



Role Of Exim Bank In The Development Of International Business

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Abstract: Government of India started EXIM bank of India in 1982 under the Export-Import Bank of India Act 1981 for the purpose of facilitating financing and promoting India's international trade. The bank assists Indian Joint ventures in third countries and also conducts export market studies. This paper tries to understand the role of Exim Bank in the development of international trade.

Index Terms - Bills of Exchange Act, Exim, export, import, cheques.

I. INTRODUCTION

For this study secondary data has been collected. From the website of KSE the monthly stock prices for the sample firms are E.X.I.M Bank is a financial enterprise which is wholly managed and controlled by Government of India. The bank was set up in 1982 for the purpose of financing, promoting and facilitating foreign trade of India. EXIM Bank also extends LOCs (Lines of Credit) to regional banks, overseas financial institutions, sovereign governments and overseas entities, to enable buyers in those countries to import infrastructure and developmental projects, on deferred credit terms. The Bank has laid strong focus on enhancing project exports, the funding options for which have been enhanced with introduction of the Buyer's Credit-National Export Insurance Account program. The Bank facilitates two-way transfer of technology by financing import of technology into India, and abroad investment by Indian companies for setting up joint ventures, subsidiaries or undertaking overseas acquisitions. For the purpose of promoting the exports from India the Bank has various types of lending programmes to finance R&D activities of export-oriented countries.

During the year, the Bank issued India's first United States Dollar denominated green bonds with a benchmark size of US \$500 million. During the year, an EDF facility (Export Development Fund), a special fund established by Government of India under the Exim Bank Act and administered by Exim Bank, to sanction loans in the interest of international trade for meeting strategic objectives was put to use. Exim Bank under the Government of India's 'Act East Initiative' undertook a Mission to CLMV countries, consequent to which a Project Development Company is being set up, to be followed by a Project Development and Facilitation Framework. Exim Bank, ADB and SBI jointly floated a Project Development Company in Africa which is based in Mauritius. The Bank has entered into a Cooperation contract with the four major development Banks of the BRICS countries on Innovation which is expected to promote intra BRICS cooperation in innovation financing. The Bank, with its diverse schemes, caters to different segments of exporters and the export cycle. The Bank also provides assistance in helping Indian firms in their globalization efforts by locating overseas distributors or buyers or partners for their products and services. Exim Bank also lays emphasis on international competitiveness of Indian companies through its various Advisory Services and enhancing export capabilities.

OBJECTIVE

The main objective of the paper is to study the role of EXIM Bank in development of exports and imports of India and the various subsidiaries through which the bank functions.

I. RESEARCH METHODOLOGY

3.1 Theoretical framework

Exim Bank creation to foster trade growth

Apart from the sanctity, validity and applicability of the above bare mandates of statutory law, there are some larger problems which could be and should be appropriately addressed in the context of the topic. It may be recalled that Chapter XVII comprising of sections 138 to 142 was inserted into the Act by the Public Financial Institutions Banking and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1988). The main aim of bringing Section 138 into the statute was to build confidence and faith in the efficacy of banking operations and credibility in transacting business through negotiable instruments by minimizing cash transactions.

It was to encourage the acceptability of cheques for the purpose of settlement of liabilities by making the drawer liable for stringent penalties in case of bouncing of cheques due to inadequate arrangements done by the drawer, with adequate safeguards and to prevent harassment of genuine drawers. It may also be pertinent to add here that when the offence was inserted originally in the law in 1988, it carried the provisions for one year imprisonment, which was altered to two years following the amendment to the Act in 2002. It is thus quite discernible and manifest that the legislative purport and intent behind incorporation of the provision of section 138 and the subsequent amendment with regard to enhancement of punishment was to give a strong and efficacious criminal remedy in order to deter the worryingly high incidence of dishonour of cheques.

What must be re-emphasized, remembered and reiterated that the dishonor of a cheque can be nicely described as a regulatory offence that has been put into place to serve the general public interest in ensuring that these instruments of credit perform its intended functions. The sudden impact of this offence is usually confined to the private persons involved in commercial transactions but in the broader. EXIM Bank which was established in 1982 is popularly known as the The Export and Import Bank of India. This bank is the primary financial institution in India for international and foreign trade. EXIM bank was earlier a branch of the IDBI, but as the foreign trade sector grew, it became an independent body.

The foremost function of the EXIM Bank is to oversee, coordinate and provide financial and other assistance to importers and exporters of the country. EXIM Bank ultimately aims at promoting foreign trade in the country.

Export trade Exim Bank

A study made by Marshal George regarding the India's export financing with special reference to commercial banks by estimated the share portion and the major duties of commercial banks in export financing and issues in export financing. They have suggested for increasing the bank credit flow to export sector and restructuring the interest rates.

The need for a very good co-ordination between banks and financial institution's role of ECGC in timely settlement of claims are impetus for a favorable export business. The problem faced is on introducing the new innovative services of counter trade, overseas Realizing the dearth of pertinent literature on working capital management.

Walker (1964) in his book made pioneering effort to create a theory of working capital management by empirically testing, though partially, three propositions based on risk-return trade-off of working capital Management. Proposition 1- If the amount of working capital is to fixed capital, then the amount of risk the firm assumes is also varied and the opportunities for gain or loss are increased. Proposition II- The type of capital used to finance working capital directly affects the amount of risk that a firm assumes as well as the opportunities for loss or gain. Proposition III - The greater the disparity between the maturities of a firm's debt instruments and its flow of internally generated funds the greater they will be the risk and vice-versa.

Management of Financial Institutions in India by Ramesh Babu explained the financial institutions management with the help of Indian financial system, sources of raising funds, role of RBI, Credit Authorization Schemes and many aspects of Indian Financial Systems. The Indian economy was opened up in the early 1990s with the introduction of a series of breakthrough economic reforms, which included, inter alia, opening for international trade and, deregulation, tax reforms and privatization, thus creating a new chapter for India's international investments and trade. As a result, the compound annual growth rate of

India's exports increased from 8.6 per cent in the 1980s to 10.1 per cent in the decade following the reforms, i.e. during 1992-1993 to 2001-2002, which more than doubled to 21.6 percent in the next decade i.e. 2002-03 to 2011-12. This strong growth in merchandise exports of the country has been accompanied by an increase in the share of India in the global export market reflecting among others, emergence of new markets, the availability of finance provided by different banks to complete the export orders and increased adaptability of Indian exporting companies to meet the changing patterns of global demand.

The EXIM Bank (1981) started in India even prior to the economic reform's initiative in India, with a mandate, not only just to enhance exports from India, but also to integrate the nation's investment and foreign trade with the overall economic growth.

Exim Bank's Marketing Advisory Services (MAS)

The EXIM bank has a promotional role to enhance and create export capabilities and international competitiveness of Indian companies. Its physical presence helps Indian companies in their global marketing initiatives on a success fee basis. MAS fees are payable in Indian rupees and applies to the subsequent orders from the client introduced by the Export Import Bank for a period of at least 2 years.

Key roles of Marketing Advisory Services:

- To help Indian firms who are engaged in exporting in their globalization efforts by proactively assisting in locating overseas distributors/partners for their products or services
- To find out overseas opportunities for setting up projects or for acquisition of overseas companies

Exim Bank has placed successfully a range of products in domestic markets as well as overseas. Products like vegetables, handmade paper, fresh fruits, handicrafts, garments, home decor, marine products, agricultural equipments and spices are placed in Brazil, Singapore, Africa, Middle East, and US.

Working Capital Management and Control Principles and Practice written by Satish B Mathur describe working capital management and control in two parts. In the first section of his book, he explained fund based working capital finance, different working capital policies, disbursement and follow up of working capital finance by bank and in the second section of the book contains the non-fund based working capital financing which include bank Guarantees, letter of credit etc. He manifests the Export Import Bank of India in this relation and detailed that how this institution was working since 1982 by fulfilling the purpose of providing the finance, facilitate and promote foreign trade.

Exim Bantus financial facility

Indian companies can avail themselves of Exim Bantus financial facility, against deferred credit extended to overseas buyers of Indian consultancy, technology and other services. This would definitely help in enlarging the market space for Indian consultancy exports. In barter trade, there might be no need for financing, but there could, yet, be financing needs if the manufacturing cycle was beyond six months. Such a transaction having received the necessary regulatory approvals, the pre-shipment financing requiring credit beyond six months, could be eligible for financing from Exim Bank. The EXIM Bank's assistance will be available for acquiring land, building, P & M and other fixed assets.

Under the bank's various financing programmes Deemed Exports are eligible for support. Exim Bank's export financing include term loans for units in Free-Trade Zones, post-shipment deferred credit, bridge financing in foreign currency for project exports and 100 per cent Export-Oriented Units.

The second major initiative came in the form of an agency credit line of the 15 million with International Finance Corporation (IFC), Washington. Under this Scheme, financial assistance is available in the form of foreign -currency loans, from IFC, to private sector-small and medium units - for investment in plant and machinery, product and process know-how. The Bank provides rupee term loans on a machinery basis to assist domestic enterprises. It is the first agency line of credit from International Finance Corporation (IFC) to an Indian financial institution. In another initiative, the Bank, in its continual endeavor to help domestic exporters, started a quarterly publication entitled "Export Advantage". The publication aims at providing information on export opportunities, highlighting international developments that have a bearing on Indian exports and inviting attention to successes of exporters.

To complete the present study the secondary data has been used, the data was collected from annual reports of EXIM Bank of India, books, research publications, journals of international repute and also various official in the realm of trade financing, which is the basic area of activity of most of the Export Credit Agencies around the world. Lines of Credit (LOCs) of EXIM Bank have served as an effective market entry mechanism. During 2014- 15, the EXIM Bank extended Buyer's Credit facility aggregating 32.10 billion to 27 overseas companies. Disbursements under Buyer's Credit Programme total to 26.57 billion for exports to countries that include Uganda, U.K, Zambia and Zimbabwe. While the bank has been partnering not only the Indian industry but also focused on small and medium enterprise and micro units. In this context the Bank has taken various steps to increase its presence in the MSME space Creation of a Technology and Innovation Enhancement and Infrastructure. EXIM Bank has also reactivated its Export Marketing Services to support Indian MSMEs to establish their products overseas and enter new markets.

This programme, which works on a success fee basis, has been recast to be driven by strong research backing involving, among others, a mapping of potentially exportable products with the prevailing international demand. Towards promotion of sustainable development, the Bank has introduced a separate group for promoting products exports from rural grassroots business enterprises, essentially through skill and capacity development. The basic objective is to create an environment for rural micro enterprises to explore newer geographies leveraging effectively upon EXIM Bank's extensive trade promotion linkages. This initiative supplements the Bank's other support programmes which address the needs of relatively disadvantaged sections of the Indian society while seeking to create expanded opportunities for artisans and traditional crafts persons of the country, thereby contributing towards employment generation.

Conclusion

The achievements made in the last several years provides a very strong foundation to E.X.I.M Bank from where it will continue to boost India's international investment and trade The Bank is very committed to go beyond traditional financing in exports of a variety of services and products which have the potential to go globally, by creating and developing a niche for them in the international business arena. The Bank operates a wide range of financing programmes which aims at enhancing the export competitiveness of Indian companies. In certain special cases EXIM Bank is providing import finance programmes also.

The Bank has an innovative facility to support globalization of rural industries through its grassroots initiatives. But from the annual report it is very evident that Bank is more focused towards the project exports than other finance programs of the bank. Therefore, the exporters are not getting satisfactory financing services from EXIM Bank. They rely on various commercial banks to get the credit for their export orders. EXIM bank's vision has evolved from a product-centric approach with Export Capability Creation and Export Credits, to a more consumer-centric approach by offering a comprehensive range of products and services to empower businesses at all stages of business cycle of a company. Today, we develop commercially viable relationships with a set of externally oriented companies through a comprehensive range of products and services, aimed at enhancing their internationalization efforts.

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