for export of services, wherein deferred payment terms need to be offered to the client, can utilize this facility.

Technology and consultancy services include;

- (a) Providing personnel including skilled and unskilled workmen and persons for rendering technical or other services;
- (b) Transfer of technology, know how expertises or other skills;
- (c) Furnishing any information, blue prints, plans or advise;
- (d) any other activity considered acceptable by Exim Bank.

The credit may be extended to the Indian company either by the Exim Bank in participation with commercial banks or directly by commercial banks who could seek refinance from Exim Bank. The Indian company would, in turn offer deferred payment terms to the client.

2. Pre-shipment Credit

This scheme is useful to companies executing contracts involving cycle time or production time, exceeding six months. The facility also includes provision for mobilisation expenses for construction/trunked project exporters. In barter trade also finance is required when manufacturing cycle is for more than six months. They are also eligible for pre shipment finance from Exim Bank. The Exim bank also provide finance for counter purchase compensations and buying back transactions where domestic regulatory approvals are forthcoming. During the period 1988-89, pre shipment credit amounting to Rs.1126 million was sanctioned and utilization amounted to Rs.959 million.

3. Facilities for Export oriented units

The programme for providing funded assistance to 100 per cent export oriented units was introduced by Exim Bank in the year 1984. The bank provides term loans/deferred payment guarantee for project cost financing of units registered as 100 per cent export oriented units and units in free trade zone. The finance is provided at concessional rates of interest with a view to enhance their competitiveness in overseas markets. The export oriented units seeking financial assistance will need to establish technical economic and financial viability of their projects. Special emphasis is given to the marketability of their products in foreign countries while determining the project viability. The Bank's assistance will be available for acquisition of land, building, plant and machinery and other miscellaneous fixed assets along with related services, margin money for

working capital and preliminary and pre-operative expenses. Finance is also given for setting up new projects or expansion/diversification of existing projects.

4. Facilities for Deemed Exports

Exim bank has started providing financial assistance to deemed exports since the year 1984. Deemed exports are eligible for support under the Bank's various financing programmes. Ministry of Commerce, Government of India determines the eligibility of transactions which should be treated as deemed exports. Deemed exports involving supply of Indian capital goods and other eligible goods can avail of Exim Bank's deferred credit facility. Exim Bank can extend credit either through the supplier or directly to the buyer in India.

5. Overseas Investment financing

The Exim Bank provides finance to Indian promoters of joint ventures for their equity investment by way of capitalisation of proceeds of exports in the form of plant and machinery, technical know how etc., or capitalisation of earnings such as royalty, management fees etc. The Bank also provides finance for equity contribution in cash, if Government approval provides for such cash remittances. Any Indian promoter making equity investment in an existing company or a new project overseas with the requisite approval for such investment from the Government of India as also from the Government and other concerned authorities in the host country is eligible for finance.

Indian promoters in turn have to establish viability of their overseas joint ventures in terms of profitability and capacity to

generate adequate earnings by way of dividend, royalty etc. The Bank also lays special emphasis on the financial standing, track record, past experience of Indian promoters and also their managerial and technical competence. The finance is available for 80 per cent of the Indian promoter's contribution by way of;

- rupee term loan for financing equity contribution in any of the approved manners;
- foreign currency loan/guarantees, where the equity contribution is allowed by the Government of India out of foreign currency loan to be raised by the Indian promoter.

6. Facilities for computer Software exports

Exim Bank has introduced this programme of lending in the year 1987. Government of India's policy in computer software exports and development envisages an integrated approach to software exports and software development in the country. The policy provides for various facilities and incentives to promote software exports.

Under the policy, Exim Bank has been designated as an agency for facilitating speedy clearance and meeting foreign exchange requirements towards imports for computer software. The Bank will undertake financial and technical analysis of software export proposals and monitor the progress of software exports.

Exim Bank provides the following facilities for software exports;

- (1) arrange clearance for imports and to finance for imports.
- (2) to provide foreign currency and rupee finance for aquisition of imported and indigenous computer/computer based system for export purpose.

7. Facilities for export marketing

The Government of India has designated the Exim bank as an agency to manage the Export Marketing Fund (EMF). The programme of export marketing fund was introduced during 1986. Under this programme finance is available to Indian companies for undertaking export marketing activities. The EMF is a component of the World Bank loan to India of US \$ 250 million for an Industrial Export (engineering products) project. The EMF amount to US \$ 10 million and is utilised to finance a range of strategic export marketing activities to accelerate export growth of target products with industrialised market. Finance over here is available in foreign currency upto 50 per cent of the cost of the following activities:

- Market research,
- Minor product adoption,
- Justified overseas travel by Indian company executives,
- Product inspection services,
- Training related to export marketing, planning and set up of overseas operations,
- Promotional activities in target markets and,
- Travel to India by potential buyers. The finance under this scheme is in the form of grant. Residual cost of export marketing i.e. balance 50 per cent will be borne by Indian company that seeks finance for export marketing. Recipients of EMF grants has to apply to R.B.I. for foreign exchange blanket permits for expenditure approved under this programme.

EMF grant covers all engineering manufactures. Focus will be on an identified range of product groups. Identification of

these product groups has been based on a study of trends in market demand and imports by developed countries, comparative cost advantage for production of items in India and economic benefit to the country. The thrust product groups are auto ancillaries, spares, bicycles, parts, commercial vehicles, scooters, diesel engines, pumps, compressors, electric motors, starters, hand tools, machine tools, castings, forgings, chemical, process plants, industrial valves, computer software.

Exim Bank issues a letter in duplicate to exporters for grant of assistance from the fund to enable R.B.I. to attach a copy of the letter to the blanket exchange permit. This will simplify the procedure for availing assistance and will obviate the need for the exporter to produce a letter from the Exim Bank every time he withdraws the exchange.

In all the above discussed facilities, an exporter is required to provide advance/down payment of at least 10 per cent of contract value. The very purpose behind this is to cover the outflow of foreign exchange on account of payment of agency commission, freight, insurance etc. payable by exporter. The credit would thus cover about 90 per cent of the contract value.

III. Loans to foreign Governments, Companies and financial institutions

(a) Overseas Buyer's credit

As an alternative to supplier's credit availed by the exporters, credit is extended by the Exim bank to buyers abroad with a view to enable the later to import eligible Indian goods and related services like the engineering goods and projects from

Indian on deferred credit terms where in repayment schedule spread over a period of years.

(b) Lines of credit to foreign governments

The Exim bank extends lines of credit to overseas governments or agencies nominated by them, to enable buyers in these countries to import capital/engineering goods from India on deferred payment terms. This facility enables Indian exporters to offer deferred credit terms to customers in these countries, as per the terms and conditions already negotiated between Exim bank and overseas Government. The exporters can obtain payments from Exim bank against negotiation of shipping documents. Now let us examine yearwise lines of credit extended by Exim bank.

1982

Seven lines of credit aggregating Rs.420 million were sanctioned for the purchase of engineering and capital goods, and agricultural equipments from India. Utilizations aggregated Rs.166.10 million and outstandings stood at Rs.598.35 million. Lines of credit constituted 18 per cent of sanctions, 9 per cent of Utilizations and 27 per cent of outstanding under all funded programmes. During the period under review, about 77 per cent of lines of credit were sanctioned to Governments and financial institutions in Africa. Utilizations were divided between Africa 53 per cent and South East Africa 47 per cent.

1983

During the year 1983, three lines of credit aggregating Rs.440 million were sanctioned for the purchase of engineering

and capital goods from India mainly to Bangladesh and remaining to Guyana and Upper Volta. Utilizations aggregated Rs.224.59 million and outstandings stood at Rs.814.05 million. Sanctions and utilizations of funded assistance under lines of credit have increased by 5 per cent and 35 per cent respectively as compared with the year 1982. Export of transport equipment accounted for 53 per cent of the utilizations of this programme in 1983 and remaining for the export of diesel engines, pumpsets and other agricultural machinery and engineering goods.

1984

During the year 1984, eleven lines of credit aggregating Rs.720.0 million were sanctioned to foreign governments/financial institutions for the purchase of Indian manufactures and services. The Region-wise distribution of sanctions were, South East Africa 38 per cent, sub-saharan Africa 11 per cent, North Africa 7 per cent, Central America/Caribbean 41 per cent and West Asia 3 per cent. Utilization of lines of credit during 1984 aggregated Rs.124.4 million and outstandings stood at Rs.926.0 million at the end of the year. Sanctions of lines of credit have increased by 64 per cent but utilizations decreased by 45 per cent as compared to last year. Out of the total utilizations, 90 per cent were for exports to sub-Saharan Africa and rest for South/South East Asia and Europe. More than half of this was used to finance exports of vehicles, machine tools and containers.

1985

During 1985, Exim bank made commitments in principle in regard to three lines of credit aggregating Rs.294.8 million. The

new lines of credit sanctioned during the year totalled Rs.50 million. Utilisations of lines of credit during 1985 aggregated to Rs.120.1 million, while outstanding stood at Rs.1015.4 million. Major part of utilizations were for exports to South Asia 64 per cent and the rest was utilized for exports to sub-Saharan Africa. The major products financed under this programme were textile machinery, tea machinery, power generation and distribution equipment, commercial vehicles, transport equipment, machine tools, spares for boilers, button manufacturing plants and metal processing machinery.

1986

During 1986, Exim bank made commitments in principle in regard to six lines of credit aggregating Rs.435.0 million. One new line of credit has been sanctioned this year for Rs.50.0 million. Utilizations of lines of credit during 1986 aggregated Rs.243.5 million, while outstanding stood at Rs.1205.3 million, Major part of utilizations were for exports to South Asia (58 per cent) and the rest was utilized for exports to sub-Saharan Africa (42 per cent). The major products financed under this programme were textile machinery, commercial vehicles, air compressors, machine tools, switchgears, steel re-rolling mill machinery, dairy plant machinery polythelene manufacturing machinery, oil mill machinery and balancing equipment for modernisation of paper mills.

1987

During 1987, Exim Bank made commitments in principle in regard to a new line of credit aggregating Rs.100 million and for

enhancement of an existing line of credit by Rs.65 million. Lines of credit aggregating Rs.206.7 million were sanctioned during the year. Utilizations of lines of credit aggregated Rs.255.3 million. Major part of utilizations of lines were for exports to South-East Asia/ Far East and pacific (42 per cent), followed by South Asia (39 per cent) and the rest was utilized for exports to Sub-Saharan Africa (18 per cent) and Europe (1 per cent). The major products financed under this programme were commercial vehicles, textile machinery, auto ancillaries and spares, air compressors, machine tools, oil mill machinery and balancing equipment for modernisation of paper mill. .

The financial year ending of Exim bank was changed from December to March from this year. Hence, the published data was for 15 months from January up to end of March 1989.

1988-89

During the period from January 1988 to March 1989, Exim bank made commitments in principle for new lines of credit aggregating Rs.2 billion. Lines of credit aggregating Rs.874 million have been sanctioned during the year 1988-89. Utilization of lines of credit aggregated Rs.91 million. Major part of utilizations was for exports to Sub-Saharan Africa 44 per cent, followed by South-East Asia/ Far East and pacific 36 per cent, South Asia 20 per cent. Major products financed under this programme were paper mill. machinery, diesel engines, pumps, commercial vehicles, auto ancillaries and spares, bicycle and bicycle parts, textile machinery, power generation and transmission equipment.

(c) Relending facility to banks overseas

Foreign banks who operate offices world wide can market Indian capital goods/equipments and/or services to be exported from India in countries where they have their branches or offices. This they can do by offering the finance to the importers of Indian capital goods. This programme is designed by Exim bank to utilize the services of foreign banks' world wide spread offices for marketing the Indian goods in various countries. Hence foreign banks enter into credit line agreement with the Exim bank and they in turn provide finance to the importers of Indian goods. Loans under this line of credit are denominated in US dollars and repayment is also to be in the same currency. Minimum contract value acceptable under this line of credit is US \$ 100000/-, The facility at present is available through the following banks;

Bank of Baroda, Citi Bank, Hong Kong Bank, Banque Indosuez, Standard Chartared Bank, Bankers Trust Company, Chase Manhattan (Asia) Ltd. and Bank of America.

Exim Bank's Non-funded programmes

The non-funded scheme of the bank mainly cover assistance in the form of bid-bonds, advance payment guarantees, performance guarantees, retention money guarantee etc. The guarantees are given in foreign currency on behalf of Indian exporters or contractors in favour of the overseas importers, employers and/or banks. In seven years of its operation, the total guarantees sanctioned by the Exim Bank aggregated Rs.4844 million and total utilization there of totalled Rs.4175 million.

Bid-Bonds

Bid bond guarantee is issued for a maximum period of six months in favour of potential importer of Indian goods for fulfillment of contract of sale. This guarantee is given in favour of overseas buyers on account of Indian exporter, as a percentage of tender/contract value. Here, bank refunds 75 per cent of commission in case the contract is not secured.

Advance payment guarantee

Exporters are expected to provide 10 to 20 per cent of the contract value, as margin for the contract. Instead of this an advance payment guarantee can be furnished by bank.

Performance guarantee

Performance guarantee for 5 per cent to 10 per cent of the contract value is issued, valid upto one year after completion of the contract. Format of guarantee should be furnished by the exporter atleast four weeks before the issue of guarantee for facilitating the discussions and formal approval. This guarantee is given to the importer for performance of the machinery exported from India.

Guarantee for release of Retention money

This enables exporter to obtain the release of final payments before obtaining final Acceptance Certificate (FAC) from the client. The bank guarantee the performance of machinery on behalf of the exporter.

Guarantee for raising borrowings overseas

Bridging finance may be needed in the earlier phase of the contract to supplement the mobilisation of advance. This guarantee enables to raise upto 10 per cent of the contract value in foreign currency from a foreign bank. Request for overseas borrowings should be supported by currencywise cash flow indicating also the outstanding letter of credit and L/C drawal schedule.

Other guarantees

This includes guarantees in lieu of custom duty etc., provided by Exim bank in fevour of custom authorities. For issuing guarantee, commission is charged at the rate stipulated by Foreign Exchange Dealers Association of India. Margin requirement for issue of guarantee is generally waived by banks in case of export performance guarantee. However appropriate securities are availed of by the bank. In six years operations of Exim bank upto the year 1987, total guarantee sanctioned aggregated to Rs.435.6 crores and total utilization thereof was Rs.346.7 crores.

Besides funded and non funded assistance, the bank also provides advisory services with regard to opportunities in new markets and information on various countries. It also offers merchant banking services to assist exporters in assessing global credit sources and tapping up financial packages. Through its International Merchant Banking Division, the Exim Bank offeres following advisory services :

- (a) It works closely with Indian companies in designing and financing packages for joint ventures in third countries;
- (b) It advises Indian companies for executing contracts abroad.
- (c) Providing access to euro-financing sources and global credit sources to Indian companies engaged in exports.
- (d) Advise on exchange global control practices.
- (e) Advise and design financial packages for export oriented industries in India.

This services are available to the exporters over and above the financial packages for high value export contracts. Exporters are encouraged to avail Exim Bank's advisory services with regard to opportunities in the new markets and information on various countries.

The following other services are also made available to the exporters, subjects to the specific approval of Reserve Bank of India.

- (i) Foreign exchange remittance to meet initial expenses.
- (ii) Inter project transfer of funds.
- (iii) Opening of overseas bank accounts/site/liaison officer, payment of agency commission, foreign exchange remittance to meet initial expenses.

During the year ended 1987. eighty six contracts worth about Rs.6.6 billion were secured by the Indian exporters. This consists of construction projects valued at Rs.1.2 billion, trunk projects valued at Rs.1.4 billion, product export contracts valued at Rs.1.7 billion and consultancy contracts valued at Rs.2.3 billion.

In order to exploit every possible export opportunity and to

provide relevant information to Indian exporters, the bank had established its third representative office in Singapore in 1986, while it has already two offices in Abidjan and Washington DC.

The bank has also introduced in 1983, a risk syndication facility aimed at attracting greater participation in export credit from commercial banks in India. Funds for an export proposal are provided and the credit risk syndicated to a commercial bank. This facility has enhanced the availability of timely export credit to the exporters of capital, manufactured, turnkey projects and consultancy services. Moreover, in the year 1986 the another initiative came in the form of an agency credit line of US \$ 15 million with the International Finance Corporation (IFC) Washington DC. Under this scheme financial assistance is available in the form of foreign currency loan from IFC to private sector small and medium scale units for investment in plant and machinery, product and process know how. It is the first ever agency line of credit from IFC to an Indian financial institution.

The bank has also brought out an array of publications. These are based on in-house research, experience and analysis. These are meant to inform, sensitise Indian exporters of competitive products to target export opportunities in identified markets.

The bank introduced a quarterly publication entitles, "Export Advantage" during 1987. The publication seeks to achieve three objectives;

- (i) Provide information on export opportunities;
- (ii) highlight international developments that have a bearing on Indian exports;
- (iii) invite attention to the successes of exporters.

In order that exporters can avail of export opportunities and meet international competitive practices, the bank offers advisory services. The multi-disciplinary staff of the bank is trained to identify alternative financing solutions, not only aimed to help the exporter to make his export bid competitive, but also to achieve cost efficient financing.

Resources

(A) Financial

Exim bank began functioning with an authorised capital of Rs.2000 million in the year 1982 and reached Rs.5000 million by March 1989. For transacting the various business as discussed above, Exim Bank draws resources from the main sources besides ploughing back its own profit by way of reserves, namely capital, borrowings and bonds. The capital is subscribed by the Government of India. Borrowings are mainly from institutions like Industrial Development Bank, R.B.I. etc.. Lastly bonds are sold in a capital market from 1983 onwards of 17 years maturity and carried an uniform interest rate over the period of 8.75 per cent per annum. The resources are analysed in two ways, firstly, the growth of funds by each source is measured and secondly the composition pattern of total resources is examined. The relevant data is provided in a following table.

Table 6.1
Financial Resources : Exim Bank
(Rs. million)
(1982-1988)

| Sr.no | Particulars | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | Compound growth rate |
|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| 1 | Capital | 750 (22.10) | 1000 (19.46) | 1275 (20.0) | 1475 (19.23) | 1725 (18.00) | 1945 (17.47) | 1764 (16.57) | 15.32 |
| 2 | Borrowings | 2592 (76.34) | 3486 (67.86) | 4338 (68.27) | 5090 (66.36) | 6235 (65.30) | 6992 (62.82) | 6145 (57.74) | 15.55 |
| 3 | Bonds | - | 530 (10.32) | 530 (8.34) | 780 (10.17) | 1175 (12.27) | 1610 (14.47) | 2096 (19.70) | 31.65 |
| 4 | Reserves | 53 (1.56) | 121 (2.31) | 211 (3.32) | 325 (4.24) | 444 (4.63) | 583 (5.24) | 637 (5.99) | 51.35 |
| | Total Resources | 3395 | 5137 | 6354 | 7670 | 9579 | 11130 | 10642 | 21.24 |

Source : Annual Report of Exim Bank, Bombay, 1982 onwards

* The Published data is for 15 months ending March 1989.

Hence, to make it comparable we have adjusted it for 12 months for the year 1988.

N.B. Figure in bracket indicates percentage to total.

Between 1982 and 1988 capital and borrowings increased annually at around 15 per cent. The growth rate was highest in case of bonds (32 per cent) per annum. The bank has put in serious effort in augmenting reserve fund which grow at an annual rate of 15 per cent. The total resources of the bank increase from Rs.3395 to Rs.10642 million having yearly growth rate of more than 21 per cent.

In 1988, of total resources more than half were augmented from borrowings, 17 per cent from share capital, 19 per cent from bonds and 6 per cent from reserves.

The above analysis indicates that Exim Bank channelises State funds to lending institutions for promoting exports.

(B) Human

It needs to be noted that the Exim bank staff increased from 69 to 108 between 1982 and 1988. The annual growth rate works out to nearly 8 per cent.

Operations

(1) Funded

Exim bank's operations are analysed with respect to both funded and non-funded for the period 1980 to 1988.

The funding activity comprises

- (a) Providing refinance facility to commercial banks.
- (b) Bill Rediscounting to commercial banks.
- (c) Providing export finance directly to exporters

It is noticed that the overall sanction increased by 27 per cent per annum closely followed by utilisation (26 per cent).

The growth and composition of the financial facilities provided by the Exim bank is given in the following table.

Table 6.2
Exim Bank : Funded operations

| Sr No. | Year | Bank Refinance Amount(million) | Bill rediscountin % to total | % of BR/BD to export credit | Credit to exporters Amt(million) | % to total | Other funded operations Amt(million) | % to total by Exim Bank | Total funding |
|--------|------|--------------------------------|------------------------------|-----------------------------|----------------------------------|------------|--------------------------------------|-------------------------|---------------|
| 1 | 1982 | 1250 | 71.42 | 7.10 | 300 | 16.80 | 235 | 11.78 | 1785 |
| 2 | 1983 | 1314 | 63.88 | 7.03 | 364 | 17.69 | 379 | 18.43 | 2057 |
| 3 | 1984 | 2225 | 63.03 | 8.22 | 826 | 23.39 | 479 | 13.58 | 3530 |
| 4 | 1985 | 2766 | 72.54 | 10.08 | 880 | 23.07 | 167 | 4.39 | 3813 |
| 5 | 1986 | 4191 | 79.88 | 7.75 | 720 | 13.74 | 335 | 6.38 | 5246 |
| 6 | 1987 | 4056 | 67.72 | 6.14 | 1632 | 27.24 | 301 | 5.04 | 5989 |
| 7 | 1988 | 4276 | 58.55 | NA | 1986 | 27.19 | 1042 | 14.26 | 7304 |

Source : Exim Bank Bombay Annual Reports 1982 onwards

The above table indicates that Exim bank's funding facilities were mainly availed by commercial banks. It increased at an annual growth rate of 22.75 per cent per annum between 1982 and 1988. Its share in total funding declined by 12.87 per cent. On the other hand, Exim bank's credit to exporters increase by 37.03 per cent per annum. Its corresponding share in the total funding increase by 10 per cent over a period. In 1988, the share of banks, exporters and other agencies in total Exim bank's fundings were 59, 27 and 14 per cent respectively.

It needs to be noted that the Exim bank's refinance as a ratio of total export credit provided by banks to exporters indicates the importance of refinancing in export finance. The refinance ratio increased from 7 per cent to 10 per cent between 1982 to 1985 and declined to 6 per cent in 1987. The fluctuating trend in this ratio is a clean indication that refinancing has yet not emerged as an effective tool of export promotion.

(2) Non-Funded

As discussed above, Exim bank provides various types of guarantees on behalf of the exporters as well as on the banks which helps in realising the risk in export business and thereby acts as an incentive for export promotion. The following table give the details of the guarantees sanctioned and issued during 1982 to 1988.

Table 6.3
Exim Banks' Non Funded Operations (1982-1988)
(Rs. million)

| Sr. Non funded No. operations | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | Annual Compound growth rate |
|----------------------------------|------|------|------|------|------|------|------|--------------------------------|
| 1 Guarantee sanctioned | 1019 | 753 | 572 | 732 | 763 | 517 | 390 | -14.7 |
| 2 Guarantees issued | 564 | 712 | 574 | 683 | 396 | 548 | 558 | -0.18 |

Source : Exim Bank, Bombay, Annual Reports 1982 onwards

As shown by the above table, the Exim bank operations by and large followed a declining trend. The guarantees sanctioned declined annually at a negative growth rate 15 per cent. The actual guarantees issued remained almost stable over the period. The year 1983 was a notable exception when guarantees issued touched the peak of Rs.712 million. On the other hand, in the year 1986, the lowest point of Rs.396 million was touched.

The above analysis indicates that Exim bank has concentrated totally on funded operations and the non-funded part is neglected.

Profit

The overall operations of the Exim bank were transacted efficiently as indicated by the annual profit which increase from Rs.63 to Rs.227 million between 1982 and 1989 at the remarkable growth rate of nearly 21 per cent per annum. In all the years, bank has declared dividend which increased at around 33 per cent per annum.

Conclusion

The above analysis reveals that the Exim bank has been innovative in offering several schemes during the study period (1982-1988) both to the commercial banks and exporters with a view to improve their competitiveness in the global market. The overall coverage of the fifteen schemes is comprehensive enough covering every stage of export cycle of a product from procurement of raw material to production, marketing and transportation of the goods abroad.

An examination of the operations of the Exim bank reveals that the major forms of financial assistance provided by Exim bank to the commercial banks was in the form of refinancing facilities and rediscounting of foreign bills. This accounted for nearly 60 per cent of the total funds provided by the Exim bank. In spite of this, the fluctuating trend of the refinance ratio during the study period indicated that the Exim bank has not been able to provide a strong and increasing support to export promotion activities. The decline in this ratio from 10 to 6 per cent between 1985 and 1987 is a cause of concern. The reasons for this need to be identified by undertaking an indepth investigation of Exim bank operations.

Exim bank's direct credit to exporter has increased phenominally during the study period which is a welcome development as it directly accelerates the growth of exports. This implies that Exim bank is taking over more and more the role of export financier and maintaining a low profile in the field of refinancing.

The programme of the Exim bank in terms of non-funded activities during the study period turned out to be very poor. This indicates that more efforts need to be put in both in providing better guarantee schemes and their efficient implementation.

Reference

Export Import Bank of India, Bombay, Annual Reports from the year 1982 to 1988-89.