EFFICACY OF EXPORT-IMPORT BANK OF INDIA (EXIM Bank)

A Thesis submitted to the Pondicherry University in partial fulfillment of the requirements for the award of the degree of

DOCTOR OF PHILOSOPHY

IN

COMMERCE

By

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CERTIFICATE

This is to certify that the Thesis entitled **"Efficacy of Export-Import Bank of India (EXIM Bank)"** is based on the original work done by **Mr. V. Vijayakumar,** (Full Time Scholar) in the Department of Commerce, Pondicherry University, Pondicherry during the year 2007- 08 to 2013 - 14, and that the research work has not previously formed the basis for the award of any Degree, Diploma, Associateship, Fellowship or any other similar title and it represents entirely an independent work on the part of the candidate.

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DECLARATION

I, **Vijayakumar. V,** hereby declare that the thesis entitled, **"Efficacy of Export Import Bank of India (EXIM Bank)"** submitted to **Department of Commerce**, Pondicherry University in partial fulfillment of the requirements for the award of the degree of Doctorate of Philosophy in Commerce is a record of original research work done by me during 2007 - 08 to 2013 - 14, under the supervision and guidance of **Dr.P.NATARAJAN** and the research work have not formed the basis for the award of any other Degree, Diploma, Associateship or any other similar titles.

Place: Pondicherry

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(Vijayakumar .V)

Dedicated to my
Beloved Parents
and Teachers

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CHAPTER – I

INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION

Foreign trade has been conducted ever since national borders were formed and has played a major role in shaping the world economy. Foreign trade consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals and organizations. In its many forms Foreign trade ranges from export-import trade to licensing, joint ventures, wholly owned subsidiaries, Turnkey operation and management contracts.

World trade and investment have assumed a here to fore unknown importance to the global community. Foreign trade is vital to economic growth because it expands a nation's consumption possibilities[1]. By specializing in its area of greatest relative productivity, each nation can consume more than it could produce alone. This is simple yet elusive essence of foreign trade[2].

Foreign trade is important and necessary because economic isolationism has become impossible. Failure to become a part of global market answers a nation of declining economic influence and a deteriorating standard[3]. Since 1950s, growth of international trade and investment has been substantially larger than the growth of domestic economies. In the past centuries trade was conducted internationally, but not at the level or with the impact on nations, firms and individuals that it has recently achieved. In the past thirty years, the volume of international trade has expanded from US $ 200 billion to more than US$ 8 trillion. Countries that have never been thought of major participants have emerged as major

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[1] Rubener,alex,the export Cult, A Global Disply of economic Distortion, pp.28-39,1987.
[2] Ohmae, Kenichi Triad Power: The Coming Shape of Global Competition, New York, the Free Press, 1985, p.9
[3] Czinkota, Ronkainen , Moffett, International Business, the Dryden Press, Third editon,1994, p.3.

economic powers. Thus, both as an opportunity and a challenge, foreign trade is important to countries, companies and individuals.

Akamatsu's "Wild Geese" theory of economic development, which was propounded in the early 1960s, to a large extent, explains the growth experience of Japan, South Korea and other far East Asian miracle economies and basic evolution of economies[4].The theory in brief divides economic development into three phases, Stage one is defined as the period in which domestic production equals domestic consumption. Over time domestic cost tend to decline through economies of scale as well as import of technology within the frame work of a protected market. Stage two is marked by a commencement of exports with the domestic cost structure reaching international levels. Thus, domestic production becomes larger than domestic consumption. Stage three envisages a slow factor of production like labour as well as the operation of the 'catching up cycles' in other developing countries. India is rapidly entering stage two of Akamastu's theory.

1.2 EXPORT AS AN ENGINE OF GROWTH

Countries have achieved rapid economic development through export led growth strategy. Export growth not only contributes directly to economic growth, but also permits more imports, and a rapid modernization of production.

The result is efficient domestic industry that meets the market test of international competition. According to World Development Report, 1989:

"Global development experience of the past few decades shows that a policy regime with fewer barriers to trade, both tariff and non-tariff and which provides equal incentives for exports as well as production for the domestic market enables countries to achive not only impressive export growth but also rapid and sustainable economic growth".

[4] Bhatt, Vinay Ram, 'Wild Geese Chase', The Times of India, March 10,2003, p.16.

The fact that high growth rates can be achieved via export route has been brought out by the experiences of great many countries across the world. The experiences of Japan and South Korea provide interesting examples.

1.3 IMPACT OF EXPORTS IN THE DEVELOPMENT PROCESS

Export led growth is an appealing strategy for developing nations. In the early stages of development, a country needs to import real capital (machines), which often entails borrowing in a foreign currency. Export allows borrowing of nation to earn the foreign currency required to service its external debt. This strategy is often successful – the U.S.A is perhaps the best example that followed such a strategy in its early stages of development—at least over the short run.[5]

It is important for policy-makers to improve "Export Competitiveness" while promoting development. While export competitiveness starts with increasing international market shares, it goes far beyond that it involves diversifying the export basket, sustaining higher rates of export growth over time, up grading the technological and skill content of export activity, and expanding the base of domestic firms able to complete internationally so that competitiveness becomes sustainable and is accompanied by rising incomes. Competitive exports allow countries to earn more foreign exchange and so to import the products, services and technologies they need to raise productivity and living standards. Greater competitiveness also allows countries to diversify away from dependence on a few primary commodity exports and move up the skills and technology ladder, which is essential for increasing local value added and sustaining rising wages. It permits a greater realization of economies of scale and scope by offering larger and more diverse markets. Exporting

[5] Wray, Randall L., "Export led growth Prospects", charted financial analyst, Dec 2001, pp.14-16.

feedback into the capacities; it exposes enterprises to higher standards, provides them to greater competitive pressures, thereby encouraging domestic enterprises to make more vigorous efforts to acquire new skills and capabilities.

However, these developmental impacts from improved export competitiveness cannot be taken for granted. For same product at the same time, most of them may well become worse off. Similarity, in the absence of adequate national capabilities and increase in local value added and expansion in market shares may not produce the expected benefits. Export competitiveness is important and challenging, but it needs to be seen as a means to an end—namely development[6].

The above discussion focuses on the broader outlook of the overall impact of exports in development process. To have specific outlook, it would be note worthy to mention the benefits and risk associated with exporting.

1.1.1 EXPORT BENEFITS

The export benefits may vary by company and product or service. They are:

- There is potential for greatly increased company turnover.
- Economies of scale are achieved
- Potential levels of profitability are much increased.
- The product or service offered is more competitive and reflects overseas market needs and conforms to a wider legal environment.
- Companies became much more integrated with market they serve and this encourages higher standards and the use of more high technology.

[6] Ricupero, rubens : Transnational Corporations and Export Competitiveness, an overview, (World Investment Report,2002, UNCTAD) Foreign Trade Review, Vol.37, No. 3 and 4, Oct,2002 – Mar,2003,pp3-4,23.

- Diversification of risk, company risk and business risk are not confined to one market.
- The company becomes more competitive in all areas of the business.

1.1.2 EXPORT RISK

- Repatriation of profits from the target country may be constrained or forbidden
- Fluctuation in exchange rate may decrease or eliminate profits, or even in losses.
- The export market evolves a longer time scale of payment. This may be 90 or 180 days or even some years.
- Product launch in an overseas market is more costly and complex in comparison with a domestic launch.
- Trade barriers are politically and economically manipulated.
- Economic and political risk is much more.
- Instability in the target market/country can lead to losses from war or civil strife or nationalization by the foreign government.
- In case of non-payment and other contractual problems, there may be questions of jurisdiction, i.e. Indian courts may not be able to enforce contracts between parties in different countries.

1.3 INTERNATIONAL COOPERATION IN TRADE FINANCE

The global financial crisis, which has resulted in slowdown in economic growth, has also impaired the access to trade finance. As a result cost of finance had increased by over 3-4% in international markets, last year, even for exporters considered to be good. Many Governments have quickly sought to mitigate the potential impact of the crisis on their domestic economy and export sector, through various measures, albeit in varying degrees and forms. The main actions taken by Governments can be grouped in two categories:

(i) to increase banks' liquidity to alleviate liquidity pressure including for trade finance;

(ii) to enhance the long-term competitiveness of the country's exports by developing and expanding export promotion programs.

The commitment of G-20 leaders calling for collective fight against protectionism, and the action by Multilateral Agencies to counter the shortage in trade finance indicates the need for international cooperation in trade finance.

Export Credit Agencies (ECAs), particularly in developing countries, have assumed greater role to channel trade finance to firms. In some countries, Government has channeled the trade credit enhancement measures through the ECAs. Exchange of information and institutional cooperation are the two important strategies for enhancing trade finance and trade amongst the trading partners. During the recently concluded BRIC Summit, Exim Bank of India entered into a Memorandum of Cooperation with three major development banks of Brazil, Russia and China. One of the objectives of the Memorandum is to develop comprehensive long-term cooperation among the signatories to facilitate and support cross-border transactions and projects of common interest. Such institutional cooperation is pertinent in enhancing trade finance. Earlier, Exim Bank of India mooted the idea of forming the Asian Exim Banks Forum, in 1996, in order to forge a stronger link among the member institutions. The forum facilitated signing of bilateral L/C confirmation facility among the members. The forum is also exploring the possibility of setting up a regional ECA with the support of multilateral funding institution like ADB. Extending the similar concept at global level, Bank took the initiative of setting up a Global Network of Exim Banks and Development Finance Institutions (G-NEXID), under the auspices of UNCTAD, with the objective of supporting rapidly increasing trade between developing countries with expanded financial services that can spur and stabilize economic growth. Such cooperation is expected to reduce the costs of trade for the developing countries, spurring investment across borders and making financing more readily available to new and innovative businesses and enabling the growth of “niche markets.”

Multilateral / regional development finance institutions should play a pivotal role in rebuilding confidence amongst member governments, banks and financial institutions in the region, through provision of well targeted credit enhancements, policy support, and capacity building initiatives. These may include technical assistance / advice on trade finance policy, loans for creation of finance-related infrastructure, and support in creation and strengthening of institutions that support trade finance transactions. The institutions from developed countries should also extend credit lines to Governments / institutions in developing countries with the objective of enhancing trade financing. Rules-setting organizations, like WTO, may have to provide necessary comfort to banks and financing institutions (that are providing finance and guarantees), especially from developing countries, and set flexible policies for developing countries that encourages concessional trade financing; it may be appreciated that the priority task would be to enhance the capacity in developing countries to mitigate the effects of increased perception of risks and to provide the market with earmarked liquidity for trade finance. It is also necessary to persuade the Bank for International Settlements (BIS) to build suitable models and treat trade finance differently under Basel - II. Greater level of institutional cooperation among the developing countries is required for closely monitoring payment delays and sharing of information on credit risks.

Such international cooperation would be collectively beneficial to enhance trade finance and thereby contribute to the growth in trade and economic development.

1.4 EXPORT PERFORMANCE OF INDIA AND EDES

The share of the select Emerging and Developing Economies (EDEs) in the US$ 18 trillion world exports in 2011 has increased to a sizeable 41% with a change in share of 15.6% over 2000. If the four newly Industrialized Asian Economies namely, Singapore, Hong Kong, Taiwan and Republic of Korea, which have now been classified under advanced economies by the IMF, are also included and the share would be 50.5%. The performance of China is spectacular with its share in world exports increasing by 6.6% points between 2000 and 2011, comprising 42.4% of the total increase in EDEs share over this period, while India's rise in share of 1% point constitutes only 6.5% of the total increase. However, China's export growth rate at 20.3% in 2011 was substantially lower than that of India. India's export growth rate of 33.8 % in 2011 over and above the 37.3% growth of 2010 is one of the highest in the world.

India's share in world merchandise exports which started rising fast from 2004, reached 1.5 percent in 2010 and 1.7 % in 2011. It declined marginally to 1.6% in 2012

(January-October), mainly due to its relatively negative export growth of - 5.1% compared to world export growth of - 0.2 % (Table 7.3). In contrast China's share increased to 11.2% in 2012 (January -October) with a positive export growth of 7.9%.

Latest monthly growth rates of exports and imports of some of India's major trading partners have been low or negative. The EU's import growth has been negative for most of the months in 2012. There has been a slight but unsteady pick-up in import growth in the last two or three months in countries like the US, Hong Kong, and Singapore and in December 2012 in China.

1.5 Trade Composition

1.5.1 Export composition

Compositional changes in India's export basket have been taking place over the years. While the share of primary products in India's exports fell over the years from 16 % in 2000-1, in 2012- 13 (April-November) it regained the share of 16 % mainly because of the export of agricultural items like rice and guar gum meal. The share of manufacturing exports fell drastically from 78.8% in 2000-1 to 66.1% in 2011-12 and further to 64.5% in 2012-13(April-November) mainly because of the fall in shares of traditional items like textiles and leather and leather manufactures even though the share of engineering goods and chemicals and related products increased. Share of gems and jewellery fell marginally. Share of petroleum, crude & products exports, which also include refined items, increased from 4.3% in 2000-1 to 18.3% in 2011-12 and 18.6% in 2012-13(April- November).

The destination-wise exports of major items to the major trading partners from 2009-10 to 2012-13 (April-November) show great changes in the composition of exports to USA and China **(Table 1.1)**. In the case of India's exports to the USA, the share of exports of primary products has increased from 6.8% in 2009-10 to 21.3% in 2012-13 (April-November), mainly because of the rise in share of agriculture and allied products, while the share of manufactured goods in India's exports to the USA has fallen from 89.1% to 74.2% during the same period.

Table 1.1: Composition of exports by major markets

	Percentage share						Growth rate*				
	2000-01	2009-10	2010-11	2011-12	2011-12 (Apr.-Nov.)	2012-13 (Apr.-Nov.)	2009-10	2010-11	2011-12	2011-12 (Apr.-Nov.)	2012-13 (Apr.-Nov.)
I Primary products World	16.0	14.9	13.2	15.2	13.3	16.0	3.8	23.9	39.8	37.2	11.2
USA	9.4	6.8	8.0	14.5	11.9	21.3	-13.5	52.8	149.5	123.7	101.6
EU	13.1	8.6	8.2	9.7	9.0	9.9	-5.7	22.2	33.8	38.3	-2.0
China	45.2	65.7	51.6	55.2	49.5	38.4	26.9	4.7	24.8	7.0	-42.1
others	18.9	13.1	11.7	13.1	11.7	14.9	-1.7	31.7	35.7	41.9	17.5
(a) Agri. & allied products World	14.0	10.0	9.7	12.4	10.7	14.0	1.1	36.1	53.9	60.8	21.1
USA	9.0	5.8	7.1	13.7	11.0	20.4	-12.1	58.7	165.7	139.3	107.3
EU	11.9	7.1	7.1	8.1	7.6	8.7	-6.4	27.7	30.4	37.9	1.3
China	18.9	14.8	16.8	26.5	20.4	17.8	122.8	50.6	84.2	79.1	-35.0
others	16.8	11.3	10.2	12.0	10.7	13.8	-3.3	33.8	41.9	54.2	18.9
(b) Ores and minerals World	2.0	4.9	3.4	2.8	2.6	2.0	9.9	-1.3	-0.4	-14.3	-29.6
USA	0.4	1.0	0.9	0.8	0.9	1.0	-21.1	18.5	24.4	22.0	29.2
EU	1.3	1.5	1.2	1.6	1.4	1.2	-2.5	-3.5	54.6	40.7	-20.4
China	26.3	50.9	34.8	28.7	29.1	20.6	12.8	-8.7	-3.7	-16.6	-47.2
others	2.2	1.8	1.5	1.1	1.0	1.1	9.6	18.6	-7.4	-23.7	1.9
II Manufactured goods World	78.8	67.2	69.0	66.1	66.9	64.5	-5.9	44.2	16.2	27.7	-10.4
USA	90.6	89.1	87.4	81.4	83.3	74.2	-8.7	27.0	27.9	35.2	-0.2
EU	86.8	73.2	72.1	74.9	73.9	72.6	-15.4	25.8	18.6	34.4	-12.8
China	54.6	32.2	42.4	39.2	42.3	58.0	29.5	75.4	7.8	4.3	2.3
others	71.4	65.1	67.8	63.5	64.4	60.8	-2.5	53.4	13.6	25.7	-12.6
(a) Textiles incl. RMG World	23.6	10.5	9.1	8.7	8.6	8.7	-1.2	21.3	16.9	29.1	-6.4
USA	27.2	18.4	17.1	14.1	13.7	12.0	-7.6	20.2	13.0	19.2	-1.7
EU	29.2	18.5	16.3	16.3	15.7	14.4	-6.7	12.1	14.6	36.6	-18.7
China	9.3	1.8	2.8	4.1	3.7	8.6	47.0	104.2	68.5	51.4	73.6
others	20.2	7.4	6.4	6.2	6.3	6.5	6.2	27.1	17.9	27.3	-4.0
(b) Gems & jewellery World	16.6	16.2	16.1	14.7	14.9	15.4	3.7	39.6	10.8	38.6	-4.0
USA	29.3	24.2	20.8	19.5	22.3	18.0	2.8	11.7	28.5	52.7	-9.4
EU	11.5	6.7	6.8	9.2	9.2	7.1	-26.2	31.4	52.9	90.8	-31.5

China	**0.0**	**3.8**	**0.5**	**0.7**	**0.7**	**0.7**	**-41.4**	**-81.0**	**42.8**	**25.0**	**-25.5**
others	**14.4**	**19.2**	**19.5**	**16.6**	**16.4**	**18.0**	**10.7**	**49.1**	**3.6**	**30.5**	**1.5**
(c) Engineering goods World	**15.7**	**18.2**	**19.8**	**19.2**	**19.2**	**19.3**	**-18.7**	**53.0**	**17.3**	**15.8**	**-6.4**
USA	**13.4**	**17.1**	**20.2**	**19.8**	**20.5**	**17.1**	**-33.9**	**53.0**	**34.5**	**37.9**	**-6.6**
EU	**14.0**	**20.8**	**20.9**	**21.0**	**20.8**	**21.5**	**-25.1**	**28.6**	**14.6**	**26.3**	**-8.4**
China	**9.9**	**12.4**	**25.8**	**18.8**	**20.7**	**24.4**	**63.6**	**177.9**	**-14.8**	**-21.3**	**-11.9**
others	**17.5**	**18.2**	**18.9**	**18.6**	**18.4**	**18.9**	**-15.8**	**53.2**	**19.3**	**14.6**	**-5.2**
(d) Chemicals & related products World	**10.4**	**12.8**	**11.5**	**12.2**	**11.8**	**13.7**	**0.9**	**26.0**	**28.6**	**35.4**	**7.4**
USA	**5.7**	**17.2**	**17.7**	**16.9**	**15.9**	**17.2**	**7.4**	**33.2**	**30.9**	**28.9**	**21.1**
EU	**9.7**	**12.5**	**12.8**	**14.1**	**13.6**	**15.1**	**-11.8**	**30.9**	**25.6**	**36.6**	**-1.2**
China	**15.5**	**10.2**	**9.4**	**11.1**	**12.1**	**15.5**	**40.8**	**23.3**	**37.7**	**48.5**	**-4.5**
others	**12.4**	**12.4**	**10.4**	**10.9**	**10.6**	**12.4**	**1.7**	**22.9**	**28.2**	**35.6**	**8.0**
(e) Leather & leather Mnfrs World	**4.4**	**1.9**	**1.6**	**1.6**	**1.6**	**1.7**	**-5.5**	**16.3**	**22.6**	**36.0**	**-2.8**
USA	**3.7**	**1.5**	**1.4**	**1.3**	**1.3**	**1.4**	**-17.8**	**17.4**	**26.6**	**29.3**	**20.8**
EU	**11.4**	**6.3**	**5.5**	**5.8**	**5.9**	**5.8**	**-2.1**	**12.6**	**20.2**	**39.7**	**-12.5**
China	**1.1**	**0.4**	**0.5**	**0.7**	**0.7**	**1.1**	**-2.2**	**55.5**	**65.2**	**74.3**	**12.9**
others	**1.6**	**0.7**	**0.6**	**0.6**	**0.6**	**0.7**	**-9.9**	**24.8**	**24.2**	**26.4**	**12.8**
(f) Handicrafts including carpet handmade World	**2.8**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**	**-10.6**	**35.7**	**-12.9**	**-6.7**	**7.4**
USA	**6.0**	**1.5**	**1.6**	**1.2**	**1.2**	**1.3**	**-14.6**	**40.4**	**2.4**	**14.6**	**16.5**
EU	**4.4**	**1.1**	**1.0**	**0.7**	**0.7**	**0.8**	**-7.5**	**8.4**	**-12.1**	**-3.8**	**-2.9**
China	**0.3**	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**106.9**	**-40.9**	**40.1**	**16.3**	**-2.4**
others	**0.8**	**0.2**	**0.3**	**0.2**	**0.2**	**0.2**	**-13.1**	**80.1**	**-29.2**	**-27.9**	**8.5**
III Petroleum, crude & products World	**4.3**	**15.8**	**16.5**	**18.3**	**18.7**	**18.6**	**2.3**	**47.1**	**34.0**	**54.3**	**-7.3**
USA	**0.0**	**2.3**	**3.7**	**3.5**	**4.5**	**3.7**	**180.3**	**110.9**	**30.1**	**139.9**	**-8.0**
EU	**0.0**	**16.9**	**18.8**	**15.0**	**16.5**	**17.0**	**45.4**	**42.7**	**-9.4**	**19.2**	**-8.7**
China	**0.0**	**0.8**	**5.3**	**6.3**	**8.6**	**3.2**	**-8.4**	**745.2**	**38.1**	**608.2**	**-72.2**
others	**8.1**	**19.9**	**19.4**	**23.5**	**23.3**	**23.5**	**-3.9**	**43.6**	**47.0**	**59.4**	**-6.5**
Total exports World	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**-3.5**	**40.5**	**21.3**	**32.7**	**-7.0**
USA	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**-7.6**	**29.5**	**37.4**	**43.9**	**12.2**
EU	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**-8.4**	**27.9**	**14.1**	**31.4**	**-11.2**
China	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**24.2**	**33.3**	**16.8**	**12.4**	**-25.4**
others	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**-3.4**	**47.2**	**21.3**	**33.3**	**-7.6**

Source: Economic Survey 2012 -13. * Growth rate in US dollar terms.
Notes: 1. RMG stands for ready-made garments.
2. Share in a particular item means share of each country in total exports of India to that country.
3. Totals may not add up mainly due to some unclassified items.

This decline has been mainly because of the fall in growth rates of exports of textiles and gems and jewellery.

In the case of India's exports to China, the share of primary products has fallen from 65.7% in 2009-10 to 38.4% in 2012-13 (April-November) because of the fall in share and growth rate of ores & minerals. The share of manufactures in India's exports to China has increased from 32.2% to 58.0% during this period, mainly because of the rise in share of engineering goods, textiles, and chemicals and related products. In the case of India's exports to the EU, there has been a marginal rise in the share of primary products and petroleum products and a fall in the share of manufactured goods.

The reason for India's export growth in 2012- 13 (April-November), being more negative than in 2009-10 is the aftermath of the global recession and it can be seen from India's commodity-country export performance. India's exports to EU and China have been more negative during the recent global slowdown than in 2009-10, while its performance to USA has been better for most of the sectors except gems and jewellery. The performance of India's exports to EU of textiles and readymade garments, gems and jewellery and ores: and to China of manufactures, engineering goods, chemicals gems and jewellery and ores was worse off in 2012-13(April-November) compared to 2009-10. India's POL export growth to all major markets also decelerated in 2012-13 (April- November) compared to 2009-10. Thus, the Euro Zone crisis and the Chinese slowdown have affected India's exports more during the recent slowdown than in 2009-10.

1.5.2 Export diversification

In 2011, India had a global export share of 1% or more in 53 out of a total of 99 commodities at the two-digit harmonized system (HS) level. While noticeable changes can be seen in India's market diversification, the same is not the case with its export basket diversification.

1.5.3 Import composition

There have been some significant compositional changes in India's import basket in recent years. The share of POL imports increased from 28.7% in 2010-11 to 31.7% in 2011-12 (with a very high growth rate) and 34.6% in 2012-13 (April-November).

Table 1.2 : Commodity Composition of India's Imports

	Percentage share					CAGR		Growth rate*		
Commodity Group	2000-01	2010-11	2011-12	2011-12 (Apr.-Nov.)	2012-13 (Apr.-Nov.)	2000-01 to 2009-10	2010-11	2011-12	2011-12 (Apr. -Nov.)	2012-13 (Apr. -Nov.)
I. Food and allied products,	3.3	2.9	3.1	3.1	3.5	22.7	2.2	44.4	38.0	11.6
of which										
1. Cereals	0.0	0.0	0.0	0.0	0.0	24.3	15.8	-34.2	-46.6	6.8
2. Pulses	0.2	0.4	0.4	0.4	0.4	38.3	-23.1	27.2	11.3	9.2
3. Edible oils	2.6	1.8	2.1	2.1	2.5	17.2	19.0	57.7	55.3	18.0
II. Fuel, of which	33.5	30.9	37.4	34.3	38.0	21.0	22.4	59.7	52.3	9.8
4. POL	31.3	28.7	31.7	30.7	34.6	21.0	21.6	46.2	50.6	11.7
III. Fertilizers	1.3	1.9	2.4	2.3	2.2	29.0	4.8	72.1	32.2	-6.8
IV. Capital goods, of which	10.5	13.6	14.1	12.6	11.9	26.1	19.2	36.9	25.6	-6.5
5. Machinery except electrical	5.9	7.0	7.2	6.7	6.3	24.4	24.0	35.8	28.2	-5.8
& machine tool										
6. Electrical machinery	1.0	1.0	1.0	1.0	0.9	22.7	25.1	33.1	26.6	-5.5
7. Transport equipment	1.4	3.1	3.0	2.5	2.3	36.4	-0.9	31.8	13.1	-8.3
V. Others, of which	52.5	49.6	49.0	47.6	44.3	19.3	43.2	30.8	29.6	-7.6
8. Chemicals	5.9	5.2	5.1	5.0	5.1	19.5	29.6	31.8	24.3	1.1
9. Pearls, precious, semi-	9.7	9.3	6.1	6.1	4.1	14.0	116.9	-13.3	4.3	-32.3
precious stones										
10. Gold & silver	9.3	11.5	12.6	13.0	10.5	23.0	43.0	44.5	59.2	-20.4
11.Electronic goods	7.0	7.1	7.1	7.0	6.5	21.6	28.4	31.7	22.2	-7.7
Total imports	100.0	100.0	100.0	100.0	100.0	21.5	28.2	32.3	36.2	-0.8

Source: Economic Survey 2012 -13.

* Growth rate in US dollar terms

The share of gold and silver imports increased from 9.3% in 2000-1 to 12.6% in 2011-12 with a high import growth rate of 44.5%. However, in part because of policy measures like raising import duty on gold, there was a moderation in gold and silver imports in 2012-13 (April-November) with its share falling to 10.5% following a negative growth of -20.4%. The import share of pearls, precious and semiprecious stones also fell sharply in 2011-12 to 6.1% following a negative growth of -13.3% and further to 4.1% in 2012-13 (April- November), with a high negative growth rate of - 32.3%. Another important development is related to the share of capital goods imports which raised from 10.5% in 2000-1 to 13.6 % in 2010- 11 and further to 14.1% in 2011-12, declining thereafter to 11.9% in 2012-13 (April-November) following a negative growth rate of - 6.5%. Among capital goods, the import shares of all items machinery except electrical and machine tools, transport equipment, project goods, and electrical machinery fell, clearly signaling a slowdown in industrial activity. The share of electronic goods, which includes both consumer electronics and capital goods, also fell in 2012-13 (April-November) (Table 1.2).

1.5.4 Direction of Trade

There has been noteworthy market diversification in India's trade. Region-wise, while India's exports to Europe and America have declined, its exports to Asia and Africa have raised. However, in 2012-13 (April- November), the share of India's exports to the USA raised to 13.5%. Within Asia, while the share of North East Asia (consisting of China, Hong Kong, Japan) and ASEAN (Association of South East Asian Nations) fell from 14.8% and 12.0% in 2011-12 to 13.1% and 10.3% respectively in 2012-13 (April- November), there was a noticeable rise in the share of West Asia-GCC (Gulf Cooperation Council) countries from 14.9% in 2011-12 to 17.7% in 2012-13 (April- November).

Table 1.3 : India's Trade Share and Export-Import Ratio with Major Trading Partners Share in total trade Export/Import ratio*											
Sl. No.	Country	2009-10	2010-11	2011-12	2011-12 (Apr-Nov.)	2012-13	2009-10	2010-11	2011-12	2011-12 (Apr-Nov.)	2012-13
1	China	9.09	9.50	9.52	9.62	8.95	0.38	0.36	0.31	0.29	0.23
2	U A E	9.31	10.72	9.03	8.99	9.74	1.23	1.03	1.00	0.98	0.92
3	U SA	7.82	7.30	7.46	7.29	8.23	1.15	1.26	1.42	1.42	1.51
4	Saudi Arabia	4.50	4.04	4.63	4.57	5.43	0.23	0.23	0.18	0.17	0.28
5	Switzerland	3.27	4.11	4.22	4.30	3.50	0.04	0.03	0.03	0.03	0.04
6	Singapore	3.01	2.73	3.21	3.30	2.53	1.18	1.38	1.96	1.85	1.75
7	Germany	3.37	3.00	3.05	3.02	2.75	0.52	0.57	0.49	0.50	0.48
8	Hong Kong	2.70	3.18	2.97	3.09	2.53	1.67	1.10	1.21	1.09	1.51
9	Indonesia	2.51	2.52	2.68	2.69	2.50	0.35	0.57	0.46	0.38	0.34
10	Iraq	1.61	1.56	2.48	2.49	2.73	0.07	0.08	0.04	0.03	0.07
11	Japan	2.22	2.21	2.32	2.19	2.29	0.54	0.59	0.52	0.46	0.47
12	Belgium	2.09	2.32	2.22	2.21	1.91	0.62	0.67	0.69	0.71	0.52
13	Kuwait	1.93	1.96	2.21	2.02	2.38	0.09	0.18	0.07	0.08	0.06
14	Korea RP	2.57	2.29	2.20	2.20	2.30	0.40	0.36	0.33	0.35	0.29
15	Nigeria	1.86	2.08	2.19	2.19	2.14	0.19	0.19	0.18	0.18	0.20
	Total of 15 countries	57.84	59.50	60.40	60.16	59.91	0.56	0.55	0.51	0.49	0.50
India's trade		100.00	100.00	100.00	100.00	100.00	0.62	0.68	0.62	0.62	0.58

Source : Economic Survey 2012 -13.
Note : * A coefficient of export and import ratio between 0 and 1 implies that India's imports are greater than exports and if the coefficient is greater than one, India exports more than what it imports.

In 2012-13 (April- November), compared to 2000-01, the share of India's imports from Europe has declined to 16.7% from 27.6%, while that from Asia has been raised substantially to 61.1% from 27.7%. The share of America in India's imports also increased to 11.5% from 7.9%. India's top 15 trading partners have nearly 60% in share in its trade with the top three contributing nearly half of this share. While Iran and UK are out of this top 15 list in 2011-12, Iraq and Kuwait are the new entrants. The musical chairs for the top slot among the top three trading partners seems to be continuing with the USA relegated to third position in 2007-8 from first, UAE relegated to second position from first in 2011-12 by China, and China in turn relegated to second position by the UAE in 2012-13 (April-

November). The final word for 2012-13 is not yet out as the USA is inching closer to China with its share rising by around one percentage point and that of China falling.

At 10% in 2011-12 India's trade deficit as a per cent of GDP is one of the highest in the world. Export-import ratios reflecting the bilateral trade balance (Table 1.3) show that among its top 15 trading partners, India had bilateral trade surplus with four countries in 2011-12, viz. the UAE, USA, Singapore, and Hong Kong. In 2012-13 (April- November), India's trade balance with the UAE has turned slightly negative while it has improved further with the USA and Hong Kong. Another important trend is the growing trade deficit of India with China and Switzerland, increasing from US$ 28 billion and US$24.1 billion in 2010-11 to US$ 39.4 billion and US$ 31.3 billion respectively in 2011-12. In 2012-13 (April-November), the export-import ratio with China worsened further to 0.23 from 0.31 in 2011-12.

1.6 TRADE CREDIT

Trade credit is a critical component of global trade. Internationally active firms rely extensively on trade credits. As per a recent WTO study using quarterly country-level data of export credit insurers from the Berne Union for the period 2005 to 2011, a 1 % increase in trade credit granted to a country leads to a 0.4 % boost in real imports of that country. This effect does not vary between crisis and non-crisis periods. Thus both availability and cost of trade credit are important in the current environment of financial uncertainties when the banking system is likely to be tempted to reduce exposure to cross-border banking.

1.6.1 Impact of the crisis on trade credit

The global economic crisis also impacted trade credit. A number of banks, global buyers and firms surveyed independently by the World Bank, International Monetary Fund (IMF) and Bankers Association for Finance and Trade (BAFT), have felt that lack of trade credit and other forms of finance, such as working capital and pre-export financing, has affected growth in world trade. In addition, the costs of trade credit have substantially gone up and are higher than they were in the pre-crisis period, raising the challenge of affordability of credit for exporters. Higher funding costs and increased risk continue to put upward pressure on the price of trade credit. In 2008, as the financial crisis intensified, the spreads on trade finance increased by a factor of three to five in major emerging markets, like China, Brazil, India, Indonesia, Mexico, and Turkey. For example, the spread (over the six-month LIBOR) for Turkey jumped to 200 basis points in November 2008 from 70 basis points in the third quarter(Q3), while Brazil's spread almost trebled in 2008 (from 60 bps to 175 bps); India's spread increased from 50 bps to 150 bps during the same year. Similarly, spreads for several Sub-Saharan countries jumped from 100 basis points to 400 basis points.

Small and Medium Enterprises (SMEs) and exporters in emerging markets appear to have faced the greatest difficulties in accessing affordable credit. Increased uncertainty initially led exporters and importers to switch from less secure forms of trade finance to more formal arrangements. Exporters increasingly asked their banks for export credit insurance (ECI) or asked importers to provide Letters of Credit (LCs). Importers were asked to pay for goods before shipment and exporters sought more liquidity to smooth their cash flow. Further, the realization of export proceeds was not taking place on the due date. This led firms to trim down inventories, and direct the funds so generated to meet their working capital requirements.

1.6.2 Trade Credit: Indian scenario

Reflecting improved global financial conditions, the gross inflow of short-term trade credit (up to 1 year) to India reached Rs. 392,526 crore during end September 2012, which represented a year-on-year increase of 24.6 % (but a quarter-on-quarter decline of 1.1 % in Q2 of 2012-13). Inflow of trade credit in H1 of 2012-13 at US$ 57.6 billion was 14 % higher than in 2011-12 and growth in outflow of trade credit was lower at 7.7 %. As a result, net trade credit grew by 60.1 % in H1 of 2012-13 and stood at US$ 9.5 billion as compared to the decline of 14.4 % in H1 of 2011-12.

Table 1.4 : Export Credit

Outstanding as on	Export Credit (Rs. Crore)	Variations (Percent)	Export Credit
24 March 2000	39118	9.0	9.8
23 March2001	43321	10.7	9.3
22 March 2002	42978	-0.8	8.0
21 March 2003	49202	14.5	7.4
19 March 2004	57687	17.2	7.6
18 March 2005	69059	19.7	6.3
31 March 2006	86207	24.8	5.7
30 March 2007	104926	21.7	5.4
28 March 2008	129983	23.9	5.5
27 March 2009	128940	-0.8	4.6
26 March 2010	138143	7.1	4.3
25 March 2011	168841	22.2	4.3
23 March 2012	181852	7.7	3.9
30 Nov. 2012	185803	4.7*	3.7

Source : RBI.
Notes *: Variation over 18 November 2011.
NBC: Net Bank Credit.
Data pertain to all scheduled commercial banks excluding regional rural banks (RRBs) availing of bank credit to exporters

Export credit has been decelerating since 2011-12. In 2012-13 (up to 30 November 2012), it has grown by 4.7 % over end-March 2012 compared to 7.7 % in full FY 2011-12. Export credit as a % of net bank credit which was at 9.8 % as on 24 March 2000 has been decelerating almost continuously over the years. It further decelerated in 2012 to 3.7 % as on

30 November 2012 (Table 7.9). Taking note of the global slowdown and the worsening global conditions for exports, the RBI has taken several measures to facilitate availability of bank credit to exporters.

1.7 EXIM POLICY

1.7.1 Recent Trade policy measures

The government has announced many trade policy measures in the Annual Supplement to Foreign Trade Policy (FTP) released on 5 June 2012. Many measures were also taken by the government in Union Budget 2012-13 and the RBI in its monetary and credit policies during the course of the year to help exports.

1.7.2 Policy for Promoting State-wise Exports

The top five states in India's exports in 2011- 12 were Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh, and Karnataka, accounting for 63.4 % of India's exports. While in 2011-12, these five states had high robust growth (except Gujarat with 5.5 % growth) in 2012-13 (April-November) all of them had negative growth. In fact all the other states in the top 15 except Odisha had positive growth in 2012-13 (April-November) with Kerala, Rajasthan, and Punjab having high export growth in 2012-13 on top of robust growth in 2011-12. Export growth of Haryana was also relatively high in 2012- 13 (April-November) though it was low in 2011-12.

The Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme provides assistance to state governments / union territory (UT) administrations for creating appropriate infrastructure for development and growth of exports. The budget outlay for financial year 2012-13(R.E.) under the ASIDE scheme is Rs. 655.5 crore of which Rs. 573.22 crore has been sanctioned/ released till the end of January

2013. The outlay has two components: state (80 % of the total outlay) and central (20 % of the total outlay). Statewise allocation under the state component of ASIDE shows that the top five states in terms of allocation in 2012-13 are Gujarat, Maharashtra, Tamil Nadu, Karnataka, and Andhra Pradesh which are also the top five states in India's exports. Among the northeastern states, those with significant allocation are Assam, Meghalaya, and Tripura.

1.8 INSTITUTIONAL SUPPORT FOR EXPORT PROMOTION

The need for our country to step up exports and sustain their growth is too well known to need a mention. Realization of this genuine need is reflected in the numerous institutions functioning in our country either directly or indirectly connected with the export promotion. A number of institution and agencies are endeavouring to lend a helping hand to the exporter in different aspect involved in his export efforts. Institution striving towards export promotion in India can be classified into three categories:

- Advisory Bodies
- Promotional Organisation
- Service Institutions

Advisory Bodies

Advisory Bodies render assistance to the Government in the formulation and implementation of policies relating to foreign trade.

Board of Trade

It is consultative and deliberate body to provide the Government with the views of different sections of the society that may be taken into account in formulating and implementing export import policies.

Export Promotion Council

It is a non-profit organization establishes under companies Act with a view to promoting export of specific commodity their main function is to look after the interest of the member exporter, be a link between the Government and the trade and takes steps for promotion of exports of particular commodity which they represent.

Commodity Board

Commodity Board had been set up for principle commodity to guide their production and exports of the particular commodity which they represent.

Indian Institute of Foreign Trade

It is a deemed university. The functions of the institute mainly cover two areas one development of export management and undertaking research relating to foreign trade.

Indian Institute of Packaging

It aims at stimulating consciousness among the exporters of the need for good packaging it undertakes research on raw material used in packaging with a view to effecting improvement in packaging standards.

India Trade Promotion Organisation

It is a nodal agency of the Government of India for promoting countries external trade. Its promotional tools include organizing the fairs and exhibition in India and abroad. Buyer – Seller meets, contact promotion programs, product promotion programs, promotions through overseas department stores, market survey and information dissemination.

Federation of Indian Exporters Organisation

It is the apex body is serving as a common and cording forum for various export promotion council commodity board service institution and organization.

1.9 EXPORT FINANCE

Export means any goods which are to be taken out of a country to a place outside the country. The exports are classified into the following categories:

a. Merchandise Exports;

b. Services Exports;

c. Project Exports;

d. Deemed Exports.

Export finance mechanism and institutional support are vital for the promotion of exports. Today, a number of financial institutions exist that provide financial assistance for export. The various institutions involved in the provisions of finance in India are:

- Reserve Bank of India,
- Export – Import Bank of India,
- Commercial Bank,
- Export Credit and Guarantee Corporation and
- Industrial Development Bank of India.

The RBI formulates the lending policies and guidelines and all the nationalized banks, private and foreign banks are required to operate within the policies and guidelines laid down by the former. It provides re-financing facilities of the short term credit sanctioned by various commercial banks and thereby it facilitates the lending operation of the latter.

The Exim bank is the main source of long term export finance to the exporters of India. It either solely or in participation with other commercial banks constitutes the primary source of export finance. Generally, funds given by these banks are in the form of both pre – shipment and post – shipment finance.

Next to commercial banks, the fourth financial institution involved in export financing is ECGC. Their main functions are: providing insurance cover to Indian exporters; extending financial guarantees to banks that extends credit to exporters etc.

Finally, IDBI has been operating several schemes for providing credit to Indian exporters. Further, refinancing facilities are also provided by IDBI to commercial banks against the medium term export credit given to exporters.

The EXIM Bank of India came into existence on 1st January 1982, and started functioning from March 1st 1982. It has its headquarters' in Mumbai and its branch offices in important centre in India and abroad. Exim Bank is a wholly government – owned financial institution, set up for the purpose of financing, facilitating and promoting India's foreign trade. The main focus of the Exim bank of India is export finance related to export of capital goods and other manufactured goods, consultancy and technology services involving deferred payment terms. The bank also provides Pre – shipment finance where the production process exceeds months. In addition to extending non fund based assistance by way of guarantees on behalf of Indian exporters for construction, turnkey and consultancy projects abroad, the Exim bank provides various financial assistance for the export of Indian goods under its various schemes of assistance such as direct assistance to exporters includes post – shipment term finance; pre – shipment credit; term loans for export – oriented units; overseas investment finance; finance for export marketing, loans to foreign government, importers and financial institutions include overseas buyers' credit; lines of credit; re-lending facility to banks abroad, re- finance facility for banks in India include rediscounting of export bills; small- scale industry export bills; refinance of export credit; bulk import finance.

1.10 SIGNIFICANCE OF THE STUDY

Export constitute the edifice of citadel of a sound economy more particularly for a developing nation like India, which has been suffering from a persistent balance of payment (BOP) problem from more than a decade, reaching to a crisis proportion in 1991[7]. Therefore, thrust towards development of Indian economy has been promotion of exports. 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 material either at indigenous or imported for processing the same in finished goods and boarding then on ship or air, but also has 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 overseas buyer is more. The exporter has thus to be extra cautious to ensure to the overseas buyer is reliable one and payment for goods and services so rendered will be realized expeditiously. Therefore, the issues involved in export finance are:

- ❖ Availability of adequate and timely finance;
- ❖ Provision of concessional credit in order to make the export internationally competitive;
- ❖ Institutional support to protect the losses on account of deferred risk of overseas buyers; and
- ❖ Availability of special deferred credit promotion of project exports including turnkey assignments.

[7] Refer to Economic Survey 1992-93 for the discussion on BPO crisis faced by India in 1991.

1.11 SCOPE OF THE STUDY

Despite the existence of massive network of institutional support for the promotion of exports the problems persist and complaints are often heard from exporters, regarding rigidity of financial institutions credit mechanism along with delays in decision making process.

In order to address the issues and challenges, as a apex body Exim Bank has to revitalise its operations by effectively coordinating the functions of various institutions and facilitate foreign trade requires a complete introspection of the role of Exim Bank. It will give new impetus in extending their role in the competitive environment across the globe.

Hence this study aims to analyse efficacy of Exim Bank of India.

1.12 STATEMENT OF THE PROBLEM

The issue taken for research work was "Efficacy of Export - Import Bank of India (EXIM Bank)". There has been a substantial transformation of India's Export structure in the recent years.

Fostering international competitiveness and thereby sustaining long run growth is an important agenda of many of the international players. This assumes significance in the context of the crying need of diversifying export basket, sustaining higher rates of export growth over the time, upgrading the technological skill content of export activities and expanding the base of domestic firms, which are able to compete globally.

Hence this study aims to find out the Operational & Financial Efficacy of Exim Bank.

1.13 OBJECTIVES OF THE STUDY

The specific objectives of the study are:

1. To give an Overview about the trend of Indian export in general and export financing procedure in particular
2. To analyse the operational efficacy of EXIM Bank of India in terms of schemes of assistance, no. of units assisted, purpose wise assistance & country wise assistance.
3. To evaluate the financial efficacy of EXIM Bank of India in terms of liquidity, profitability, solvency, and CAMEL metrics.
4. To assess the impact of the existence of Exim Bank through the assistance under various schemes toward the economic growth

1.14 HYPOTHESES OF THE STUDY

$H0_1$: There is no significant difference between I decade and II decade of the reforms period under various schemes of assistance extended by the EXIM Bank of India.

$H0_2$: There is no significant difference between the various schemes of financial assistance extended by the Exim Bank of India.

$H0_3$: There is no significant contribution to select macro economic variables under various schemes of assistance extended by the Exim Bank of India

1.15 METHODOLOGY OF THE STUDY

It is an evaluatory type of research based upon secondary data. Case study method has been adopted and the case being EXIM Bank of India. The secondary data have been collected from various Annual Reports of Export – Import bank of India, CMIE-Prowess, Report on Currency & Finance, RBI Bulletin, Newspapers and Internet sources etc. The official of the EXIM bank and few exporters were also been contacted to elicit first hand information.

1.15.1 TOOLS USED IN THE STUDY

The researcher has analysed export performance and the recent trends in exports financing and various financial assistances provided to Indian exporters by EXIM Bank of India. The following tools have been applied to derive the results in accordance with the objectives.

Financial ratios: To measure the Liquidity, Solvency & Profitability. Percentage, graphical representations and other relevant sophisticated tools has been used for deducing meaningful and practical findings.

Trend analysis and Regression: To Find out the growth pattern in the performance of exports financing in India.

Linear and compound Growth rates: To find out the growth pattern between sanction and disbursement

Correlation: To find out the relationship between the various schemes of financial assistance provided by the Exim Bank and macro economic variables like GDP, BOT, BOP, Export, Import, Total Credit Exporter .

ANOVA: To know the significance of exports in different regions and also to measure the differences in the categories of exports.

CAMEL Ratings: To measure the financial performance.

Altman's Multiple Discriminate Analysis: To predict Bankruptcy through the variables like Liquidity, working capital, profitability etc.,

1.15.2 PERIOD OF THE STUDY:

The study covers a period of 20 years from 1st April 1992 to 31st March 2012. This helped to ascertain the efficacy of EXIM bank of India in the post liberalization period of comparative analysis of performance has also been done during 1st decade and 2nd decade of the reform period.

1.16 LIMITATION OF THE STUDY

Time constraint is considered to be the important limitations of the study. The study is purely based on secondary data; hence the limitations of the secondary data are applicable to this study also.

1.17 CHAPTER SCHEME

The chapter arrangement has been done in the following manner:

Chapter I gives the introduction and design of the study.

Chapter II deals with the review of literature.

Chapter III gives an overview of export financing procedures and various schemes of assistance provided by EXIM Bank of India.

Chapter IV describes in detail the operational efficacy of EXIM bank.

Chapter V depicts the financial efficacy of EXIM bank.

Chapter VI elicits the contributions of EXIM Bank to the Economic growth of India.

Chapter VII gives the summary of findings, suggestions and conclusion of the study.

CHAPTER II

REVIEW OF LITRATURE

CHAPTER II

REVIEW OF LITERATURE

Review of related literature, a significant and primary component of any research, enables the investigator to understand the earlier research interests, research patterns, magnitude of the research output, etc. Considerable amount of literature is published in the form of articles, books, conference volumes and electronic media.

This chapter concerns with earlier research work conducted on export promotion and precisely on institutions boosting the exports in general and Exim Bank of India in particular. The contribution of various research works around the globe on the relevant area is note worthy and has paved way to find the gaps in this study.

Deepak Nayyar (1975)[1]has done a pioneering work on Indian exports. In his paper titled "Indian exports and policies in 1960" found that commodity composition influence export competitiveness. In case of India, it has been pointed out that it could not possibly increase its share of world export as the commodity composition of its export was an 'unfortunate one'. Even when India started exporting non – traditional products. Such exports were largely based on slow moving products. He also suggested improvement in the export policy of India.

H.C. Olson (1975)[2] in his work titled "studies in export promotion" studied impact of the export promotion programme on firm behaviour. According to Olson, Government export

[1] Nayyar, Deepak, 'Indian Exports and Export policies in 1960s', Cambridge,1975, p340

[2] Olson, H.C., "Studies in export Promotion", ACTA Universities Upsalienis, Stutia Oeconomiae Negotrium to, Stockholm, Alquist and Wiksell International,1975.

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promotion programme act as independent variable and actual or future export volume of a company as a dependent variable. Export promotion programme builds the decision base in the company, which makes company able to judge the merit of embarking on a related course of export action, as result of which the firm decides to act accordingly, organizes its important activities and finally makes export sales.

Henry Simon Bloch (1976)[3] opines even though exporters provide the right product, price, promotion and distribution, non – competitive trade financing can force them to lose the deal. When they are competing with foreign manufactures, competitive trade financing is an extremely effective tool in promoting exports, particularly those of small and medium sized exporters. These exporters are usually reluctant to be evolved in the export business, because they lack trade finance skills.

P.K. Jain (1984)[4] Research work on 'Export Marketing: Problem, Procedure and Prospect" throws light on India's export trade, engineering goods industries, 4Ps of marketing and market research. The aim of the research was to analyse and examine in detail, the problems of Indian engineering goods industries especially in the field of exports. The research revealed the problems faced by engineering exports viz., paucity of export promotion available to the exporter, high incidence of the freight rate and freight disparities between regions, pricing constraints, poor steel supply for exports, inadequate supply of infrastructure facilities, etc. Research work also suggested important measures like regional diversification of engineering exports, creation of additional capacity, smooth and efficient functioning of

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[3] Henry Simon Bloch, "Export Financing Emerging as a major Policy Problem", Columbia, Journal of World Business, 1976, p.85-95.

[4] Jain P.K., "Export marketing of Indian Goods – Problems, Procedures and Prospects", Deep & Deep Publications, New Delhi, 1984, pp.307 -25.

economy, co-ordinated efforts needed for promotional work and pragmatism in export obligation schemes.

H.B. Desai's(1984)[5] research study on 'Indian shipping perspectives' took account of difficulties and problems business firms have to face and how they have to incur extra expenses on maintenance of special establishments at seaports, undertaking frequent journey to port cities for sorting out procedural bottlenecks with customs and port authorities and spending time and money on communication for information and advises through telex, telegrams and telephone calls. The research study's focus was on role of Delhi dry port, technological innovation, container transportation system (for faster and reliable delivery of goods, to have better protection in cargo handling cost), container freight rates and establishment of national shipping board. According to the researcher, there is need of a quantum jump in upgradation and modernization of port infrastructure and methods of operations. Report of Review Committee on Export promotion council headed by Shri Prabu V.Mehta (May 1965) came out with important recommendation with the basic idea of strengthening the EPCs, particularly bearing in mind the export target and the steps that have to be taken both in the matter of releasing exportable surpluses and for meeting the growing world competition.

Mathur.B.P (1985)[6] in the paper titled "Industrial exports and developing countries – India's search for countervailing power" states that an obvious solution of growth for India is to move into the fields of industrial products. The main focus was on proper segmentation of

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[5] Desai, H.B., 'Indian shipping Perspective: (iv), Guide to the Evaluation of Trade Promotion Programmes, International Trade Centre UNCTAD/GAt, Geneva 1987, p.1;

[6] Enchancing the effectiveness of Technical Assistance in Export promotion, Joint Advisory group on the International Trade Centre UNCTAD/GATT, Eighth Session, Geneva, 6-17 jan.1975,p.2.

international market; use of joint venture strategy to enter into the foreign market; creation of 'institutional agencies' in the shape of 'aid and credit corporation' and 'corporation for promoting Joint venture'

Studies conducted by Joint advisory group at the International Trade centre UNTAD/GATT (1975) and guide to evaluate the export at macro level, generating promotion programmes. ITC States the following reasons as underlying their evaluation: to examine activities carried out under a given programme in offer to ascertain the magnitude of the result achieved and the effectiveness of progamme, to uncover implementation problems and identify possible solutions, to accumulate experience from the implementation of particular activities and of programme as a whole, to measure the impact of programme and ascertain whether the results justify the implementation of the progamme, to help in defining activities that will contribute more positive to the effectiveness of programs. The studies also focused on the matter of impact of trade promotion progamme. According to this research study two broad goals underlie government efforts in providing export promotion support; first at macro-level, generating a favourable trade balance or reducing a trade deficit, and second, at the micro level, enhancing the international competitive competence of domestic industries and companies.

Garry Pursell (1987)[7] in the article titled **"**How to measure and compare Export Incentive?" Found that in India, any individual manufactured product which is exported will typically benefit from a variety of export incentives and hence it is of considerable interest to have a measure of combined impact of all incentives. The researcher explained the concept of effective protection and how it can be used to quantify and analyse the Indian export

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[7] Pursell, Garry, 'How to Measure and compare Export Incentive'? Foreign Trade Review, vol.22, IIFT journal, New Delhi, 1987.

incentives. According to his perception, if the government makes export equally profitable as import subsidation profits, for the same products, it could set the incentives so that the effective subsidy for exports is equal to effective protection the domestic market.

Rolf Seringhaus ontario (1988)[8] in his research paper titled "A Methodological Approach to the Evaluation of Government Export – Promotion Programs" found that the impact of government export promotion is seen to occur at several different levels , ranging from the broadest possible effect on a country's trade position to the highly specific result an exporter may realize using a particular export programme. Also gave frame work for evaluation of government export promotion research focusing on government assistance construct comprising global measure. This research included in all export marketing assistance services or program offered by the government. Second were narrow global measures which included in similar purpose services like providing information for export planning and market entry and individual measures like individual assistance provided by specific institution viz. Canadian trade commission Service. Specific measure included specific assistance provided by specific progamme.

Subrata Banerjee's (1988)[9] research paper on 'India's foreign trade and industrial development' put emphasis on the then in practice 'import liberalization' as basic strategy of export promotion. The basic principle of imports for industrial development and exports has to be modified, to ensure that import liberalization meets priority needs of industry, not indigenously available or likely to be developed within a short time. The paper talks about

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8 Seringhaus, R.H.Rolf, 'A Methodological Approach to the Evaluation of Government Export-Promotion Programs' , Research Paper series No.1-88,School of Business and Economics, Wilfred Laurier University, Ontario, 1988.

9 Subrata Banerjee's 'India's foreign trade and industrial development' Foreign Trade Review, vol.22, IIFT journal, New Delhi,1988

the need in case of non-traditional goods, to bear in mind comparative advantage and build up thrust areas as likely to have a continuing and expanding market over a reasonable time-frame.

Yung-Chul Kwon's(1988)[10] research work on 'Trade Finance as a competitive Tool: An overview' clearly reveals the role of trade finance as an important determinant of international competitiveness. This paper deals with role of trade finance, sources of trade financing, counter-trade, trade finance risks, trade credit and collection and trade finance management and organization. Thus, in the context of marketing, competitiveness depends on 4Ps. However on international level, at least one other factor is involved with making a competitive offer, that is, trade financing which often makes the difference in obtaining an order particularly when the product and price offered are competitive with those of other industrialized nations. The research paper says that to use trade financing as a competitive tool, trade financing programmes of the Government and trade financing techniques of the individual exporters must be effective and efficient.

Bibek Debroy (1989)[11] in his research work titled 'China's External Trade – A Review" threw light on reform process started in China how it has helped china's Foreign trade. Extended reforms in China have been instituted since 1978 which have been based on three broad planks of first were the reform in rural economic organisation, Viz. birth control, changes and reforms in legal policy frame work. Second, there were reforms in urban economic organisation to make industry more flexible and increase production, and thirdly,

[10] Kown Chul Yung, 'Trade Finance as a Competitive Tool: An Overview', Foreign Trade Review, IIFT, New Delhi, April-June, 1988.
[11] Debroy, Bibek, 'China's External Trade- A Review', Foreign Trade Review, April-June, 1989, No.1, Vol. XXIV.

reform in external trade sector focusing on decentralisation and transparency. Reforms in foreign trade have helped China to gain fast economic growth.

R.K.Pandey's (1989)[12] research paper on "Export promotional system in India—Need for a New Strategy" puts in proper perspective the role, which export promotion measures should play to ensure continuing expansion and diversification of India's export in the context of highly competitive, complex and fast changing international marketing environment. According to the author, the entire export promotion measures in India , has to be overhauled and scientifically oriented to export marketing promotion needs rather than just catering to cost reduction and increasing profitability objectives, which indeed have some, but very limited, contribution to export expansion and diversification efforts of the country. A popular method of appraising benefits from export promotion measures in India has been to compare the net foreign exchange realistion from exports with the total cost of administering export promotion measures to national exchequer—'a fiscalist approach'. The benefit analysis of export promotion system in any country should however, necessarily be based on a comparison between 'Domestic resource Gain' as well as 'Net Foreign Exchange Earning'.

Maurice D. Levi (1990)[13] in his paper justifies the export promotion, because of the jobs and incomes that derive from a healthy export sector, it has become standard practice for governments around the world to help their exporters with contracts by offering export financing. This financing can be short term, medium term or long term maturity and takes a number of different forms. A large part of official export financing takes the form of payments to exporters, with foreign importers than paying the government agency.

[12] Pandey R.K., 'Export Promotional System in India, Need for a New Strategy', Foreign Trade Review, April-June, 1989. Vol. XXIV, No.1.

[13] Maurice. D.Levi,"International finance: The Markets and Financial Management of Multinational Business", Mc. Graw Hill Publishing co, 1990,P.429

V.R. Panchmuki, C.J. Batliwala, C.K. Reddy, V.L. Roa, Philip Thomas and I.R. Mukharji (1991)[14] in their joint research work titled 'Export financing aspects in India' studied the following aspects such as, focus on export finance for the growth of exports in India. The credit requirements of exporters have been estimated using various mathematical techniques. The existing export promotion policies have been thoroughly analyzed. It also provided comprehensive information on specific rules/conditions relating the disbursement of credit. Researchers recommended special credit schemes for small exporters. According to them, export incentives should be extended to indirect exports and government and exporters must focus on the quality up gradation.

Kapoor S.N. (1991)[15] in his paper has applied constant market share model to access the performance of Indian export to 21 developed market economies for the period 1960 to 1984. Export growth was decomposed into two broad components: the structural effect and competitive effect (price and non –price factor). Result of the study showed that market distribution effect had been positive suggesting the India's export were marginally weighted in favour of fast growing markets. The commodity composition effect was unfavourable. The high negative commodity composition effect suggested that concentration on slow growing commodities was primarily responsible for depressing export growth.

Tarun Bandyopadhyay and Indrajit Ray (1991)[16] in his paper titled "The role of IDBI in the regional imbalances in West Bengal: An Empirical Assessment" attempted to assess the thrust of Industrial Development Bank of India for a balanced regional development in the

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[14] Panchmukhi, V.R., Batliwala C.J., Reddy, K.C., Rao V.L., Thomas Philip, Mukherji, I.N., 'Export Financing in India', Interest Publication, 1991.

[15] Kapoor S.N, "The structure and Competitiveness of India's export", the Indian Economic Review, Vol. XXVI, No.2, July – December1991, p221 – 239.

[16] Tarun Bandyopadhyay and Indrajit Ray, "The role of IDBI in the regional imbalances in West Bengal: An Empirical Assessment",Prajnan,Vol.XX.No.3,1991.

country. This paper delves into: the relative magnitude of its assistance to the depressed region; and the spatial direction of linkage effects of the IDBI induced development in both advanced and depressed regions. The flow of linkage effects from advanced region to depressed region assumes a strategic importance in planning especially in the absence of minimum infrastructure base in the latter region which compels large scale units to set up in the former. The study reveals the managerial staff and semi-skilled workers are employed from outside the state than what they employed from backward region. The policies for correction of regional imbalances should, therefore, recognize the rationality for an inducement to the projects having substantial development effects on backward regions, whatsoever might be their locations.

Charles Cadwell (May 1992)[17] (State Export Promotion and Small Business). This study examined an important avenue of assistance for the small firm looking to expand their markets aboard; state export promotion programs. Nine case studies of export promotion programs were conducted to assess the common characteristics, assistance strategies, and relative effectiveness for small business of the programs in various states of US. The study made the following recommendations:

1. State legislatures should establish explicit goals for export promotion programs and should distinguish between the goals of the export programs aimed at increasing the dollar value of the exports (short-term results) and aimed at increasing the number of small business exporters (long-term export capability).

2. States should implement fees for services. Seminars and trainings should have modest participation fees.

[17]Cadwell, Charles, 'State Export Promotion and Small Business', National Small Business United, Washington, D.C. May 1992.

3. Program managers should understand the limitations of export assistance and avoid over ambitious promises of dramatic economic effects from a state export assistance effort.

4. States should identify specific feedback mechanism for export promotion activity to evaluate the effectiveness of programs.

5. State should articulate the comparative advantage of various state-supported export assistance providers and increase co-ordination and joint publicity.

M.R. Narayana (1992)[18] research on 'Export subsidies in India : Need for a strategic approach' says that the persisting trade imbalances, mounting external debt and its servicing burden, depleting foreign exchange reserves have often led to considering export promotion as a policy alternatives for India. However, our continuing reliance on industrial market economies for exports underlines the importance of completion in product quality price. This research's main focus was on subsidized export financing from EXIM bank and export credit subsidy schemes of 1968. The analytical results of this research work showed that the underlying imperfect market structure of India's export trading is characterized by cournot's duopoly, the impact of export subsidies can be favourable in terms of larger market share for home exporting firms. The results of this work offered strong economic support for the strategic export policy, yet to be formulated in India, or justification for the current export policy if only the subsidized exporting domestic firm's beheviour is strategic. The research study provided the economic basis for empirical estimation of export earnings by a strategic export subsidization policy as compared to the existing, non – strategic policy.

[18] Narayana, M.R., 'Export Subsidies in India: Need for a Strategic Approach', Foreign Trade Review, April-June, 1992, vol. XXVII, No.1, pp. 35-51.

O.P. Sharma (1992)[19] work on "Export Competitiveness—Some conceptual issues' threw light on the word 'competitiveness'. The concept of competitiveness has been dealt differently at the different times in the empirical work on international trade flow. There is no single measure of competitiveness. At the best it is a composite concept because different measures (price, export shares, profitability and unit cost etc.) give different results. The research identified several measures of competitiveness which were quantifiable, which included—export market shares, specialization of industrial structure of industrial labour force. This research made a modest attempt at elucidating some of the relevant issues involved in understanding the concept.

Vijaya Katti's (1992)[20] study on "Construction Industry and Consultancy Services and Exports : Problems & Prospects" dealt with the details of consultancy exports in agriculture, engineering, processing and management, etc. and the facilities extended by the exim bank along with the Government's policy measures for the development of consultancy services. The possible areas of co-operation with the developing countries have also been explained in this paper.

S.P. Agarwal's (1992)[21] research work on " Role of Consultants in Export of Technologies and Manufactured Product" emphasized that exports of technologies and technology-intensive manufacturing products must be encouraged for sustained earnings of foreign exchange, apart from traditional exports of commodities and low value added manufactured items. One such measures relates to promoting use of consultancies and professional services

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[19] Sharma, O.P., 'Export Competitiveness: Some Conceptual Issues' Foreign Trade Review, July-Sept. 1992, vol. XXVII, No.2, pp.159-76.

[20] Katt, Vijaya, 'Construction Industry and Consultancy services, Exports: Problems and Prospects', Foreign Trade Review, July-Sept. 1992, Vol. XXVII, No.2.

[21] Agarwal, S.P., 'Role of Consultants in Export of Technologies and Manufactured Products', Foreign Trade Review, Oct.-Dec. 1992, Vol. XXVII, No.3.

in a large measure by the manufacturers and exporters and the strengthening the consultancy capabilities in emerging areas of technology. However, the consultants have generally kept themselves away from export production systems where they can contribute substantially in enhancing technical and managerial capabilities of exporters, in terms of vital aspects like quality, cost delivery schedules. Consultants can provide effective and workable linkages between industry, R&D institutions, academic institutions and the government as well as the consumer market, besides developing the backup infrastructural facilities conducive for a concerted export offer.

Dholkia(1992)[22] has examined the linkage effects of export growth in different sectors of Indian economy and import intensity of exports by using input – output table for 1983 – 84. The study revealed that the primary sector had greater effect on income but lower effect on gross output and net indirect tax revenue as compared to manufacturing sectors. An inverse relationship was found between degree of export orientation of a sector and the linkages of the sector with the rest of economy. The study indicates that import intensity of export oriented sector was higher than that of the other sectors.

Pitale (1992)[23] has analysed the export behavior of 125 large firms identified factors affecting their exports. The study reveals that large size of firms in terms of their capital and sales did not necessarily make them more export oriented. Export incentives influenced their exports positively.

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[22] Dholkia.H Ravindra, Dholkia.H. Bakul and Kumar, Ganesh, issue in strategy for Export Promotion", Economic and Political weekly, Vol. XXVII No. 48, 1992 p.149-158.

[23] Pitale R. I and Vaidya V.M, "Export performance of Indian firms: A Cross section analysis", Finance India, Vol. No.2, June 1992, p.283 -97.

Sen Gupta. A.K and Keshari P. K. (1994)[24] the paper titled "Study of Export Trade Financing in India with Particular Reference to Commercial Banks: Problems and Prospects" the paper spell out the role & share of commercial banks in export financing and issues in export financing i.e. aspirations and requirements of barrowers and discontentment of banks with the present regulations of export credit. It also suggests for increasing the flow of bank credit to export sector, restructuring the interest rates. It also calls for a change in attitudes of banks – conservative and risk averse. The need for coordination between bank and financial institutions, role of ECGC in timely settlement of claims are impetus for a favourable export business the stress is on introducing the new innovative services of counter trade, overseas barrowing, forfeiting, international factoring and bankers acceptance facility for accelerating promotion of exports. Exports are instrumental in the development of an economy, particularly developing nation. The Indian financial systems, through commercial banks offer financial resources for promoting exports by providing both pre and post shipment finances. LERMS and fully convertibility on trade account of Indian rupee have provided importers to export financing, so also the new trade Policy, provides a favorable climate for exports.

Navin Chandra Joshi (1995)[25] in his view states that good political rapport which India enjoys today with different countries must take it one of the prime contenders for project exports and consultancy services. Contracts, even in the face of international competition, must enjoy certain national priority as the country's commercial and technological credibility

[24] Keshari .P.K. & Gupta sen .K.A., 'Study of Export trade Financing in India with Particular Reference to Commercial Banks: Problems & Prospects', Finance India, Vol. VIII No. 1, March 1994, p.27-51.

[25] Joshi Chandra Navin **, '**Project Exports and Consultancy Services' Foreign Trade Review, July-August 1995.

is involved. Further we have certain geo-economic advantages and they may be exploited to the maximum.

C.Paul Hallwood and Ronald Mac Donold (1995)[26] indicate several factors have driven the internationalistion of finance during the last decade or so the main ones are the cheap of international financing transactions by low cost computer technology; financial deregulation., the lifting in virtually all industrial countries controls on foreign exchange transactions and regulatory constraints on lending and restrictions on composition of institutional investor portfolio.

Mc Kendrick and Associates (1996)[27] of United States did research work on 'The cost of Financing Exports for Small Business'. The purpose of this study was to examine the financing issues faced by small exporters, including availability of trade financing and cost associated with financing and payment settlement. The study examined the prevalence and cost of working capital financing among small exporters; payment mechanisms; the cost of export finance for manufacturer's versus non-banking and finance sector in export finance markets. Awareness level of export finance; and use of alternative in export finance including transaction finance firms. The major findings of this research study were:

1. Drawing on an established line of credit from a commercial bank is the lowest cost method of external financing. Financing costs are almost twice as high from non-bank financial firms as from banks, not including points or upfront fees for initiating loans.

2. Payment mechanisms such as letters of credit take a relatively deeper bite out of smaller transactions.

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[26] C.Paul Hallwood and Ronald Mac Donald," International Money and Finance", Balck well publishers Inc. Oxford ,U.K, 1995,p.2.

[27] Kendrick. M.C. and Associates, 'The Cost of Financing Exports for small Business', National Technical Information Service, US Department of Commerce, US, 1996,p.199.

3. Differences in the capital structures of manufacturing and non-manufacturing firms affect their relative ability to obtain trade finance. In addition, companies not primarily in the export business, such as manufacturers, tend to pay more for export finance than companies directly involved in the exporting business.

4. The banking sector has re-emerged as a trade finance source, and many see opportunities in the small business trade finance market. The potential expansion could alleviate the most restrictive and debilitating factor in small business export finance, that is the lack of systematic access by exporters.

5. The vast majority of companies in the study used traditional banks. There was a pervasive lack of knowledge of alternate finance mechanisms such as forfeiters, factorers, transaction finance firms and public sector lending programmers. Public sector programmes and private financial institutions have not reach the small exporter with information about their programmes.

6. Small business 0065port finance costs compare favourably with those of Germany's small exporters may receive higher levels of service.

Ramu S. Deora (1997)[28] in his paper states that domestic problems are severely impending export effort, the main reason for decline in exports is due to the small and medium exporters who are contributing 60 percent of direct exports have lost their motivation and suffered direct financial losses as their working capital is blocked by various Government agencies, at each and every stage of export transactions. Therefore the solution to overcome this problem is to computerise the working of export related departments like ports, customs, DGFT, Banks etc. so as to hasten – up the release of the blocked funds.

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[28] Ramu. S. Deora, 'The Export Promotion Board, gives hope and reassurance to Exporters FIEO", Vol.No.19, Oct. 1997, p 10.

T.N. Sindhwani (1997)[29] in his article India's share of world exports is less than fifth of what is 40 years ego. Globally, India is minor player on the international economic scene. Its international trade aggregates to less than one percent of the global transactions. Its economic standing in the comity of nations, so far, does not be fit its size, population or domestic resource potential. According to him a lot remains to be done if India is to play a meaningful role on the world economic scene. The alternative before us are institutional framework for export development.

Jeromi.P. D (1997)[30] the paper title "Determinants of India's Agricultural Exports" that focus on the context of the post-GATT international trading conditions and liberalization of India's hitherto restricted agricultural exports. It also examines the determinants of India's agricultural exports during 1970-71 to 1994-95. the study undertakes empirical estimation of exports demand and supply functions for the agricultural exports as well as for the principal commodities in a simultaneous equation frame work.

Edger P. Hibbert (1997)[31] argues that liaison between finance and marketing. It is clear that management is having to operate under conditions of increasing uncertainty in overseas markets, political risk, commercial risk and competition for Newly Industrializing Countries (NICs). Added to this are financial uncertainties, particularly in the movements of interest rate and currencies.

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[29] T.N Sindhwani, " Indias's Rolein Globalisation", published by Capital foundation Society, 1997,p.23.

[30] Jeromi,D.P, 'Determinents of India's Agricultural Exports',Reserve Bank of India occational Paper, Vol.18, No.1, March 1997

[31] Edger P. Hinnert, " International Business Stratergy And Operations", Mac Millan Press Ltd, London,1997 p.197 -198.

Sujan Hazra and David L. Sinate (1997)[32] in their article "Fifty years of India's Foreign trade: Issues and Perspectives" opine that the slow pace of India's export growth was mainly due to anti – export bias of import substitution policy coupled with the limited reach of export promotion measures. According to the authors, through import substitution is unavoidable the country cannot avoid in a medium to long run perspective.

Charan D Wadhva (1998)[33] in the article titled "India's export Performance and policies: An Appraisal" provides appraisal of the export performance and policies of India during the period 1950 – 97 with focus on two sub-periods of 1950-90 and 1991 onwards. He concludes that the actual record of growth of India's export through the period 1950-57 can be explained by the strengths and weaknesses of India export policies identified in this paper both at the governmental (micro) and industry (micro) levels. He also provides an illustrative list of major strategic policies and measures to enable India to fulfill national aspirations for re-merging as a global player of greater consequence in line with India's potential in this regard.

S.P. Gupta(1998)[34] in his article observes that, world merchandise trade is now showing a 0.6 percent of India's share. World trade covers a vast number of Items. But, India's share is very low. A review of the top 200 items of world trade in 1994, which is accounted for 94 percent of the trade, reveals India's exports are either nil ore negligible in respect of 71 items. Also India does not figure in many manufacturing products that are fast growing items in the world. According to the author, there is an urgent need for India to diversify its export basket

[32] Sujan Hazara and David L. Sinate "Fifty years of India's Foreign trade: Issues and Perspectives", Bombay RBI, occasional papers. Vol.18 Nos 2&3, June and Sept., 1997.
[33] Wadhva Charan D "India's export Performance and policies: An Appraisal"Vikalpa, Volume 23, No 1, Jan – Mar.1998,p.61 -74.

[34] S.P.Gupta, "Analysis by Comodity Composition – Post Reform India, Emerging trend", allied publishers Ltd, New Delhi,1998, p.108.

and shift to high value, high technique value added products and to divert all attention to increasing India's penetration in the world market.

D.M. Sinha (1998)[35] opines that, an economy is underdeveloped precisely because of greater part of its productive activity has not proved an attractive investment for private fund; institutions to channel funds into those sector have therefore failed to evolve from the spur of ordinary market forces. Hence if the savings available to the community and such other funds as it may be able to obtain from abroad are to be used so as to attain maximum growth in economy, institutional frame work to assist and stimulate the flow must be deliberately create and supported by government. According to the author the terminology called "Institutional finance" has developed in underdeveloped economies in the recent past and much emphasis is now being laid on this economic development.

C. Rangarajan (1999)[36] opines that building up appropriate financial institution are an essential strategy to promote savings and investment, agricultural credit, term finance to industries and credit to export. According to him there is need to have an apex institution to satisfy the requirements of open economy, to look after servicing of external debts and to improve the share of our exports in world trade.

A. Diamantopoulos, A. Souchon, G. Durden, C. Axinn, H. Holzmuller, H. Simmet Bloomberg (1999)[37] did research work titled 'Mapping Export Information use: A five nation study'. Main focus of this research was on the extent to which and the ways in which export information is used can play a significant role in a firm's level of export performance. The focus of this study was the investigation of export information use 'practices' across

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[35] D.D. Sinha, "Role of Institutional Finance",sterling publishing (P)Ltd, (1998),p.19

[36] C.Rangarajan, "Issues in Monetary management, Indian economy Essays on Money and finance" UBS publishers & distributors limited, 1999 p.3 -7.

[37] Diamantopoulos, A., Souchon, A., Durden, G., Arcinn, C., Holgmuller, H., Simmt-Blomberg H., 'Mapping Export Information Use: A Five Nation Study', Aston Business School, Aston University, June, 1999

different countries. A total sample of 989 exporting companies across Austria, Germany, Newzealand, the UK and the USA was obtained, and the data analyzed using analysis of covariance to control for extraneous, firm level, variables. The results indicated that US exporters were much more 'political' in their use of information, than exporters from the other countries, while Austrian exporters tend not to use information for political purpose. Similarly, export information gathered informally tends to be used much more 'rigorously' than does information gathered from export assistance bodies.

Hadi Salehi Esfahani's (1999)[38] of University of Illinois work on 'Institutional Requirements of successful Export Promotion in MENA Countries' threw light on institutional environment in MENA countries for international trade. The main objective of this research work was to identify the institutional arrangements that areconducive to improves export policies and performance in MENA countries. This projects focus was on two aspects. The first part developed a theoretical framework that links export promotion institutions with export policies and performance in the context of a country's general economic and institutional characteristics. The second part examined the relevance of the framework and methodology by applying them to % country case studies and comparing institutions and outcomes over time and across countries. These case studies were expected to generate practical policy lessons for improving export promotion arrangements in MENA countries. This study focus was on the following set of variable – (i) indicators of export performance, (ii) level and variances of export incentives, (iii) measures of institutional export orientation, (iv) measures of administration capability, and (v) indicators of macro-economic instability.

[38] Esfahani, hadi salehi, "Institutional Requirements of Successful Export Promotion in MENA Countries",University of Illinoies, (Time Frame 20 Months), Fourum, Vol. 6, No.1 April 1999

Arvind Virmani (2000)[39] was one of the key members of Manmohan Singh's team that put together the economic reforms package of the early 1990s and followed through with its implementation. Some of the articles written by him during this period have been collected in the book titled 'Accelerating Growth and Poverty Reduction'. The book contains 18 essays on aspects of economic growth and poverty reduction. One of its part has covered external sector, FDI and policies to mitigate the effect of capital inflow surge. Virmani cited the myriad of controls inhibiting economic growth and the inability of the old policy regime to provide higher economic growth as important reasons why the old paradigm needed to ne abandoned. Virmani formulated a rationale for the new paradigm based on the pillars of liberalization and enlightened Government policy along with adequate safeguards in the form of countervailing power and regulatory structures. Beside the above research works, other research studies taken were:

(a) S.S. Mehta (1988) – 'India's Foreign Trade, Performance and policy Options for 90's to inject an element of realism.

(b) Eric Gonsalves's work on 'Some thoughts on India's Export Strategies' – July – Sept. 1986.

(c) An overview of Lina Seminar (with UNCTC 1-4, Feb. 1988) on "Servies and Development – The role of FDI and Trade' explaining the complexity of service sector by taking Brazilian and Andean case study.

(d) Brij Mohan(1990) did research on "Effectiveness of export incentives measured in India". According to him, the export sector has remained the holy cow and no country is there which has not used incentives for export orientation.

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[39] Jha, Ragbendra, 'Reforms and Growth', Economic and political Weekly, July 3, 2004, p.2975

(e) M.R. Czinkota; Export Development Strategies; US Promotion Policy(1982) on strategies used by US to boost exports.

(f) R.K. Bhatia on 'Exports and Growth: An absorption approach in Indian case'(1979).

(g) Studies conducted by International Trade Centre.

Dr. Neelam Dhanda (2003)[40] in his article in the journal Yojana has highlighted that Project exports have occupied an important place in India's export portfolio, particularly after early seventies when the construction sector in the oil exporting region Middle East underwent a spurt of activity. The government has initiated several measures to encourage project exports.

Ravindra H Dholakia (2003)[41] the article titled "Export of Agri – Products from Gujarat: Problems and prospects" that focus on the analysis and resolutions of managerial and academic issues based on analytical and empirical or case research. Like most other states, Gujarat has also prepared several reports and policy paper papers assessing the potential for agro – processing, identifying constraints in the developing and exports of agri – products, suggesting or announcing several important policy measures for removing physical and financial infrastructural bottlenecks, and promising R&D activities in the sector. However the exercise is realistic assessment of the potential, important features of agri – exports fro the state, and Gujarat's comparative advantage over the rest of the country in specific product categories.

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[40] Dhanda Neelam, "Performance of Indian Project Exports", yojana ,July 2003

[41] Rajiv Jha "A Model of Export and Investment in an open Developing Economy", Economic and political Weekly, March 4, 2006, p.820-825.

K. Jayachanderan (2003)[42] in the research thesis title “Utilization of Export incentives by Exporter in Tamil Nadu” has focused on the motivation value of Export incentives by the exporters. It also deals with the procedural aspects of the utilization of export incentives. The methodology adopted is secondary and primary data, statistical tools to be used in the study are percentage analysis, mean, standard deviations, co-efficient of variation, Chi – square test, Z – test, and t – test. The utilization of the export incentives by the exporters in Tamil Nadu has improved the export in particular.

Sethurajan (2003)[43] in the research thesis titled “A Study on Export Marketing of Cotton Yarn in Coimbatore District” investigated the direction and pattern of export of cotton yarn by cotton textile mills in Coimbatore district. It also shows the textile mills relating to export of cotton yarn. It has also examined the procedure related to the export to the export of cotton yarn. The methodology adopted is secondary and primary data, period of the study is ten years. Stratified random sampling technique has been adopted. This study has facilitated to improve the marketing of cotton yarn in Coimbatore district.

Asherf Illiyan (2004)[44] in his research article reflects the increased acceptability of Indian engineering product in international market, aggressive marketing strategy, entry into new market, promotional role of Engineering Export Promotional Council and more liberal policies of the government especially after 1991, etc. Moreover, it is observed that engineering exports have registered as much as higher annual average growth rate than total

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[42] Jeyachandran.K, Utilization of Export incentives by Exporter in Tamil Nadu, Ph. D. thesis submitted to Allagappa University, Karaikudi, 2003.

[43] Sethurajan, “A Study on Export Marketing of Cotton Yarnin Coimbatore district, Ph.D thesis submitter to Allagappa University, Karaikudi, 2003

[44] Asherf Illiyan ,”Progress and Prospects of Indian Engineering Goods Exports”,Foreign Trade Review ,2005, p.64-84.

all India exports in all most all decades. The importance of capital goods and management and consultancy services has gone up.

Rajiv Jha (2006)[45] in the paper titled "A Model of Export and Investment in an open Developing Economy" develops a model that privileges exports as the key element of demand: not only do export permit the exploitation of scale economies by enlarging the size of the market served by domestic producers but also lead to the effective use of the relatively abundant factor, i.e. labor. The development literature has further emphasized the fact that exports are instrumental in inducing investment because of incentive they provide to introduce new techniques through additions to the capital stock. The model introduces somewhat different export and investment equation in an otherwise traditional Keynesian model. Export lead to investment, which stimulates growth. However the commodity composition of a developing economy's exports implies that exports are a function of the real exchange rate. An increase in the real exchange rate (depreciation) while stimulating exports and thus growth, however, leads to an erosion of the real wage share because of a price rise through imports. The steady state can be interpreted as a balance of these two force - an exchange rate depreciation leads to growth through an increase in exports but simultaneously causes a cutback in government expenditure to maintain a floor wage share, impeding the growth process.

Jomo Kwame Sundram (2009)[46] in the article titled "Export – Oriented Industrialization, Female Employment and Gender WAGE Equity in East Asia" investigated if export growth

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45 Rajiv Jha "A Model of Export and Investment in an open Developing Economy", Economic and political Weekly, March 4, 2006, p.820-825.

46 Sundram Kwame Jomo, "Export – Oriented Industrialization, Female Employment and Gender WAGE Equity in East Asia" Economic and political Weekly, Jan. 3, 2009, p.41-48.

in manufacturing in East Asia led to a removal of labor market rigidities and institutional biases of gender – based discrimination as commonly argued. It challenges the orthodox perspective by looking more closely at industrial employment in the region by gender. Gender discrimination in the region's labor market seems to have survived economic liberalization, with the large gender wage gaps characteristic of the region not closing despite rapid growth and full employment, sometimes even becoming larger in some of the more developed economies in the region.

GAP OF THE STUDY

Luminaries like A. John Raven (viz. Streamlining the export process, 1980), Bhagwati and Srinivasan (Foreign Trade Regime and Economic Development, 1972), Manmohan Singh (Export Trade Policy and Economic Development), N. Vittal (Free Trade Zones and export strategy, 1977). Deepak Nayyar (India's Exports and Export policies in the 1960s, 1976). R.L. Varshney and B. Bhattacharya (International Marketing Management_ an Indian perspective; 2002), Kelkar and Sharma (Trends and determinants of India's export performance, 1976). J.R. Rao (Trends in India's Export performance and Export and Export promotion measures, 1980) and P.K. Khurana (Export Management) and Sanjay Lall have done commendable work on Indian exports. Institutions like Exim Bank, ECGC, IIP, IIFT, etc. have also conducted researches on related aspect. However, specific focus on institutional support did not get adequate attention so far. However, specific focus on efficacy of Exim Bank of India as premier developmental financial institution in all aspects has not been studied so far. Hence, this study has been taken up to project Exim Bank's contribution towards the economic growth of India.

CHAPTER III

PROFILE OF EXPORT – IMPORT BANK OF INDIA

(EXIM BANK)

3.1 GENESIS OF EXIM BANK OF INDIA

3.2 PROJECT AND SERVICESS EXPORTS

3.3 FUND BASED FACILITIES

3.5 NON-FUND BASED FACILITIES

3.6 EXPORT CAPABILITY CREATION PROGRAMMES

CHAPTER III

PROFILE OF EXPORT – IMPORT BANK OF INDIA

(EXIM Bank)

This chapter narrates how the international competitiveness alert the financial institutions to ensure sustenance and a breif out line about the genesis and functioning of Exim Bank of India

The globalised world economy in the post-WTO era has been increasingly characterized by dismantling of protective barriers to trade and investment. While increase in trade opportunities in global markets would necessitate external competitiveness, opening of economies to global trade would entail reduction in protective barriers in the domestic trade areas, resulting in the need for countries to enhance their domestic competitiveness concomitantly. In such a scenario, the ability to compete in both domestic and world market would depend on a country's relative competitive strength vis-à-vis other nations.

In this context, international competitiveness would encompass higher exports, diversifying the export basket, sustaining higher rates of export growth over time, upgrading the technological skill content of export activity, and expanding the base of domestic firm, which are able to compete globally, as well as in the domestic market.

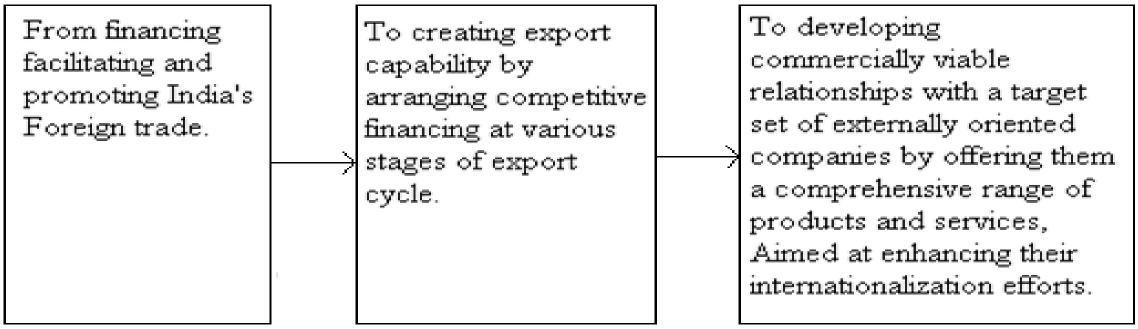
Fostering international competitiveness and there by sustaining long run growth would entail, inter ail, technological progress, innovation and human skill development. In today's world and more so in the years ahead, competitive strength of countries would increasingly depend on the strategic behavior of firm in adapting to the changing environment and building up core competencies on the lines of comparative advantage.

Meeting the challenges on the policy front also assumes importance in a global economy, as the competitiveness and efficiency of firms is facilitated by the nature of policy environment under which firm operate, and whether macroeconomic policies allow them to achieve the requisite economies of scale and allocate efficiency in production. Growth strategies of developing economies, therefore, should be based upon policies which ensure internal and external stability in the economy, through maintaining sustainable policies and putting in place a proper safeguard system against adverse international shocks and limiting exposure to risks.

Building up competitiveness is a high priority for both developed and developing countries. Given the dynamic changes charaterising key industries and the rising competition among countries, the need for countries to continuously move up the value chain and improve the attractiveness out of their vocational advantages is a challenging task for policy makers in developing countries. Competitiveness, both domestic and international, is important and challenging and should be seen not as an end in itself but as a means to an end – which is economic development.

3.1 GENESIS OF EXIM BANK OF INDIA

An act of parliament setup the export – import bank of India is September 1981. It commenced operations in March 1982. The government of India wholly owns this bank. The bank was set up for the purpose of financing, facilitating and promoting foreign trade in India. EXIM bank is the principal financial institution in the country for coordinating working of institutions engaged in financing of exports and imports. Organization of Exim bank can well be understood as given in below representation.

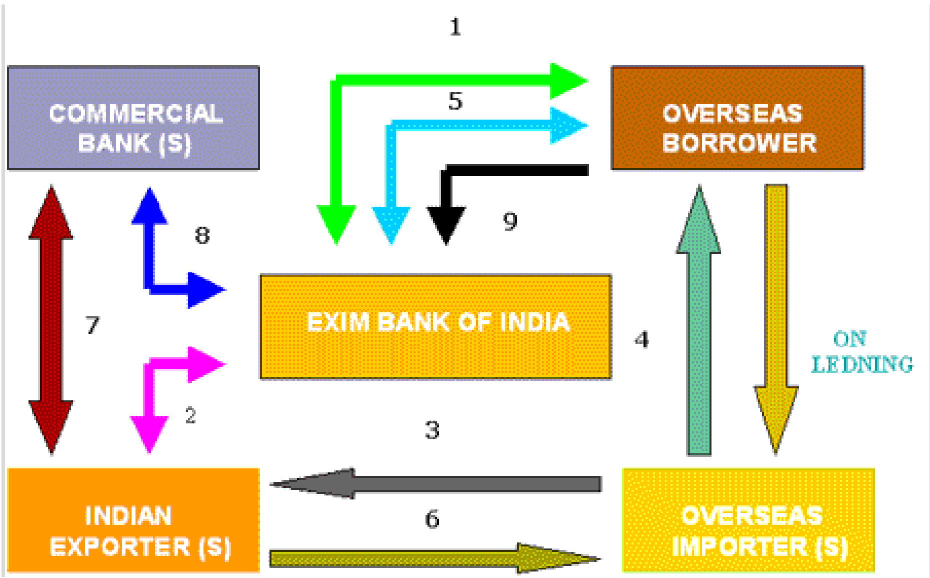


The major functions of the EXIM Bank are grouped as follows:

3.1.1 Export Credits

The bank provides exports of Indian machinery, manufactured goods and consultancy services on deferred payment terms. It also makes available lines of credit/buyer's credit to overseas entities, i.e. governments, central banks, commercial banks, development finance institutions, regional development banks etc for financing export of goods and services from India. Export credits include project finance and trade finance.

Procedural flow chart



1. **Exim Bank** signs agreement with **Borrower** and announces when effective.
2. **Exporter** checks procedures and Service fee with **Exim Bank** and negotiates contract with **Importer**.
3. **Importer** consults **borrower** and signs contract with **exporter**.
4. **Borrower** approves contract.
5. **Exim Bank** approves contract and advises **borrower** and also **exporter** and **commercial bank**.
6. **Exporter** ships goods.
7. **Commercial bank** negotiates shipping documents and pays **exporter**.
8. **Exim Bank**reimburses **Commercial bank** on receipt of claim by debit to **borrower**.
9. **Borrower** repays **Exim Bank** on due date.

3.1.2. Export capability creation

The assistance of finance under this category includes the following:

Finance for export product development

Finance for export marketing finance

Finance for export oriented units which includes Project finance and working capital

Production equipment finance

European Community Investment Partners(ECIP)

Asian Country Investment Partners (ACIP)

Overseas Investment Finance

Export Facilitation Programmes

Software training institutes

Minor Port Development

3.1.3. Export Services

In addition to finance, bank provides a range of information and advisory services to Indian companies to supplement their efforts aimed at globalization of Indian business.

Supporting Groups

Planning and research

Accounts/MIS?EDP

Legal

Coordination

HRD

Establishment

3.2 PROJECT AND SERVICESS EXPORTS

Under section 47 of foreign Exchange Management Act, 1999, RBI has issued the following guidelines:

3.2.1 The Types of Exports Covered

a. Export of goods on Deferred Payment Terms

b. Turnkey Projects

c. Construction projects

d. Consultancy & Technical Services

In terms of regulation 9 of the foreign exchange management act 199, the amount representing the full export value goods exported must be realized and repatriated within 6 months from the date of export. Export where there is more than10 percent of the value is realized beyond the prescribed period, i.e. 6months from the date of shipment are treated as Deferred Payment Exports.

While dispersing the pre-bid clearance of project export proposals, RBI advises exports to ensure, in their own interest, that conditions laid down in memorandum PEM for submission of bids are compiled with. Project exporters, at the time of submission of bids/offers for execution of projects or export contract overseas, seek in principle commitment from EXIM Bank and other banks for post award facilities to ensure tie up of facilities. Exim Bank issues guarantees required for execution of project export contract through overseas bank or favouring overseas clients.

Exporter submit application in prescribed form along with copies of contract through its commercial bank for post - award Clearance. Exporters can directly approach EXIM Bank for proposals of value limit up to Rs 200 crores. On receipt of application and contract copies from the commercial bank, EXIM Bank approves the proposal if the same falls within the its delegated powers or convenes Working Group meeting.

In approved cases, Exim bank/working group, final approvals for fund based and non fund based facilities are granted by concerned institution and export banks.

3.2.2 Clearance of Export Proposals – criteria

These include the following:

a. Exporter’s financial position, track record

b. Status of overseas client—Government/private

c. Break-up of contract value—Indian/Third country/Local

d. Risk assessment by of buyer's country

e. Estimate of cost and profitability

f. Currency of Payment—Convertible Currency/Local currency

g. Security including Letter of Credit, Bank Guarantee, Government Guarantee, Externalisation undertaking of central bank.

h. Foreign Exchange Outgo, and

i. Facilities required by the exporter.

3.2.3Clearance of Export Proposals—Appraisal factors

a. Payment terms include Advance Payment, Progress/Down Payment, Deferred Payment, retention Money

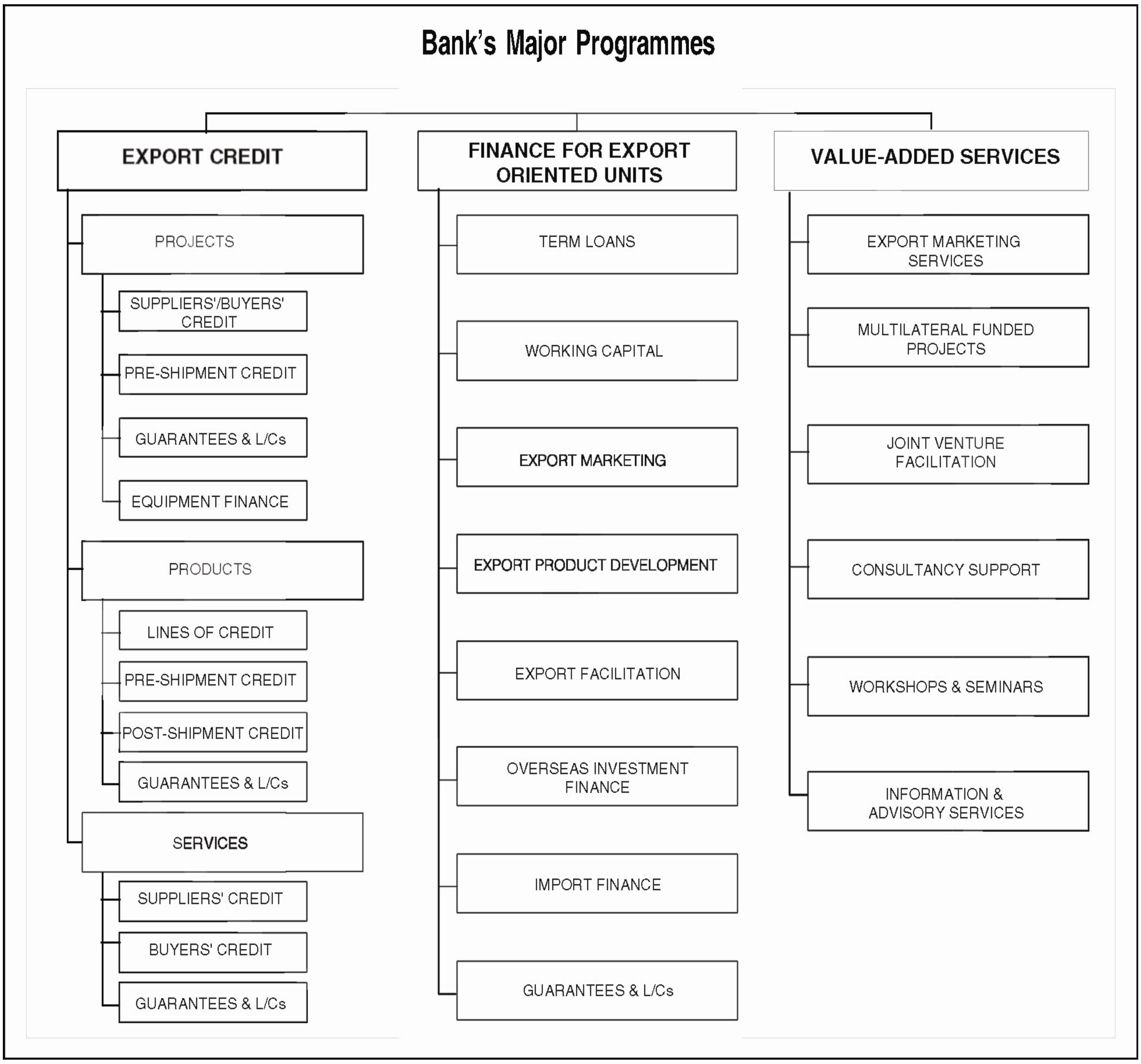
b. Security including Letter of Credit, Bank Guarantee, Government Guarantee, Externalisation undertaking of central bank.

c. Availability of ECGC cover, where necessary

d. Important contractual clauses:

- Pre – shipment Inspection
- Arbitration

- Force Majeure
- Status of exporter is prime contractor/sub contractor/consortium member
- Penalty/liquidated Damages for delay in contract execution
- Price escalation



A. Funded schemes of financing

EXIM Bank provides the following sources of assistance:

1. Lines of credit
2. Suppliers credit
3. Overseas buyer's credit
4. Loan under Financing Rupee Expenditure for Project Export contracts (FREPEC) programme.
5. Pre shipment Credit
6. Refinance of Export Loans
7. Forfaiting

B. Non – Funded schemes of financing

1. Bid Bond
2. Advance Payment Guarantee
3. Performance Guarantee
4. Guarantee for release of Retention Money
5. Guarantee for raising Barrowing overseas
6. Other Guarantees

7. Confirmation of letter of credit under the Trade Facilitation Program of the European Bank for Reconstruction and development.

3.3 FUND BASED FACILITIES

3.3.1 LINES OF CREDIT

a. Adequate security by way of acceptable letter of credit and/or guarantee from a bank in the country of import or any third country is necessary, as per RBI guidelines.

b. Period of credit is determined for each proposal having regard to the value of contracts, nature of goods covered, security and competition. Repayment period for suppliers credit facility is fixed coinciding with the repayment of post-shipment credit to exim bank as per agreed repayment schedule, irrespective of whether or not the overseas buyer has paid the Indian exporter.

Utilization of credit : EXIM bank enters into suppliers credit agreement with Indian exporter as also with exporters commercial bank in the event of the latter's participation in the suppliers credit. The agreement covers details of draw down repayment and includes an affirmation by the Indian exporter that repayment to exim bank would be made on due date, regardless of whether due payment have or have not been received from overseas buyer have not been received from overseas buyer. Commercial bank negotiates export document and seeks reimbursement of suppliers credit amount. Commercial bank seeks reimbursement of suppliers credit from EXIM.

The exporter repays principal amount of credit to exim bank as per agreed repayment schedule. Interest amounts are payable to exim bank half-yearly without any moratorium. RBI has laid down guidelines for project exports and exports of goods from India on deferred payment terms. RBIs guidelines relating to project export contracts are contained in memorandum PEM published by RBI. It is priced publication and available at any time of the regional offices of RBI throughout India.

3.3.2 Overseas buyers credit

Under this type of facility credit is offered directly to overseas buyers for a specific project/contract.

3.3.2.1 FREPEC

This programme Financing Rupee Expenditure For Project Contracts (FREPEC),seeks to provide for expenses incurred by Indian companies. The purposes of this credit is to enable Indian project exporters to meet rupees expenditure incurred/required to be incurred for execution of overseas project export contracts such as for mobilization/purchase/acquisition of materials and equipment, mobilization of personnel, payments to be made in India to staff, sub-contractors, consults and to meet project related overheads in India rupees.

Indian project exporters who are to execute project contracts overseas secured on cash payment terms or those funded by multilateral agencies will be eligible for this type of facility. The purpose of the new lending programme is to give boost to project export efforts of companies with goods track record and sound financials.

As to the quantum of assistance extended under this programme, it will be up to 100 percent of peak deficit as reflected in the rupee cash flow statement prepared for the project. Exim bank will not normally take up cases involving credit requirement below rs.50 lakhs. Although, no maximum amount of credit is being proposed., while approving overall credit limit, credit-worthiness of the export=borrower would be taken into account. Where feasible credit may be extended in participation with sponsoring commercial banks.

Disbursement is made under this programme in rupees through a bank account of the borrower-company against documentary evidence of expenditure incurred, accompanied by a certificate from chartered accountant. Repayment of credit would normally be out of project receipts. Period of repayment would depend upon the project cash flow statement, but will not exceed 4 years from the effective date of project export contracts. The liability of the borrower to repay the credit and pay interest and other monies will be absolute, and will not be liability of the borrowers to repay the credit and pay interest and other monies will be absolute, and will not be dependent upon actual realization of project bills.

As regards security, hypothecation of project receivable and project moveable are considered. Where available, personal guarantees of directors of the company is also considered. The facility is available through collateral security and where cost is not prohibitive or where the borrower- company is prepared to bear the cost, packing credit guarantee of ECGC may be obtained.

3.3.2.2 Pre-shipment Rupee Credit

Pre-shipment rupee credit is extended to finance temporary funding requirement of export contracts. This facility enables provision of rupee mobilization expenses for construction/turnkey projects. Exporters could also avail of pre-shipment credit in foreign currencies to finance cost of imported inputs for manufacture of exports products to be supplied under the projects. Commercial banks also extended this facility for definite periods.

3.3.3 Refinances of Export Credit

Authorized dealers in foreign exchange can be obtain from exim bank, 100 percent refinance of deferred payment loan extended for export of eligible Indian goods.

3.3.4 Forfaiting – An Export Finance Option

Forfaiting is a mechanism of financing exports by discounting export receivables evidenced by bill of exchanges or promissory notes without recourses to the seller carrying to long term maturities on a fixed rebate basis up to 100 percent of the contract value.

The word 'forfait'is derived from French word 'a forfait' which means the surrender of rights. Simply put, forfaiting is the non-recourse to him, his rights to claims for payment on goods delivered to an importer, in return for immediate cash payment from a forfaiter. As a result, an exporter in India can convert a credit sale into a cash sale, with no recourse to the exporter or his banker.

3.3.4.1 OPERATING PROCEDURE OF FORFAIT TRANSACTION

The operating mechanism for a forfait transaction is outlined below:

A negotiation: Indian exporter initiates negotiation with prospective overseas buyer with regard to order quantity, price, currency of payment, delivery period and credit terms.

b. approaching exim banks : exporter approaches exim banks to obtain an indicative forfaiting quote from the forfaiting agency. For this purpose, the exporter is required to provided the abovementioned details.

c. indicative quotas : exim bank obtains indicative quotas of discount, commitment fees and documentation fees if any, and communicates these to the exporter.

d. contract finalization : exporter finalizes the terms of the contract with the buyer. The final export offer must be structured in a manner which ensures that the amount received in foreign exchanges by the exporter after payment of forfaiting discount and other fees is equivalent to the price which he would obtain if goods were sold on cash payment terms. If the terms are acceptable to the overseas buyer, the Indian exporter informs exim banks accordingly and requests the banks to obtain a firms quote from the forfaiting agency.

e. firm quotes: exim banks obtains a firm quote from the following agency and conveys this information to the exporter and his authorized dealer, with a request to the exporter to confirm acceptance of the forfaiting terms within a specified time limit.

f. confirmation :Indian exporter confirms acceptances of forfaiting terms to exim banks. The exporter will enter into a commercial contract with the overseas buyer and also execute a forfaiting contract with the forfaiting agency through exim banks.

g. certificate: on execution of the forfating contract exim bank issues a certificate to the exporter with a copy to the authorized dealer, regarding the commitment fee to the be paid by the exporter to the forfaiting agency. This certificate will enable the export to remit commotment fees to the forfeiting agency, in accordance with the schedule indicated in the forfating contract. In terms of the reserve bank of India guidelines governing forfeiting contracts, commitment fees will be regard as being analogous to bank charges , and will not be required to be mentioned in GR form or shipping bill prepared by the exporter, subject to the commitment fee not exceeding 1.5 percent of the contract value.

A certificate to the detailing the discount payable to the forfeiting agency to enable the Indian customs authorities to verify deduction towards forfeiting discounts declared by the exporter on GR form and hipping bill.

h. shipment : the Indian exporter ships the goods as per the schedule agreed with the overseas buyer. The forfeiting transaction will be reflected in the following three documents associated with an export transaction as stated below.

- Invoice forfaiting discount, commitment fees, etc, need be shown separately; instead, these could be build into the FOB price, stated on the invoices.
- Shipping bill and GR form details of the forfeiting costs will be included along with the other details such as FOB price, commission, insurance, normally included in the "analysis of export value" on the shipping bill. The claim for duty drawbacks if any, will be certified only with references to the FOB value of the exports stated on the shipping bill.

i . Availed bills and notes the export contract will provide for the overseas buyer to furnish availed promossiory notes. If the contract note provides for the bills of exchange, the exporter will withdraw a series of bills of exchange and send them to along with shipping documents to his banker for presentation to importer, for acceptance through the latter's banker will hand over the shipping documents to importer against acceptance of bills of exchange by the importer and the signature of the avail. Availed and accepted will be returned to exporter through his banker. Exporter will endorse availed bills of exchange with the words "without recourse" and forward them through his bank to exim bank, which in turn will send them to the forfaiting agency.

j. **Payment** The forfaiting agency effects the payment of the discounted value, in accordance with EXIM bank's instruction after verifying the avail's signature , and other particular. Normally, exim bank will direct the forfaiter to credit the payment to the nostro account of the exporters bank in the country where the forfaiter is based. The bank receiving the discounted proceeds will arrange to remit the funds to India. The exporter will be issued a certificate for foreign inward remittance. The GR form will also be released. The export contract, which provides for more than one shipment can also be forfaited under a single forfaiting contract. However, where the export is affected in more than one shipment, availed promisssory notes/bills of exchange in respect of each shipment could be forfaited, subject tp the minimum value requirements laid down by the forfaiter.

h. presentation on maturity of the bills of exchange/ promissory notes, the forfaiting agency presents the instruments to the avail for payment.

3.5 Non-fund based facilities

The non-fund based facilities extended by the Exim bank takes the form of guarantees provided directly or in participation with other banks, for project export contract following are the various non-fund based facilities offered by the Exim bank.

a. bid bond bid bond is generally issued for a period of six months.

b. advance payment guarantee exporters to secure a mobilization advance of 10-20 percent of the contract value, which is normally released against bank guarantee and is generally recovered on a pro-rata basis from the progress payments during project execution.

c. performance guarantee performance for 5- 10percent of contract is issued, valid up to completion of maintenance period normally one year after completion of contract period and or grant of final acceptance certificate (FAC) by the overseas employer. Format of guarantee is expected to be furnished by exporter, at least four weeks before actual issue, to facilitate discussions for formal approval.

d. guarantee for release of retention money this enables the exporter to obtain the release of retention money (normally 10 percent of contract value) before obtaining final acceptance certificate (FAC) from client.

e. guarantee for raising borrowings overseas bridges finance may be needed at the earlier phases of the contracts to supplement the mobilization advances. Bridges finance up to 25 percent of the contract value may be raised in foreign currency from an overseas bank against this guarantee issued by a bank in India. Request for overseas borrowings must be supported by currency wise cash flows, also indicating the outstanding letters of credit and L/C drawl schedule.

f. other guarantees the Exim bank of India in lieu of customs duty or security deposit for expatriate labor grants other guarantees. Guarantee commission is charged at rates stipulated by the Foreign Exchange Dealers Association of India (FEDAI) or as stipulated by guarantee issuing bank. Banks generally waive margin requirement for issue of guarantee for export performance guarantee. However, appropriate securities are availed of.

The proposal is to be submitted in the prescribed application form along with implementation schedule, currency-wise cash flows and write-up with regard to site and infra-structural condition, and sub-contracting arrangements envisaged. In case of non-government buyer, status report on the client/prime contractor would first need to be obtained. The completed application are to be submitted to be submitted to the sponsoring bank, for consideration, within fifteen days of entering into contract. It would also be necessary to consult ECGC in advance in cases where corporations insurance cover and or counter guarantees are required.

3.6 Export capability creation programmes

The Exim banks operate the following programmes for creating export capabilities:

1. Lending Programs for Export Oriented Units
2. Production Equipment Finance Program
3. Overseas Investment Finance Programs

4. Equity Investment in Indian Venture Abroad

5. Asian Countries Investment Partners Programs

6. Export Marketing Finance Programs

7. Export Product Development Programs

8. Export Vendor Development Programs

9. Programs For Export Facilitation

10. Foreign Currency Pre-Shipment Credit

11. Working Capital Term Loan Programs For EOU's

12 Bulk Import Finance

13. Finance for Research and Development for EOU's

14. Long Term Working Capital

15. Import Finance

3.6.1 Lending Programs for Export Oriented Units

The objective of this lending program is to create and enhance export capabilities of Indian companies. Eligible companies include units set up/proposed to be set up in export processing zones, units under the 100 percents Export Oriented Units Scheme, units importing capital goods under promotion capital goods scheme, units undertaking expansion/modernization/ up-gradation/diversification programmes of existing export oriented units with export orientation of minimum 10 percent or sales of Rs.5 crores per annum whichever is lower.

The lending programs take the form of term loans in Indian rupees/foreign currency. In addition deferred payment guarantee for import of capital goods also form a part of it. As to the interest rates, rupees term loan linked to banks minimum lending rates whereas foreign currency term loans is at floating or fixed interest rates based on banks cost of funds. Interest is payable semi-annually on reducing balances. Interest tax is as applicable. Services fee of one per cent of loan payable upfront. Repayment period is up to ten years, based on projected cash flows inclusive of suitable moratorium.

As regards security, appropriate charge on fixed assets of the company's/ project plus any other security acceptable to Exim banks is applicable. Finance can be accessed by way of the bank having preliminary discussions with the promoters to determine scope for Exim banks finance. To facilitate discussions, project profile identifying financial requirement needs to be sent to the bank. Exim bank offers comprehensive package to externally oriented companies by way of finance, information, and value added services.

3.6.2Production equipment finance program (PEFP)

Under the production equipment finance program, exim banks seeks to finance non-project related capital expenditure of export-oriented units. PEFP is structured as an arrangement under which various equipment, imported and indigenous, can be financed thus obviating the need to arrange finance for every such procurement. It is not necessary to identify specific equipment sought to be financed at the time of application; this could be done at the time of disbursement. PEFP is a fast-disbursing window available to export oriented units.

Companies with good track record and financially sound are eligible for assistance. Existing export oriented units with minimum export orientation (present or targeted) of 10 percent of total sales or Rs.5 crores in values whichever is lower are eligible. The facility is granted by way of term loan in Indian rupees/foreign currency. As regards interest rates, rupees term loan linked to banks minimum lending rates and foreign currency term loan at floating rates or fixed interest rates based on banks cost of funds. Interest is payable semi-annually on reducing balances. Interest tax is payable as applicable. Services fee of one percent of loan amount payable upfront. The facility is available up to one year from the date of sanction. Ten percent margin is maintained.

As regards security, hypothecation of equipment, plant and machinery financed by the bank is the popular mode of security. Additional security by way of personal guarantee, any other assets of borrowers company, corporate guarantee of group company/parent company and appropriate charge on any other security on a case to case basis is also in vogue. Finance can be accessed with preliminary discussions with the promoters to determine scope for exim banks term finance under PEFP.

3.6.3 Overseas investment finance

This includes lending programs for overseas joint ventures/wholly owned subsidiaries by Indian companies. The objective to finance by way of equity loan to Indian companies for settings up of overseas joint ventures wholly owned subsidiaries. Any Indian promoter making equity investment in an existing company or a new project overseas with the requisite approval for such investment from the Reserve Bank Of India(RBI) / government of India as also from the government and other concerned authorities in the host country is eligible for this financing.

Government guidelines following are the guidelines issued by the government of India is regard to this type of financing:

a. proposals for setting up JV/WOS abroad require approval of the RBI in accordance with the guidelines for Indian direct investment in JVs, abroad notified by the government of India, Ministry of commerce.

b. proposals for direct investment in a JV/WOS abroad form a company will be eligible for automatic approvals by RBI provided the total value of the investment by the Indian company does not exceed U.S.$15 million in respect of Indian investment in SAARC countries and total value of investment does not exceed U.S.$ 30 million in Myanmar; in respect of Indian rupees investment in Nepal and Bhutan, total value of investment does not exceeds Rs.120 crores. The amount of investment is up to 25 percent of annual average export earning of the company in the preceding three years. The amount of investment is repatriated in full by way of dividends, royalty, technical service fee, etc within a period of five years

c. proposals involving investments beyond U.S.$ 4 million but not exceeding U.S.$15 millions or those not qualifying on the basis of the applicable criteria outlined above will be processed in the RBI through a special committee appointed by RBI. A technical appraisal could preferably accompany such proposal by any one of the designated agencies (including exim banks). Large investments proposals for overseas investment in exceeds of U.S.$15 millions will be considered if the required resources beyond U.S.$ 15 million are raised through the GDR route. Up to 50 percent of the GDR resources require may be invested as equity in overseas JV/WOS subject to specific approval of the government. Application for investment beyond U.S.$ 15 million would be received in the RBI and transmitted to the ministry of finance for examination with the recommendation of the special committee. For investment out of EEFC, Authorized dealers would grant permission balances up to a maximum of U.S.$ 15 million.

As to the mode of overseas investment, Indian companies are allowed to invest equity in overseas joint ventures/wholly, owned subsidiaries by way of capitalization of export proceeds of plant and machinery, technical knowhow, fee, royalty, and forex remittance of equity contribution. The assistance is available in the form of rupee term loan to Indian companies for financing their equity investment overseas, rupees term loan for lending further to their overseas joint venture/wholly subsidiaries, guarantee for raising finance overseas for equity investment and for working capital requirement for overseas joint venture/wholly subsidiaries. As regards interest rate rupee term loan is linked to bank minimum lending rate and foreign currency term loan is floating or fixed rates based on banks cost of funds. Interest is payable on reducing balances at half yearly rates. Additionally interest tax as applicable will be payable.

As regards margin, it is 80 percent of the Indian company's equity contribution in overseas JV/WOS. Exim banks finance will be secured by an appropriate charge on the borrowers assets in India and/ or any other security acceptable to exim bank, pledge of borrower's shares of Indian promoter companies. In addition, an overseas investment insurance policy can also be obtained by the company from ECGC/MIGA and assigned in favor of exim bank. In case of assistance by way of guarantee, counter guarantee from India promoter company will serve as security.

Refinance to commercial banks exim banks provide 100 percent refinance to commercial banks in respect of rupees term loans extended by them to Indian promoter company for equity contribution in overseas JV/WOS. As per prevailing RBI guidelines, commercial banks can consider loan for equity investment only under exim banks refinance scheme. Finance can be accessed on preliminary discussions with the promoters to determine scope for exim banks finance. To facilitate discussions details on project profile identifying financial requirement should be sent.

3.6.4 Equity Investment in Indian Ventures Abroad

The objective of this program is to catalyze overseas investment by the Indian companies to enhance visibility of Indian overseas ventures. Quantum of exim banks equity participation will be up to 25 percent of equity capital of the JVs involving Indian companies. This is subject to a ceiling U.S.$ 5 million per proposal. As weightage will be giving to the following factors:

- Background and track record of Indian and foreign promoters
- Synergy of overseas operations with business in index
- Financial viability and technical feasibility
- Return on exim banks investment
- Benefits to India in terms of trade enhancement, technology transfer, foreign exchange earnings, etc.
- Spin-off benefits such as brand marketing and penetration of new markets
- ‘EXIT ROUTE’ for exim banks equity investment (which could take place within 5 years from the date of investment. exim banks equity may be offloaded to Indian promoter, other interested Indian companies, stock exchange in host country etc.)
- Buyback arrangement between exim banks and Indian company
- Exim bank welcomes discussions with Indian Promoter Company seeking exim banks equity participation in their overseas joint venture.

3.6.5 Asian countries investment partners programme (ACIP)

The objective of this lending program is to promote joint venture in India between India companies from Asian countries through four facilities that address stages of the project cycle. ACIP seeks to catalyze investment flows into India by creation of joint venture in India between Indian companies and companies from East Asian countries. ACIP is proposed to be a funding instrument providing finance at various stages of a joint venture project cycle viz. sector study, project identification, feasibility study, prototype development, set up , and technical and managerial assistance. Finance is available for identification of potential joint venture project and partners, and operations prior to launching a joint venture like pilot plant-feasibility study. Project expenditure covers human resources development, training and management assistance. The beneficiaries of this program are chambers of commerce, industrial/investment promotion agencies and other eligible bodies. Indian companies seeking joint venture companies set up under ACIP and joint venture companies set up under ACIP. The instruments of assistance include grant, soft loan and term loan. Assistance could be accessed through preliminary discussions with the promoters to determine scope for exim banks finance.

3.6.6Export marketing finance programme

The objective of this program is to create and enhance export capabilities and international competitiveness of Indian companies. Under the lending programme for export marketing finance, the bank addresses the term finance requirement for a structural and strategic export marketing and development effort of Indian companies. Eligible companies include companies who have a strategic international marketing plan. Further, companies should have established presence in the domestic market and satisfactory financials. The activities eligible for assistance are activities associated with export marketing and export capability creation. Typically activities eligible for finance under this programme are desk/field research, minor product adaptation, overseas travel, training quality certification, product launch, investment in machinery and equipment, testing/quality control equipment, and factory premises.

Assistances takes the form of term loan in Indian rupees/ U.S Dollar. As regards, interest rates, rupees term loans are linked to exim banks minimum lending rate and foreign currency term loan are linked floating or fixed interest rate. Additionally interest tax applicable will be payable. Services fee of one percent of loan amount sanctioned, is payable upfront and is non-refundable. Repayment period up to five years inclusive of moratorium is allowed. The margin is 20 percent. The security includes hypothecation of moveable fixed assets of the company, mortgage of immovable fixed assets of the company or any other security acceptable to exim banks. Banks welcomes preliminary discussions with the promoters to determine scope for exim banks financing arrangement.

3.6.7Export product development programs

The objective of this program is to support systematic export product development plans with focus on industrialized markets. Eligible companies include established export enterprises with product development programme dedicate to export. The company must also have an established track record and satisfactory financials. The activates eligible for assistance include product design and development activities, research and development activates including cost of manufacturing of prototypes and development, pilot plants, product testing , development of tooling's, jigs and fixtures, process development cost, and product launch. Assistance is granted in the form of rupees term loans on soft term basis.

Interest rates will be decided on case- to case by way of first charge on the fixed assets of the borrower and any other security as may be considered appropriate on the merits of the case.

Banks welcomes preliminary discussions with the promoters to determine scope for exim banks finance; to facilitate discussions, details about the project identifying financial requirement should be sent to the exim bank.

3.6.8 Programme For Financing Export Vendor Development (EVD)

The objective of the program is to finance export strategic vendor development plans for export companies with a view to enhancing exports through creation and strengthening of backwards with vendors. Eligible companies are export companies and trading houses, manufacturer-exporters with satisfactory track record and financial. In addition, companies with strategic plans for vendor development for exports are eligible to seek finance under this programmes. Companies purchasing finished, semi-finished or intermediate products from vendors with the exporters adding value to the product in the form of further processing or marketing them are also eligible for assistance.

The eligible activities are those undertaken by exporters to develop and upgrade vendors that will lead to export additionally are eligible for finance under EVD. Example of such activities includes acquisition of production machinery, purchase of tooling, moulds, jigs, dies and ancillary equipment, core working capital assistance extended by exporter to vendors 'soft ' expenditure on vendor development such as vendor training, technical assistance to vendor, etc. assistance is available in the form of rupees term loans including soft loan component. As regards interest rates, they are linked to banks minimum lending rate. As regards soft loans the rate applicable is 7.5 percent p.a(subject to change) subject to maximum of Rs.50 lakhs. Repayment period is up to 7 years with a margin of 20 percent.

Security for the loan is first charged on the borrower company's assets. Bank welcomes preliminary discussions with the promoters to determine scope for exim banks term finance.

3.6.9 Programme for Export Facilitation

Exim bank offers term finance and non-funded facilities to Indian corporate to create infrastructure facilities to promote India's international trade and thereby enhance their export capability. The various infrastructural facilities covered under the programme are software and post development or any other infrastructural facility for promoting India international trade are as follows:

a. Financing Port Development:

The objective of this program is to finance development of minor ports with related infrastructural activities, which would facilitate India's international trade. Eligible companies include Indian companies undertaking minor port projects and suppliers of equipments to minor port development projects. Eligible activities are construction of port/jetties, acquisition of fixed assets for individual activities such as stevedoring, cargo handling, storage and related activities like dry docks, ship wreaking.

Interest rates are linked to banks minimum lending rate. As regards term loans in foreign currency interest rates are at floating or fixed rate. In the case of non-funded facilities, applicable rate of commission is charged. Repayment period is 7 to 10 years inclusive of moratorium. Security for this type of financing includes first charge on fixed assets pertaining to the project/company being financed. Additional security by way of assets or corporate guarantee of promoter company/personal guarantees may also be stipulated. Bank welcomes preliminary discussions with the promoters to determine scope for EXIM bank's finance.

b. Lending Programme For Software Training Institutes:

The objective of this program is to address the perceived constraint in availability of trained high-end software professionals to support the fast growing exports. The programme aims at financing the establishment/expansion of software .Eligible borrowers are established software exporting company with good export track record and sound financials, and reputed software training institutes engaged in high end software training. Activities eligible for assistance are acquisition of fixed assets Including land, building , hardware, software and related equipment, extending loans towards tuition fees and other charges, and any other activity connected with training that may be agreed by exim banks.

The assistance is granted in the form of term loans in Indian rupees/foreign currency. As regards interest rates, rupees term loan is linked to bank's minimum lending rate and foreign currency term loans is at floating or fixed interest rates based on banks cost of funds.

Interest is payable semi-annually on reducing balances. Interest tax is as applicable. Service fee of 1 percent of loan amount is payable upfront. The repayment period is up 5 years, based on projected cash flows inclusive of suitable moratorium. The security is appropriately charged on fixed assets of the company/project plus any other security acceptable to EXIM bank.

3.6.10 Foreign Currency Pre-Shipment Credit (FCPC)

Under this programme, short-term foreign currency finance is available to eligible exporters for financing inputs for export production such as raw materials, components and consumable. The finance is repayable in foreign currency from proceeds of the relative exports.

FCPC programme represents another funding source to the exporter for expanding export volumes, particularly of manufactured and value added goods. It eliminates two ways exchanges conversion costs and exchange risks, thus enhancing export competitiveness. FCPC can be a cost effective funding source as compared to rupee export credit as well as overseas suppliers credit depending on market conditions for loans under FCPC. As far as commercial banks are concerned, loans availed from exim banks are exempt from cash reserve ratio, statutory liquidity ratio and incremental credit deposit ratio requirements.

Eligible borrowers are exporting companies and commercial banks for lending further to exporting customers. Interest rates are not to be exceeds 2 percent over London Inter Bank Offer Rate(LIBOR). In case FCPC is extended through commercial banks, which does not have foreign branches, the interest rate should not exceeds 2.5 percent over LIBIOR or any other rate as specified by reserve bank of India from time to time.

Interest on refinance to commercial banks will be mutually agreed. The assistances is granted in the form of short term foreign currency loans and the repayment period is a maximum of 180 days from the date of disbursement. As regards security, exim banks has pari passu charges on current assets in case of direct loans.

3.6.11 Working Capital Term Loan Programme For Export Oriented Units(WCTL)

WCTL programme seeks to create, enhance export capabilities of Indian companies. Under the programme, the banks address the working capital requirement of export oriented units. Eligible companies are units set up proposed to be set up in export processing zones, units under the 100 percent export oriented units scheme, units importing capital goods under export promotions capital goods scheme and units undertaking expansion/modernization

/upgradation/ diversification programmes of existing export oriented units with export orientation of 10 percent of sales or export sales rs.5 crores per annum whichever is lower.

Working capital terms loans in Indian rupees or in foreign currency up to 80 percent of the demand loan component of working capital with a minimum 20 percent margin are granted. Interest rates for rupee term loan are linked to banks minimum lending rate and foreign currency term loans attract floating or fixed rates based on banks cost of funds. Interest is payable semi annually on reducing balances. Interest tax as applicable is payable. As regards security, appropriate charges on the fixed and or current assets, personal guarantees of promoter/director, corporate guarantee of group concern if considered necessary. Bank welcomes preliminary discussions with the promoters to determine scope for exim banks finance. To facilitate discussions, details of the project identifying financial requirement are to be sent to exim banks.

3.6.12 Bulk Import Finance Programme (BIF)

The objective of this program is to provide short term working capital finance to manufacturing companies to import consumable inputs. Under the programme, BIF is offered for import of eligible items with a minimum order size of rs.1 crore. This is granted as short term loans in Indian rupees and foreign currency. As regards interest rates, 1 percent is charged on cash credit facility in rupees loans charged by the commercial banker subject to a minimum interest rate fixed by exim banks. The interest rate on foreign currency loans depends on costs of funds to exim bank with a maximum of 0.75 percent over LIBOR. The loan are to be repaid within 1 year, the security being pari passu charge on current assets.

3.6.13 Programme for Financing Research And Development

The objective of the purpose is to provide integrated financing for research and development activities by export oriented companies. Exims banks finance is available to financially sound companies with a minimum export oriented of 20 percent of their net sales for the following eligible activities and eligible expenditure.

Eligible R & D activities for the purpose of assistance, the following are the eligible activities:

- development and commercialization of a new product/process/application
- significant improvements in existing product/process/application/design
- development of technology or design to satisfy domestic or international environment, technical requirements/standards, specifications
- setting up, expansion of pilot plants
- research studies necessary for obtaining regulatory approvals, product registrations, cost of Filing and maintaining international patents and R & D centers

Eligible R&D expenditure the eligible expenditure for the purpose of assistance are as follows:

- acquisition of technology at the ;proof of concept' or design stage which will be used to develop new product/process
- land and building , civil works for housing eligible R&D activities
- dies, tools, laboratory and other R&D equipment, mould, computer hardware, software,

Miscellaneous

- salaries of R&D personnel, support staff during the R&D project phase including training costs
- costs of regulatory approvals, filing and maintenance of patent registration
- expenditure on external consultants for outsourcing a component of R&D project
- product documentation and allied costs during the R&D project phase
- costs of materials, surveys, technology demonstration studies, fields trails

Basic research with no identified application, academic research and normal process control, quality control, inspection, repairs and maintenance, contract research will not be eligible under the programme, term loan in Indian rupees subject to a maximum of rs.15 crores per company is granted. As regards interest rate, concessional interest rate at 50 percent of the normal interest that the borrower company would be eligible for subject to a minimum of 8 percent p.a payable with quarterly rests. Defaults in loan servicing will attract liquidated damages/penal charges @ 2 percent over the normal interest rate. Service fee of one percent of loan percent of loan amount is payable upfront. Repayment is generally not to exceed 7 years, with appropriate moratorium. As regards security one or more of the following is applicable:

- appropriate charge on the assets of borrower company
- assignment of intellectual property rights(IPR) and mandate assigning all IPR related Receivable

- any other acceptable security

Bank welcomes preliminary discussions with the company officials to determine scope for exim banks finance, exported benefits from proposed R&D expenditure, fit with company's corporate business plans. In particular, export plans mutual business possibility with exim in other areas and financial information on the company.

3.6.14 Long-Term Working Capital Programme for Export Oriented Units

The objective of the program is to provide finance for long term working capital.

The exim banks finance is available to financially sound companies with a minimum export orientation of 10 percent of their net sales or export sales of Rs.5 crores, whichever is lower. Loans are made available in the form of term loan in Indian rupees, and term loans in foreign currency. As regards interest rate, the rupees term loan linked to banks minimum lending rate and the foreign currency term loan is linked to floating or fixed interest rates based on banks cost of funds. Interest is payable on reducing balances at half-yearly rates. Additionally interest tax as applicable will be payable.

Service fee will be to the extent of 1 percent of loans amount payable upfront. Loans are repayable in 1-5 years, determined on the basis of projected cash flows with suitable moratorium. Security will be one or more of the following:

- an appropriate charge on part/whole of the fixed assets of the company, present and future

- personal guarantees of promoter director/corporate guarantee of group company

- ❖ pledge of marketable securities with appropriate margin based on average of high and low of market quotations during the preceding 6 months(this will not be accepted as exclusive security)
- ❖ any other acceptable security

3.6.15 Import Finance

Under this program, finance is provided for import of capital goods/plant and machinery, technology/know-how. Exim banks finance is available to Indian manufacturing companies. Finance is available by way of term loans in Indian rupees/foreign currency. Interest rate is based on prevailing market rates. Rupees term loan is linked to banks minimum lending rate and the foreign currency term loan at floating or fixed interest rates based on banks cost of funds. Interest is payable on reducing balances at half yearly rates. Interest tax is payable as applicable. Services fee of one percent of loan amount is payable upfront.

Repayment is over a period upto 7 years, determined on the basis of projected cash flow with suitable moratorium. Security is in the form of appropriate charge on the asset acquired out of the loan. In addition, the following additionally security is also required:

- ❖ a first pari passu charge on part/whole of the fixed assets of the company, present and future
- ❖ personal guarantees of promoter director/corporate guarantee of group company
- ❖ pledge of marketable securities with appropriate margin based on average of high and low of market quotations during the preceding 6 months(this will not be accepted as exclusive security)
- ❖ any other acceptable security

This chapter exhibits the profile of the Exim Bank of India. It has been provided with elaborate operating functions of the various schemes of assistance extended by the Exim Bank of India for Indian exporters, commercial Banks and overseas entities to facilitate support and encourage the needs of them.

CHAPTER IV

OPERATIONAL EFFICACY OF EXIM BANK OF INDIA - AN EVALUVATION

4.1 OVERALL OPERATIONAL EFFICACY

4.2 ASSISTANCE UNDER VARIOUS SCHEMES OF EXIM BANK

4.3 ANALYSIS OF VARIANCE UNDER VARIOUS SCHEMES OF ASSISTANCE

CHAPTER IV

OPERATIONAL EFFICACY OF EXIM BANK OF INDIA - AN EVALUVATION

The effectiveness of exports largely depends upon the efficiency of institutions engaged to promote the exports, it becomes important to study the institutional network supporting the exports. So as to achieve export target, the competitiveness of institutional network is altogether essential, as institutions engaged in finance, insurance, testing, quality assurance, initiating research, information dissemination and export promotion provides the competitiveness is growing as a result of increasingly stringent quality, precision, tolerance other standards and competition in international market.

This chapter aims at highlighting the role of institutional support in India's export promotion measures. The main aim is to analyze whether, Export Import Bank of India is really working on effective lines or not. This study becomes important to understand whether, trade promotion organization can stay relevant and competitive in turbulent times or not? This study tries to give an insight as how the competitiveness and strengths of Export Import Bank of India can be enhanced. The need of hour is to evaluate the strength of such institutions and to create the capacity to adapt the changing trade opportunities, so as to ensure that trade development strategies contribute to overall economic development and particularly poverty reduction to explain more clearly to the general public the role of exports as engine of growth.

Export promotion in the developing world was reviewed against the backdrop of the particular economic and trade situation of these countries. It is apparent that these countries have made substantial progress towards both export development and diversification of their exports into more sophisticated manufactured products. At the same time, the ongoing challenge of narrowing the expectation and reality gap between developed and developing countries suggests that tremendous efforts lie ahead, in economic development, export development and, in particular export promotion and so the question arises how? One way could be to strengthen the organizational network engaged in export promotion.

Hence this chapter intends to analyse the operating performance of Export Import Bank of India, which is the crux of this research study, in terms of overall assistance sanctioned, disbursed and collections made, scheme wise assistance extended and regression analysis of exim banks assistance in line with specific macroeconomic variables viz, GDP, BOP, BOT, Export, Import and total credit exposure.

4.1 OVERALL OPERATIONAL EFFICACY

The efficacy of overall operations of EXIM Bank has been derived in terms of total sanctions and disbursement made, loan outstanding and collections made are discussed below. The approval refers to the Exim Bank's approval under the various schemes of financial assistance. The disbursement states the financial assistance extended by the Exim Bank of India has been disbursed under the various schemes. The loan assets elicit the outstanding of the Exim Bank of India under the various schemes.

Table – 4.1: Approval and Disbursement and Repayment of loan				
Year	Loan			(` Crs.)
	Approvals	Disbursements	Outstandings	Repayments
1991-92	11399	11073	16161	
1992-93	15902	12956	18419	
1993-94	6508	8109	20337	
1994-95	29030	15561	25961	
1995-96	24657	21300	29302	
1996-97	12424	12566	34513	
1997-98	18406	13704	38248	
1998-99	18380	12707	42641	
1999-00	28318	17296	50833	
2000-01	21743	18964	56443	
2001-02	42407	34529	68260	
2002-03	78283	53203	87736	
2003-04	92657	69575	107751	
2004-05	158535	114352	129104	
2005-06	204887	150389	175931	
2006-07	267622	220760	228862	
2007-08	336285	289327	341564	203650
2008-09	388430	332485	390357	269210
2009-10	328045	271587	287767	264840
2010-11	477980	344230	460410	274460
2011-12	444120	370450	545300	214220
Linear growth Rate	21.76 %	21.31%	18.14 %	1.20 %
Compounded Growth rate	24.31 %	23.76%	19.89 %	1.21 %

Source: Compiled from various annual reports of Exim Bank of India (1992 -93 to 2011 -12)

The table 4.1 shows the Approvals, Disbursement, Loan Assets and Repayments of the Exim Bank of India over the period of the study. It has been noticed that there is an increasing trend in approval, disbursement, loan assets and repayments. It also further exhibits the linear and compound growth of approval, disbursement, loan assets and repayment from 1992-93 to 2011-12.The linear growth rate is 21.73% for approvals, 21.31%for disbursement, 18.14% for loan assets and 1.20% for repayment. Subsequently the compounded annual growth rate over the same period of time is 24.31% for approvals, 23.76%for disbursement, 19.89% for loan assets and 1.21% for repayment.

1.2 ASSISTANCE UNDER VARIOUS SCHEMES OF EXIM BANK

EXIM Bank is operating 38 varied lending and service programs. These programs are tailored to meet the needs of different customer groups, viz. thirty one Programs for the Indian Exporter, five Programs for the Commercial Bank and two Programs for the overseas entities. An attempt has been made by the researcher to study the efficacy of EXIM Bank in line with some of the important schemes of assistance based on the availability of data. Further it has been attempted to analyse with paired sample t test to assess the significant difference is persist among the various schemes of assistance extended by the EXIM Bank during the both the decade of the reform period.

4.2.1 ASSISTANCE UNDER LINE OF CREDITS SCHEME

The Bank extends Lines of Credit (LOCs) too overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable them to import developmental and infrastructure projects, equipments, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from EXIM Bank, without recourse to them, against negotiation of shipping documents. LOC is a safe, nonrecourse financing option for Indian exporters, especially to small and medium enterprises and serves as an effective market entry tool for the latter. Being in an increasingly competitive environment, EXIM Bank is proactively seeking to expand its geographical reach and volumes under the LOC Programme. Under Exim Bank's LOCs, the Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. The Indian exporter does not carry any credit risk either on the importer or the importer's country, whilst the overseas importer enjoys deferred credit facility. Thus, LOC is a safe mode of non-recourse financing option to the Indian exporter and serves as a market entry tool for India's exports. The Indian exporter can also increase his export volumes by offering deferred credit, where required.

Table – 4.2.1: Region wise Disbursement of Line of credits

(USD $ Million)

Region	South Asia	South-East Asia Far East & Pacific	West Asia	North Africa	Sub-Saharan Africa	Europe and Americas	**Total**
1992-93	14	52	89	8	25	9	197
1993-94	17	87	111	-	31	13	259
1994-95	20	211	272	-	32	17	552
1995-96	2	34	99	5	81	86	308
1996-97	10	-	5	-	7	95	116
1997-98	74	45	293	-	50	94	557
1998-99	46	-	56	-	26	86	214
1999-00	59	49	44	1	77	224	454
2000-01	60	156	49	23	79	146	513
2001-02	66	-	229	-	190	399	884
2002-03	50	219	1174	79	409	403	2334
2003-04	89	101	226	319	291	419	1445
2004-05	218	75	103	49	255	253	953
2005-06	218	99	250	442	552	178	1739
2006-07	155	183	265	10	1430	218	2261
2007-08	498	178	265	542	1252	75	2810
2008-09	702	228	310	567	1706	233	3746
2009-10	770	243	390	30	2708	359	4500
2010-11	1934	558	325	567	2939	334	6657
2011-12	2606	578	325	567	3746	338	8160

Source: Compiled from various annual reports of Exim Bank of India (1992 -93 to 2011 -12)

The table 4.2.1 depicts the region wise disbursement of Line of Credits (LOCs) with support of Government of India to countries of the developing world. During the year 2011–12 the Exim Bank has disbursed Rs.8160 Crores and Rs 197 Crores during the year 1992–93.

Table - 4.2.2: Paired Samples Statistics of Financial Assistance Lines of Credit (LOCs)			
Schemes	Mean	Std. Deviation	t value
Lines of Credit (DECADE 1)	5.8460	.61337	
Lines of Credit (DECADE 2)	7.9470	.67513	
Lines of Credit 1 - Lines of Credit 2	-2.10100	.71939	-9.236*

* Significant at 1% level

From the table 4.2.2 it is apparent, the paired t tests for financial assistance to Lines of Credit (LOC) by EXIM Bank of India. It depicts the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -9.236 significant at 1% level, therefore the null hypothesis is rejected. So, a significant difference persists among the second and first decade of the reform periods for the financial assistance extended by the EXIM Bank to Lines of Credit (LOC).

4.2.2 ASSISTANCE UNDER EXPORT ORIENTED UNITS SCHEME

Export Oriented Units (EOUs) constitute a very important sector in the country's Export Production scenario. They have become dominant players in our export strategy, and their share in the Country's export performance is about 10%. The export growth rate of 30% compares very favorably with the National export growth rate.[1]The objective of this lending program is to create and enhance export capabilities of Indian companies. Eligible companies include units set up/proposed to be set up in export processing zones, units under the 100 percents Export Oriented Units Scheme, units importing capital goods under promotion

[1]http://www.eouindia.gov.in

capital goods scheme, units undertaking expansion/modernization/upgradation/diversification programme of existing export oriented units with export orientation of minimum 10 percent or sales of ` 5 crores per annum whichever is lower. Interest is payable semi-annually on reducing balances. Interest tax is as applicable. Services fee of one % of loan payable upfront. Repayment period is up to ten years, based on projected cash flows inclusive of suitable moratorium.

Table: 4.3.1 ASSISTANCE UNDER EXPORT ORIENTED UNITS SCHEME

Year	No of EOUs	Approval(` Crs.)	Disbursement (` Crs.)
1992-93	52	168.2	107.85
1993-94	34	79.97	118
1994-95	92	347	91.17
1995-96	37	546	347
1996-97	35	637	548
1997-98	51	665	506
1998-99	47	694	447
1999-00	43	846	460
2000-01	33	487	482
2001- 02	31	478	424
2002- 03	67	2398	2037
2003 - 04	51	903	175
2004 - 05	69	2114	1631
2005-06	39	1669	1206
2006 -07	69	1908	1269
2007 -08	62	2747	1381
2008 - 09	39	1669	1206
2009 - 10	48	3793	1245
2010 - 11	54	3884	2029
2011 - 12	96	5412	3234
Linear Growth			17.58%
Compound Growth			19.22%

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The table 4.3.1 shows the assistance extended by the Exim bank under Export Oriented Units (EOUs) during the period of the study. It has been noticed during the year 2011-12, 96 EOUs amount approved and disbursed are Rs5412 Crores and Rs.3234 Crores respectively. During the year 1992 -93, Rs168.2 and Rs. 107.85 has been sanctioned and disbursed. The Linear and compound Growth rate of the disbursement under Export Oriented Units (EOUs) are 17.58 % and 19.22 % respectively.

Table - 4.3.2: Paired Samples Statistics of Financial Assistance Export Oriented Units (EOUs)

Schemes	Mean	Std. Deviation	t value
Export Oriented Units (DECADE 1)	5.6810	.72196	
Export Oriented Units (DECADE 2)	7.1590	.77030	
Export Oriented Units 1 - Export Oriented Units 2	-1.47800	.86702	-5.391*

* Significant at 1% level

The table 4.3.2 shows the paired t test for financial assistance to Export Oriented Unit (EOUs) by EXIM Bank of India. It gives the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -5.391 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Export Oriented Units (EOUs).

4.2.3 ASSISTANCE UNDER PRODUCTION EQUIPMENT FINANCE (PEF) SCHEME

Under the production equipment finance program, EXIM banks seeks to finance non-project related capital expenditure of export-oriented units. PEFP is structured as an arrangement under which various equipment's, imported and indigenous, can be financed thus obviating the need to arrange finance for every such procurement. It is not necessary to identify specific equipment sought to be financed at the time of application; this could be done at the time of disbursement. PEFP is a fast-disbursing window available to export oriented units.

Companies with good track record and sound financing are eligible for assistance. Existing export oriented units with minimum export orientation (present or targeted) of 10 percent of total sales or Rs.5 crores in values whichever is lower are eligible. The facility is granted by way of term loan in Indian rupees/foreign currency. As regards interest rates, rupees term loan linked to banks minimum lending rates and foreign currency term loan at floating rates or fixed interest rates based on banks cost of funds. Interest is payable semi-annually on reducing balances. Interest tax is payable as applicable. Services fee of one percent of loan amount payable upfront. The facility is available up to one year from the date of sanction. Ten percent margin is maintained.

Table – 4.4.1: Assistance Under Production Equipment Finance Scheme (` Crs.)

Year	No of Cos	Sanction	Disbursement
1992- 93	13	78	43
1993- 94	16	92	56
1994- 95	21	511	205
1995- 96	38	353	453
1996- 97	26	213	293
1997- 98	24	193	178
1998- 99	25	433	198
1999- 00	22	178	126
2000- 01	16	159	156
2001- 02	18	424	405
2002- 03	17	309	272
2003 -04	23	518	175
2004 -05	28	724	476
2005- 06	16	506	182
2006 -07	20	506	380
2007 -08	20	819	311
2008 -09	16	506	182
2009 -10	16	496	217
2010 -11	18	675	372
2011- 12	20	1109	611
Linear Growth			8.14%
Compound Growth			8.48%

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The above table 4.4.1 depicts the financial assistance under production equipment finance scheme of the Exim bank of India during the period of the study. It has been noticed during the year 2011-12, amount approved and disbursed are Rs1109 Crores and Rs.611 Crores respectively. During the year 1992 -93 Rs 78 crores and Rs. 43 crores has been sanctioned and disbursed. The Linear and compound Growth rate of disbursement under production equipment finance scheme are 8.14 % and 8.48 % respectively.

Table - 4.4.2: Paired Samples Statistics of Assistance underProduction Equipment Finance (PEF)

Scheme	Mean	Standard Deviation	t value
Production Equipment Finance (DECADE 1)	5.1740	.68578	
Production Equipment Finance (DECADE 2)	5.6740	.43998	
Production Equipment Finance 1 - Production Equipment Finance 2	-.50000	.65313	-2.421**

** Significance at 5% level

The table 4.4.2 shows the paired t test for financial assistance to Production Equipment Financeby EXIM Bank of India. It states the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is computed by subtracting the mean, SD of the second decade with the first decade. The t value -2.421 significant at 5% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Production and Equipment Finance (PEF).

4.2.4 ASSISTANCE UNDER OVERSEAS INVESTMENT FINANCE SCHEME

This includes lending programs for overseas joint ventures/wholly owned subsidiaries by Indian companies. The objective to finance by way of equity loan to Indian companies for settings up of overseas joint ventures wholly owned subsidiaries. Any Indian promoter making equity investment in an existing company or a new project overseas with the requisite approval for such investment from the Reserve Bank of India (RBI) / government of India as also from the government and other concerned authorities in the host country is eligible for this financing.

Table 4.5.1: Assistance under Overseas Investment Finance Scheme

(` Crs.)

Year	No of Cos	Sanctions	Disbursements
1992 - 93	4	12.3	1.13
1993 - 94	7	20.89	1.96
1994 - 95	13	169	38.39
1995 - 96	17	202	81.9
1996 - 97	12	74.21	97.73
1997 - 98	9	207	104
1998 - 99	8	106	135
1999 - 00	13	253	69.74
2000 - 01	9	157	123
2001 - 02	2	6	8.35
2002 - 03	4	18	21.42
2003 - 04	3	21	19.23
2004 - 05	12	548	592.39
2005 - 06	16	2338	2152.54
2006 - 07	29	1940	1857.56
2007 - 08	41	5028	4847.28
2008 - 09	16	2338	2364.82
2009 - 10	18	1054	949.12
2010 - 11	64	8325	8152..36
2011 -12	53	4178	3965.58
Linear Growth			29.41%
Compound Growth			34.20%

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The above table 4.5.1 depicts the financial assistance under Overseas Investment Finance scheme of the Exim bank of India during the period of the study. The Linear and compound Growth rate of disbursement under Overseas Investment Finance scheme are

29.41% and 34.20% respectively. It has been noticed during the year 2011-12, amount approved and disbursed are Rs. 4178 Crores and Rs.3965.58 Crores respectively. During the year 1992 -93, Rs12.3 Crores and Rs. 1.13 Crores has been sanctioned and disbursed.

Table – 4.5.2: Paired Samples Statistics of Financial Assistance

Overseas Investment Finance

Scheme	Mean	Std. Deviation	t value
Overseas Investment Finance (Decade1)	3.7620	1.36640	
Overseas Investment Finance (Decade 2)	6.8590	2.06826	
Overseas Investment Finance 1 - Overseas Investment Finance 2	- 3.09700	1.65379	-5.922*

* Significance at 1% level

The above table 4.5.2 shows the paired t test for financial assistance to Overseas Investment Finance by EXIM Bank of India. It reveals the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is arrived by subtracting the mean, SD of the second decade with the first decade. The t value -5.992 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference exists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Overseas Investment Finance.

4.2.5 ASSISTANCE UNDER WORKING CAPITAL SCHEME

Financial Assistance for Working Capital Scheme seeks to create, enhance export capabilities of Indian companies. Under the Scheme, the bank addresses the working capital requirement of export oriented units. Eligible companies are units set up proposed to be set up in export processing zones, units under the 100 percent export oriented units scheme, units importing capital goods under export promotions capital goods scheme and units undertaking expansion/modernization/up gradation/diversification Scheme of existing export oriented units with export orientation of 10 percent of sales or export sales Rs 5 crores per annum whichever is lower.

Working capital terms loans in Indian rupees or in foreign currency up to 80 percent of the demand loan component of working capital with a minimum 20 percent margin are granted. Interest rates for rupee term loan are linked to banks minimum lending rate and foreign currency term loans attract floating or fixed rates based on banks cost of funds.

Table 4.6.1: Assistance under Working Capital scheme (` Crs.)

Year	No of Cos	Sanction	Disbursement
1992 - 93	5	24.02	4.07
1993 - 94	13	94.15	50.78
1994 - 95	8	109.23	59.19
1995 - 96	12	178.64	106
1996 - 97	9	149.05	88.4
1997 - 98	10	159	97.03
1998 - 99	27	299	217
1999 - 00	48	644	619
2000 - 01	31	427	395
2001 - 02	51	755	624
2002 - 03	23	649	437
2003 - 04	29	565	216
2004 - 05	5	1927	1597
2005 - 06	28	1869	1534
2006 - 07	29	1816	1701
2007 - 08	31	2667	2519
2008 - 09	28	1869	1534
2009 - 10	13	333	283
2010 - 11	10	639	612
2011 - 12	6	327	390
Linear Growth			6.87%
Compound Growth			7.11%

Source: Annual Reports of Exim Bank of India (1991-92 to2011 – 12)

The table 4.6.1 shows the assistance extended by the Exim bank assistance under during the period of the study. It has been noticed during the year 2011-12, amount approved and disbursed are Rs 327 Crores and Rs.390 Crores respectively. During the year 1992 -93, Rs 24.02 and Rs. 4.07 has been sanctioned and disbursed**.** The Linear and compound Growth rate of disbursement under Working capital Finance scheme are 6.87% and 7.11% respectively.

Table – 4.6.2: Paired Samples Statistics of Financial Assistance to Working Capital Finance

Scheme	Mean	Std. Deviation	t value
Working Capital Finance (DECADE 1)	5.1230	.86396	
Working Capital Finance (DECADE 2)	6.6830	.87837	
Working Capital Finance 1 - Working Capital Finance 2	-1.56000	1.47087	-3.354*

* Significance at 1% level

The above table 4.6.2 shows the paired t test for financial assistance to Working capital terms loan by EXIM Bank of India. It gives the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -3.354 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Working capital terms loan.

4.2.6 ASSISTANCE UNDER TECHNOLOGY UP-GRADATION FUND (TUF) SCHEME

EXIM Bank is one of the nodal agencies appointed by GOI, Ministry of Textiles, to establish and approve the eligibility of projects under Technology up-gradation Fundand release subsidies directly to the approved projects. The Bank's assistance under TUFS to the textile industry is spread across various segments in textile manufacturing and covers several states in India.

Table 4.7.1: Assistance under Technology Up-gradation Fund Scheme (` Crs.)

Year	No. of Projects	Sanction	Disbursements
1992 - 93	76	13.89	4.07
1993 - 94	41	46.6	50.78
1994 - 95	13	99.33	59.19
1995 - 96	21	156	106
1996 - 97	18	129	88.4
1997 - 98	10	61.64	58.14
1998 - 99	16	4.05	29.59
1999 - 00	9	159	47.45
2000 - 01	14	87.72	81.14
2001 - 02	21	88	81
2002 - 03	17	132	122
2003 - 04	32	202	98
2004 - 05	67	669	228
2005 - 06	156	3202	2419
2006 - 07	138	2536	1611
2007 - 08	148	2780	1866
2008 - 09	156	3202	2419
2009 - 10	161	3152	2504
2010 - 11	164	3205	2554
2011 - 12	187	4108	2888
Linear Growth			29.41 %
Compound Growth			34.20 %

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The above table 4.7.1 depicts the financial Assistance under Technology Up-gradation Fund Scheme of the Exim bank of India during the period of the study. The Linear and compound Growth rate of disbursement under Technology Up-gradation Fund Scheme are 29.41% and 34.20 % respectively**.** It has been noticed during the year 2011-12, amount approved and disbursed are Rs. 4108 Crores and Rs.2888 Crores respectively. During the year 1992 -93 amounts of Rs13.89 and Rs. 4.07 has been sanctioned and disbursed.

Table – 4.7.2: Paired Samples Statistics of Financial Assistance to Technology up gradation Fund

Scheme	Mean	Std. Deviation	t value
Technology up gradation Fund (DECADE 1)	3.8650	.94059	
Technology up gradation Fund (DECADE 2)	6.8950	1.37747	
Technology up gradation Fund 1 - Technology up gradation Fund 2	-3.03000	1.15872	-8.269*

* Significance at 1% level

The above table 4.7.2 shows the paired t test for financial assistance to Technology up-gradation Fund by EXIM Bank of India. It gives the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -8.269 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Technology up-gradation Fund.

4.2.7 ASSISTANCE UNDER IMPORT FINANCE SCHEME

Under this program, finance is provided for import of capital goods/plant and machinery, technology/know-how. EXIM banks finance is available to Indian manufacturing companies. Finance is available by way of term loans in Indian rupees/foreign currency. Interest rate is based on prevailing market rates. Rupees term loan is linked to banks minimum lending rate and the foreign currency term loan at floating or fixed interest rates based on banks cost of funds. Interest is payable on reducing balances at half yearly rates. Interest tax is payable as applicable. Services fee of one percent of loan amount is payable upfront. Repayment is over a period upto 7 years, determined on the basis of projected cash flow with suitable moratorium; security is in the form of appropriate charge on the asset acquired out of the loan.

Table 4.8.1: Assistance under Import Finance Scheme

(` Crs.)

Year	Sanction	Disbursement
1992 - 93	42	42
1993 - 94	6	6
1994 - 95	21.24	21.24
1995 - 96	55	55
1996 - 97	22.2	35.81
1997 - 98	8.26	31.42
1998 - 99	6.52	7.17
1999 - 00	8.95	8.95
2000 - 01	140	164
2001 - 02	77.96	66.77
2002 - 03	158	106.73
2003 - 04	904	581
2004 - 05	1163	343
2005 - 06	587	177
2006 - 07	1427	521
2007 - 08	815	478
2008 - 09	587	1730
2009 - 10	690	93
2010 - 11	3678	283
2011 - 12	810	1000
Linear Growth		29.88%
Compound Growth		34.83%

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The above table 4.8.1 depicts the financial assistance under Import Finance Scheme of the Exim bank of India during the period of the study. It has been noticed during the year 2011-12, amount approved and disbursed are Rs.1109 Crores and Rs.611 Crores respectively. During the year 1992 -93 Rs. 42 and Rs. 42 has been sanctioned and disbursed. The Linear and compound Growth rate of disbursement under Import Finance Scheme are 29.88% and 34.83% respectively.

Table – 4.8.2: Paired Samples Statistics of Financial Assistance to Import Finance

Scheme	Mean	Std. Deviation	t value
Import Finance (DECADE 1)	3.3090	1.06388	
Import Finance (DECADE 2)	6.0400	.82683	
Import Finance 1 - Import Finance 2	-2.73100	1.43495	-6.018*

* Significance at 1% level

The table 4.8.2 shows the paired t test for financial assistance to Import Finance by EXIM Bank of India. It gives the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -6.018 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Import Finance.

4.2.8 ASSISTANCE UNDER BULK IMPORT FINANCE SCHEME (BIF)

The objective of this program is to provide short term working capital finance to manufacturing companies to import consumable inputs. Under the programme, BIF is offered for import of eligible items with a minimum order size of `.1 crore. This is granted as short term loans in Indian rupees and foreign currency. As regards interest rates, 1 percent is charged on cash credit facility in rupees loans charged by the commercial banker subject to a minimum interest rate fixed by EXIM banks. The interest rate on foreign currency loans depends on costs of funds to EXIM bank with a maximum of 0.75 percent over LIBOR. The loans are to be repaid within 1 year, the security being pari-passu charge on current assets. Bank conducts preliminary discussions with the promoters to determine scope for EXIM banks finance.

Table 4.9.1: Assistance Under Bulk Import Scheme (` Crs.)

Year	Sanction	Disbursement
1992-93	74	58
1993-94	186	126
1994-95	190	110
1995-96	84.45	37.9
1996-97	81.47	80.53
1997-98	40	40
1998-99	78	73.5
1999-00	95	89.27
2000-01	139.9	139.9
2001- 02	156.4	146
2002- 03	25	30
2003 - 04	127	102
2004 - 05	1237	739
2005-06	1715	1730
2006 -07	1988	1884
2007 -08	811	940
2008 - 09	1715	1730
2009 - 10	3850	5399
2010 - 11	1875	3985
2011-12	2925	2055
Linear Growth		24.52%
Compound Growth		27.79%

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The above table 4.9.1 depicts the financial assistance under Bulk Import finance Scheme of the Exim bank of India during the period of the study. The Linear and compound Growth rate of disbursement under Bulk Import finance Scheme are 24.52% and 24.52% respectively. It has been noticed during the year 2011-12, amount approved and disbursed are Rs 2925 Crores and Rs.2055 Crores respectively. During the year 1992 -93 Rs74 and Rs. 58 has been sanctioned and disbursed.

Table – 4.9.2: Paired Samples Statistics of Assistance under Bulk Import Finance

Scheme	Mean	Std. Deviation	t value
Bulk Import Finance (DECADE 1)	4.4480	.52059	
Bulk Import Finance (DECADE 2)	6.8450	1.62831	
Bulk Import Finance 1 - Bulk Import Finance 2	-2.39700	1.58898	-4.770*

* Significance at 1% level

The table 4.9.2 shows the paired t test for financial assistance to Bulk Import Finance by EXIM Bank of India. It gives the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -4.770 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Bulk Import Finance.

4.2.9 FINANCIAL ASSISTANCE TO PROJECT EXPORTS

Project Exports, in essence, connotes setting up of projects overseas as construction and/or engineering projects. It does also involve the export of engineering consultancy or other engineering services / goods complement as desired by the project owner. Most of the overseas projects are contracted, in dollars, and large engineering contractors who have been operating overseas for quite some time have learnt the mechanism of necessary safeguards against fluctuations in dollars. A decade in the history of Indian Project Exports has just gone by - in which Indian engineering contractors and consultants have not only established an impressive array of clientele in diverse fields of operation across the globe but have also covered almost all sectors of civil engineering and industrial projects, most multilaterally funded and involved international competitive bidding procedure.

Table – 4.10.1: Assistance under Project Export Scheme(` Crs.)

	No of Contracts	Sanction	No of Country Covered	No of Exporters
1992 – 93	69	1270	10	-
1993 – 94	67	1677	28	-
1994 – 95	56	1703	25	-
1995 – 96	74	1603	24	38
1996 – 97	63	2320	20	34
1997 – 98	60	1895	21	32
1998 – 99	63	3307	24	28
1999 – 00	53	3444	19	27
2000 – 01	83	1833	23	21
2001 – 02	59	4162	26	34
2002 – 03	59	6531	45	110
2003 – 04	164	7543	48	96
2004 – 05	570	7945	64	89
2005- 06	568	13530	64	174
2006 – 07	820	18490	93	172
2007 – 08	977	32683	92	147
2008 – 09	1325	33527	105	152
2009 – 10	1201	18378	95	129
2010 – 11	1145	28348	96	187
2011 – 12	1,146	31915	84	226
Linear Growth				18.82%
Compound Growth				20.71%

Source: Annual Reports of Exim Bank of India (1992-93 to2011 – 12)

The above table 4.10.1 depicts the assistance under Project Export Finance Scheme, with No. of contracts secured, No of country covered and the No of exporters of the Exim bank of India during the period of the study. It has been noticed during the year 2011-12, amount approved and disbursed are Rs31915. During the year 1992 -93, Rs1090 has been sanctioned and disbursed. The Linear and compound Growth rate of disbursement under Project Export Finance Scheme are 18.82% and 20.71% respectively.

Table – 4.10.2: Paired Samples Statistics of Financial Assistance under Project Export Finance (PEF)

Schemes	Mean	Std. Deviation	t value
Project Export Finance (DECADE 1)	4.8210	.80709	
Project Export Finance (DECADE 2)	9.2860	1.06498	
Project Export Finance1 - Project Export Finance2	-4.46500	1.67386	-8.435*

* Significance at 1% level

The table 4.10 shows the paired t test for financial assistance to Project Export Finance by EXIM Bank of India. It gives the result of the analysis of paired t test such as mean, standard deviation (SD) for the first decade (1992-93 to 2001-02) and second decade (2002-03 to 2011-12) of the reform period. The t value is derived by subtracting the mean, SD of the second decade with the first decade. The t value -8.435 significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Project Export Finance.

4.3 ANALYSIS OF VARIANCE UNDER VARIOUS SCHEMES OF ASSISTANCE

An attempt has been made by the researcher, to find out whether there is significant difference in the operational efficacy of Exim Bank of India between schemes, within the scheme, between first and second decade of the post reform period and overall period of the study. ANOVA has been applied for the same purpose.

Analysis of Variance is used to compare the means of more than two populations. It uncovers the main and interaction effects of classification or independent variables on one or more dependent variable. The F statistics calculates the ratio between the variance due to difference between groups and the error variance.

F = Variance due to difference between groups / Error variance

H_{o1}: There is no significant difference among the various schemes of assistance during the first decade of the reform period

The descriptive statistics during the first decade, towards various schemes of financial assistance has been extended by the Exim Bank of India. The mean and the standard deviation for the first decade of the reform period has been assessed and exhibited in the table given below, to compute ANOVA for various schemes**.**

Table – 4.11: Descriptive Statistics for the first decade

Schemes (Decade1)	Decade 1 of Post Reform Period	
	Mean	Std. Deviation
Export Oriented Units (EOU)	5.6810	.72196
Production and Equipment Finance PEF	5.1740	.68578
Working Capital Finance (WCF)	5.1230	.86396
Technology up gradation Fund (TUF)	3.8650	.94059
Overseas Investment Finance (OIF)	3.7620	1.36640
Bulk Import Finance (BIF)	4.4480	.52059
Import Finance (IF)	3.3090	1.06388
Project Export Finance(PF)	4.8210	.80709
Total	4.5229	1.15806
N=10 Years		

Analysis of Variance

Decade1	Sum of Squares	Degree of Freedom	Mean Square	F-Value	Sig.
Between Years	47.051	7	6.722	8.217*	.000
Within Years	58.895	72	.818		
Total	105.946	79			

*Significance at 1% level

The table 4.11 reveals the descriptive statistics of the first decade of financial assistance extended by the Exim Bank of India towards various schemes. The highest mean is 5.6810 for the scheme Export Oriented Units and the highest standard deviation for Overseas Investment Finance scheme is 1.36640 during the first decade of the reform period.

The result of the one way ANOVA under the various years of assistance by Exim Bank of India during the first decade has been depicted above. The first row labeled Between the Schemes enables the variability due to financial assistance provided under various schemes. The second row labeled within groups gives variability due to random error, and the third row gives the total variability. The F value is 8.217and the corresponding p-value is given as <0.000. Therefore the null hypothesis is rejected and concludes that the average Schemes provided by the EXIM Bank of India is not the same in all the years of the First Decade.

H_{o2}: There is no significant difference among the various schemes of assistance during the Second decade of the reform period

The descriptive statistics during the second decade, towards various schemes of financial assistance has been extended by the Exim Bank of India. The mean and the standard deviation for the Second decade of the reform period has been assessed and exhibited in the table given below, to compute ANOVA for various schemes.

Table – 4.12: Descriptive Statistics for the Second decade

Scheme (Decade 2)	Decade 1 of Post Reform Period	
	Mean	Std. Deviation
Export Oriented Units (EOU 2)	7.1590	.77030
Production and Equipment Finance (PEF 2)	5.6740	.43998
Working Capital Finance (WCF 2)	6.6830	.87837
Technology up gradation Fund (TUF 2)	6.8950	1.37747
Overseas Investment Finance (OIF 2)	6.8590	2.06826
Bulk Import Finance (BIF 2)	6.8450	1.62831
Import Finance (IF 2)	6.0400	.82683
Project Export Finance(PF 2)	9.2860	1.06498
Total	6.9301	1.55205
N= 10 Years		

Analysis of Variance

Decade 2	Sum of Squares	Df	Mean Square	F	Sig.
Between Years	80.473	7	11.496	7.537*	.000
Within Years	109.826	72	1.525		
Total	190.299	79			

*Significance at 1% level

From the table 4.12 it is apparent that descriptive statistics of various schemes of financial assistance extended by the Exim Bank of India. It also shows the highest mean as 9.28 for the scheme Project Export Finance and the highest standard deviation as 2.068 for Overseas Investment Finance scheme during second decade of the reform period.

The result of the one way ANOVA under the various years of assistance by Exim Bank of India during the second decade has been exhibited above. The first row labeled between the years enables the variability due to financial assistance provided under various schemes. The second row labeled within years gives variability due to random error, and the third row gives the total variability. The F value is 7.537and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance to various Schemes provided by the EXIM Bank of India is not the same in all the years of the Second Decade.

H_{o3}: There is no significant difference between the years and the various schemes of assistance during the first decade of the reform period

The descriptive statistics over the years of assistance under various schemes has been extended by the Exim Bank of India. It also exhibits the mean and the standard deviation for the various years in first decade of the reform period, so as to compute ANOVA, over the years of assistance for various schemes.

Table – 4.13: Descriptive Statistics for various Schemes

Years	Mean	Std. Deviation
1992-93	3.8938	1.12844
1993-94	3.7525	1.66110
1994-95	4.4487	.83533
1995-96	4.6712	.87089
1996-97	4.6262	.96279
1997-98	4.6175	.90426
1998-99	4.5162	1.30283
1999-00	4.5500	1.36616
2000-01	5.1375	.62602
2001-02	5.0150	1.43252
Total	4.5229	1.15806
N= 8 Schemes		

Analysis of Variance					
Schemes (Decade-1)	Sum of Squares	Df	Mean Square	F	Sig.
Between schemes	13.257	9	1.473	5.112*	.046
Within Schemes	92.689	70	1.324		
Total	105.946	79			

The table 4.13 shows the descriptive statistics over the years of assistance for various schemes extended by the Exim Bank of India. It also exhibits the highest mean as 5.13 during 2000–01 and the standard deviation as1.661 during 1993-94 among the various years in first decade of the reform period.

The result of the one way ANOVA under the various schemes of assistance of Exim Bank of India has been exhibited above. The first row labeled between the schemes enables the variability due to financial assistance provided over the period. The second row labeled within years gives variability due to random error, and the third row gives the total variability. The F value is 7.537and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance over the period under various Schemes provided by the EXIM Bank of India is not the same in all the schemes of the Second Decade.

H_{o4}: There is no significant difference between the years and the various schemes of assistance during the Second decade of the reform period

The descriptive statistics over the years of assistance under various schemes has been extended by the Exim Bank of India are exhibited. It also exhibits the mean and the standard deviation for the various years in second decade of the reform period, so as to compute ANOVA, over the years of assistance for various schemes.

Table – 4.14: Descriptive Statistics for various Schemes

Scheme2	Mean	Std. Deviation
2002-03	5.5112	1.65672
2003-04	5.3600	1.47559
2004-05	6.7188	1.01806
2005-06	7.1187	1.32919
2006-07	7.5775	1.66276
2007-08	7.3975	1.17938
2008-09	7.4675	1.19174
2009-10	6.9575	1.73300
2010-11	7.5600	1.46250
2011-12	7.6325	1.20638
Total	6.9301	1.55205
N= 8 Schemes		

Analysis of Variance

Scheme (Decade 2)	Sum of Squares	Df	Mean Square	F	Sig.
Between Schemes	51.007	9	5.667	2.848*	.006
Within Schemes	139.292	70	1.990		
Total	190.299	79			

The table 4.14 enables the descriptive statistics over the years of assistance for various schemes extended by the Exim Bank of India. It also exhibits the mean and the standard deviation for the various years in Second decade of the reform period, so as to compute ANOVA, over the years of assistance for various schemes.

The result of the one way ANOVA under the various years of assistance of Exim Bank of India has been shown above. The first row labeled between the schemes enables the variability due to financial assistance provided over the period. The second row labeled within years gives variability due to random error, and the third row gives the total variability. The F value is 2.848 and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance under various Schemes provided by the EXIM Bank of India is not the same in all the schemes of the Second Decade.

H_{o5}: There is no significant difference among the various schemes of assistance during the reform period

Given below is the descriptive statistics over the years of assistance for various schemes extended by the Exim Bank of India. It also shows the mean and the standard deviation for the various years in first decade of the reform period, so as to compute ANOVA, over the years of assistance for various schemes.

Table – 4.15: Descriptive Statistics for the reform period (1992-93 to 2011-12)

Schemes	Mean	Std. Deviation
EOU	6.4200	1.05016
PEF	5.4240	.61665
WC	5.9030	1.16596
TUF	5.3800	1.93233
OIF	5.3105	2.33125
BIF	5.6465	1.70185
FFI	4.6745	1.68009
PF	7.0535	2.46823
Total	5.7265	1.82236
N= 20 Years		

Analysis of Variance

Reform Period	Sum of Squares	Df	Mean Square	F	Sig.
Between Years	75.415	7	10.774	3.618	.001
Within Years	452.624	152	2.978		
Total	528.039	159			

The table 4.15 shows the descriptive statistics over the years of assistance for various schemes extended by the Exim Bank of India. It also exhibits the highest mean as 7.05 for Project export finance and the high standard deviation as 2.46 for the various years in first decade of the reform period, so as to compute ANOVA, over the years of assistance for various schemes.

The result of the one way ANOVA under the various schemes of assistance of Exim Bank of India has been exhibited above. The first row labeled between the schemes enables the variability due to financial assistance provided over the period. The second row labeled within years gives variability due to random error, and the third row gives the total variability. The F value is 5.112and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance over the period under various Schemes provided by the EXIM Bank of India is not the same in all the years over the period of the study.

H_{o6}: There is no significant difference between the years and the various schemes of assistance during the Second decade of the reform period

The descriptive statistics over the years of assistance under various schemes has been extended by the Exim Bank of India are exhibited. It also exhibits the mean and the standard deviation for the various years of the study period, so as to compute ANOVA, over the years of assistance for various schemes.

Table – 4.16: Descriptive Statistics for various Schemes of assistance

Reform Period	Mean	Std. Deviation
1992-93	3.8938	1.12844
1993-94	3.7525	1.66110
1994-95	4.4487	.83533
1995-96	4.6712	.87089
1996-97	4.6262	.96279
1997-98	4.6175	.90426
1998-99	4.5162	1.30283
1999-00	4.5500	1.36616
2000-01	5.1375	.62602
2001-02	5.0150	1.43252
2002-03	5.5112	1.65672
2003-04	5.3600	1.47559
2004-05	6.7188	1.01806
2005-06	7.1187	1.32919
2006-07	7.5775	1.66276
2007-08	7.3975	1.17938
2008-09	7.4675	1.19174
2009-10	6.9575	1.73300
2010-11	7.5600	1.46250
2011-12	7.6325	1.20638
Total	5.7265	1.82236
N= 8 Schemes		

Analysis of Variance

Schemes	Sum of Squares	Df	Mean Square	F	Sig.
Between Schemes	296.058	19	15.582	9.404	.000
Within Schemes	231.981	140	1.657		
Total	528.039	159			

The table 4.16 shows the descriptive statistics over the years of assistance for various schemes extended by the Exim Bank of India. It also exhibits the highest mean as 7.63 and the standard deviation as1.82 during the year 2011 – 12 for the various years of the study period, so as to compute ANOVA, over the years of assistance for various schemes.

The result of the one way ANOVA under the various schemes of assistance of Exim Bank of India has been exhibited above. The first row labeled between the schemes enables the variability due to financial assistance provided over the period. The second row labeled within years gives variability due to random error, and the third row gives the total variability. The F value is 9.404and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance over the period under various Schemes provided by the EXIM Bank of India is not the same in all the schemes of the Second Decade.

In this chapter, scheme wise analysis of sanctions and disbursement of loan extended by the exim bank of India were discussed and analysed for the I decade and II decade of the financial sector reform period. Further overall analysis for the entire period of the study has also been carried out. The analysis was based on the classification of major schemes namely Export Oriented Units (EOUs), Production Equipment Finance(PEP),Working Capital Finance (WCF), Technology Up gradation Fund (TUF), Overseas Investment Finance (OIF), Import Finance (IF), Project Export Finance(PF). The assistance provided towards the various schemes was in an increasing trend during both the decade of reform period. Among the schemes Project Export finance has been identified as a major contributor towards the business of the Export Import Bank. In case of the overall financial assistance under the various schemes extended by the Export Import Bank of India is in an ascending trend. The Gap between the sanction and disbursement of financial assistance by the Exim Bank is also gradually declining during the period of study. To conclude, the analysis of the operating efficacy of Export Import Bank of India exhibits a better lending performance during study period.

CHAPTER V

FINANCIAL EFFICACY OF EXIM BANK OF INDIA – AN EVALUATION

5.1 SOLVENCY RATIOS

5.1.1CURRENT RATIO

5.1.2 DEBT EQUITY RATIO

5.1.3 FIXED ASSET RATIO

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CHAPTER V

FINANCIAL EFFICACY OF EXIM BANK OF INDIA – AN EVALUATION

Financial statements are indicators of two significant factors such as profitability and financial soundness. Analysis and interpretation of financial statement therefore refers to such a treatment of information contained in the financial reports so as to afford full diagnosis of the profitability and financial soundness of the financial institutions. A distinction can be made between analysis and interpretation. The analysis means methodical classification of data given in financial statements in a simplified form. The interpretation means explaining the meaning and significance of the data so simplified. However both analysis and interpretation are complement to each other. Financial statement analysis is largely a study of relationship among various financial factors in a financial institution as disclosed by a set of financial reports and a study of these factors as shown in a series of statements.

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing into its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. A financial statement is an organised collection of data according to logical and consistent accounting procedure. Its purpose is to convey an understanding of some financial aspects of financial institutions.

Financial ratios indicate about the financial position of the institutions. An institution is deemed to be financially sound if it is in a position to carry on its business activities smoothly and meets its obligations, both short term as well as long term without strain. It is a sound principle of finance that the short term requirement of funds should me met out of short term funds and long term requirement should be met out by long term funds.

In this chapter the researcher has made an attempt to analyse liquidity, solvency and profitability of EXIM Bank of India with the aid of its financial statement information.

5.1 SOLVENCY RATIOS

5.1.1CURRENT RATIO

A current ratio is an index of the institutions financial stability. Since it shows the extent of working capital which is the amount by which current asset exceeds current liabilities. It also exhibits the short term solvency of an institution. Higher the solvency ratio states a strong financial position. Lesser the solvency ratio indicates weaker financial position. It is an indicator of the EXIM Bank‘s commitment to meet the short term liabilities. It establishes the relationship between two variables that is current assets and current liabilities.

Table: 5.1 Current Ratio			
Year	Current assets (`. Millions)	Current liabilities (`.Millions)	Current Ratio (in times)
1991-92	4257.7	3750.2	1.14
1992-93	5529.3	5510.8	1.00
1993-94	3901.7	4264.6	0.91
1994-95	3127.3	6068.3	0.52
1995-96	5098.4	7099	0.72
1996-97	8345.8	8708.1	0.96
1997-98	6450.8	8706.4	0.74
1998-99	7611.4	9082	0.84
1999-00	9766.4	11289.4	0.87
2000-01	9688.7	11878.4	0.82
2001-02	6488.7	11053.2	0.59
2002-03	18817.3	13064.3	1.44
2003-04	32532.5	14594	2.23
2004-05	36106.8	17136.7	2.11
2005-06	10513.4	12824.7	0.82
2006-07	13943.5	16798.7	0.83
2007-08	54705.8	23640.7	2.31
2008-09	66524.4	31397.9	2.12
2009-10	52947.3	20406.4	2.59
2010-11	58069.2	23392.4	2.48
2011-12	59026.3	30299.3	1.95

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12

The table 5.1 depicts Current ratio of the EXIM Bank of India. The financial soundness of EXIM Bank was high during the second decade of the reform period, in 2009-10 was 2.59 as compared with that of the first decade of the reform period very low, in 1994 -95was 0.52.The current ratio states the the banks short term solvency is in a better position.

5.1.2 DEBT EQUITY RATIO

Long term solvency enables the financial institution like EXIM Bank of India to ascertain the soundness of the financial policies of the institution or Bank. It states the relationship between long term borrowing and the shareholders fund. The ratio indicates the proportion of owner stake in business. Excessive liabilities tend to cause insolvency. The ratio indicates the extent to which the firm depends upon outsiders for its existence. The ratio provides a margin of safety to the creditors it also tells the owners the extent to which they can gain the benefits or maintain control within a limited investments.

Table:5.2 Debt - Equity Ratio

Year	Long term borrowings (`. Millions)	Shareholder's funds (`. Millions)	Ratio in times
1991-92	15737.6	5468.8	2.88
1992-93	16273.3	5462.1	2.98
1993-94	17324.9	6150.3	2.82
1994-95	20870.3	7860.3	2.66
1995-96	22207.3	9375	2.37
1996-97	29517.1	10625.9	2.78
1997-98	30075.1	12256.2	2.45
1998-99	34135.9	13564	2.52
1999-00	41298.2	15310.9	2.70
2000-01	43169.5	16405.5	2.63
2001-02	53193.2	18784.6	2.83
2002-03	90489.8	19944.6	4.54
2003-04	119205.4	21721.4	5.49
2004-05	142058.8	25424.2	5.59
2005-06	160090	28382.5	5.64
2006-07	216616.2	29068.7	7.45
2007-08	317163.2	32410.5	9.79
2008-09	372022.9	39060.4	9.52
2009-10	405087.3	45714.4	8.86
2010-11	471917.4	52719.5	8.95
2011-12	546545.8	60449.5	9.04

Source: Compiled from various annual reports of Exim Bank of India 1991 - 92 to 2011-12

The table 5.2 reveals the Debt Equity ratio of Exim Bank of India. The ratio indicates the proportion of owner stake in business. During the second decade of the reform period which is very high in 2007–08 as 9.79, when compared to the first decade of the financial sector reform period, the debt equity ratio was low in 1997–98 as 2.45 times which establishes the financial instability in the long run because of its huge borrowing in both the decades of the reform period.

5.1.3 FIXED ASSET RATIO

The ratio explains whether the firm has raised adequate long term funds to meet its fixed asset requirements. The purpose of calculating this ratio is to ascertain the proportion of long term funds invested in fixed assets. The ratio should be less than 1. If the ratio is less than one it indicates that portion of working capital has been financed by long term funds.

Table 5.3 Fixed Asset Ratio			
Year	Net fixed assets (`. Millions)	Long term borrowings (`. Millions)	Ratio in times
1991-92	103.8	15737.6	0.006596
1992-93	89	16273.3	0.005469
1993-94	75.1	17324.9	0.004335
1994-95	98.7	20870.3	0.004729
1995-96	109.5	22207.3	0.004931
1996-97	267.4	29517.1	0.009059
1997-98	250.1	30075.1	0.008316
1998-99	258	34135.9	0.007558
1999-00	317.7	41298.2	0.007693
2000-01	355.1	43169.5	0.008226
2001-02	504.7	53193.2	0.009488
2002-03	503	90489.8	0.005559
2003-04	630.1	119205.4	0.005286
2004-05	587.9	142058.8	0.004138
2005-06	575.7	160090	0.003596
2006-07	812.1	216616.2	0.003749
2007-08	753.4	317163.2	0.002375
2008-09	884.5	372022.9	0.002378
2009-10	907.7	405087.3	0.002241
2010-11	859.9	471917.4	0.001822
2011-12	909.9	546545.8	0.001665

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12.

The table5.3 reveals the relationship between the net fixed assets and long term borrowings of Exim Bank of India. The Exim Bank has not raised long term funds to meet its fixed asset requirements. The ratio also indicates during the first and second decade of the reform period it is less than one, and explains the same.

5.1.4 PROPRIETARY RATIO

This ratio shows the general soundness of the company. It is a ratio which compares the shareholder's funds and total tangible assets. It is of particular interest to the creditors of the company as it helps them to ascertain the shareholder's funds in total assets of the business. A high ratio indicates safety to the creditors and a low ratio shows greater risk to creditors.

Table 5.4 Proprietary Ratio

Year	Shareholder's funds (`. Millions)	Net fixed assets (`. Millions)	Ratio in Times
1991-92	5468.8	103.8	52.69
1992-93	5462.1	89	61.37
1993-94	6150.3	75.1	81.89
1994-95	7860.3	98.7	79.64
1995-96	9375	109.5	85.62
1996-97	10625.9	267.4	39.74
1997-98	12256.2	250.1	49.01
1998-99	13564	258	52.57
1999-00	15310.9	317.7	48.19
2000-01	16405.5	355.1	46.20
2001-02	18784.6	504.7	37.22
2002-03	19944.6	503	39.65
2003-04	21721.4	630.1	34.47
2004-05	25424.2	587.9	43.25
2005-06	28382.5	575.7	49.30
2006-07	29068.7	812.1	35.79
2007-08	32410.5	753.4	43.02
2008-09	39060.4	884.5	44.16
2009-10	45714.4	907.7	50.36
2010-11	52719.5	859.9	61.31
2011-12	60449.5	909.9	66.44

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12.

The table5.4 reveals the Proprietary ratio of Exim Bank of India. It further elicits that the is very high proprietary ratio which states the greater soundness of the Exim bank of India during the first and second decade of reform period.

5.1.5 CAPITAL TO ASSET RATIO

This ratio is compared with capital with total asset of Exim bank of India . It explain the relationship between the capital and assets.

Table 5.5 Capital to Asset Ratio

Year	Total capital (`. Millions)	Total assets (`. Millions)	Ratio in %
1991-92	2961.5	24956.6	11.87
1992-93	3355.8	27246.2	12.32
1993-94	3574.2	29244.2	12.22
1994-95	4403.3	36418.7	12.09
1995-96	4999.9	40085.6	12.47
1996-97	4999.9	49510.7	10.10
1997-98	4999.9	51408.8	9.73
1998-99	4999.9	56885.8	8.79
1999-00	5499.9	70515.7	7.80
2000-01	5499.9	74250.6	7.41
2001-02	6499.9	83031	7.83
2002-03	6499.9	123499	5.26
2003-04	6499.9	155521	4.18
2004-05	8499.9	184640	4.60
2005-06	9499.9	202114	4.70
2006-07	9999.9	263205	3.80
2007-08	10999.9	374384	2.94
2008-09	13999.9	443879	3.15
2009-10	16999.9	472752	3.60
2010-11	19999.9	548029	3.65
2011-12	22999.9	637295	3.61

Source: Compiled from various annual reports of Bank of India1991 -92 to 2011 -12.

The table 5.5 exhibits the ratio between the capital to total assets of Exim bank of India. It also explains that there is low ratio of 2.94 % during the year 2007 – 08 in the second decade of reform when compared to the first decade it records a high ratio of 12.47 % in 1995 – 96.

5.2 PROFITABILITY RATIOS

5.2.1 PBT TO CAPITAL RATIO

This is ratio between profit before tax and Capital. It explains the relationship between the variables profit before tax with capital. It states the return that a firm has earned. Higher the ratio, higher the profitability of the firm and vice versa

Table 5.6 PBT to Capital Ratio			
Year	PBT (`.Millions)	Total capital (`. Millions)	Ratio in percentage
1991-92	562	2961.5	18.98
1992-93	498.8	3355.8	14.86
1993-94	606.8	3574.2	16.98
1994-95	811.6	4403.3	18.43
1995-96	1140.7	4999.9	22.81
1996-97	1569.1	4999.9	31.38
1997-98	2034.7	4999.9	40.69
1998-99	2418.8	4999.9	48.38
1999-00	2297.5	5499.9	41.77
2000-01	2071.9	5499.9	37.67
2001-02	2237.1	6499.9	34.42
2002-03	2708.6	6499.9	41.67
2003-04	3063.3	6499.9	47.13
2004-05	3160.6	8499.9	37.18
2005-06	3788	9499.9	39.87
2006-07	2932.4	9999.9	29.32
2007-08	5362.5	10999.9	48.75
2008-09	6897.6	13999.9	49.27
2009-10	7753.2	16999.9	45.61
2010-11	8705.4	19999.9	43.53

2011-12	10169.3	22999.9	44.21

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12.

The table 5.6 elicits the ratio between the profit before tax and capital of Exim bank of India. It also further state about the profitability of the Exim Bank of India. It has been recorded that a higher profitability of 49.27 % during the year 2008 – 09 in the second decade of financial sector reform when compared with the first decade of the reform it has been recorded a lower profitability of 14.86 % during the year 1992 – 93.

5.2.2 PBT TO NET WORTH RATIO

This ratio compares the relationship between profits before tax to net worth. It explains return on net worth. It also further states more the ratio more is the return on net worth of the firm and vice versa. It is a measure of profit before tax and net worth.

Table 5.7 PBT to Net worth Ratio

Year	PBT (`.Millions)	Net worth (`. Millions)	Ratio %
1990-91	461.7	4618.1	10.00
1991-92	562	5468.8	10.28
1992-93	498.8	5462.1	9.13
1993-94	606.8	6150.3	9.87
1994-95	811.6	7860.3	10.33
1995-96	1140.7	9375	12.17
1996-97	1569.1	10625.9	14.77
1997-98	2034.7	12256.2	16.60
1998-99	2418.8	13564	17.83
1999-00	2297.5	15310.9	15.01
2000-01	2071.9	16405.5	12.63
2001-02	2237.1	18784.6	11.91
2002-03	2708.6	19944.6	13.58
2003-04	3063.3	21721.4	14.10
2004-05	3160.6	25424.2	12.43
2005-06	3788	28382.5	13.35
2006-07	2932.4	29068.7	10.09
2007-08	5362.5	32410.5	16.55
2008-09	6897.6	39060.4	17.66
2009-10	7753.2	45714.4	16.96
2010-11	8705.4	52719.5	16.51
2011-12	10169.3	60449.5	16.82

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12

The table 5.7 elicits the ratio between the profits before tax to net worth of Exim bank of India. It also further state about the profitability of the Exim Bank of India. It has been recorded that a higher profitability of 17.66 % during the year 2008 – 09 in the second decade of financial sector reform when compared with the first decade of the reform it has been recorded a lower profitability of 9.13% during the year 1992 – 93.

5.2.3 RETURN ON CAPITAL EMPLOYED

Return on Capital Employed is a ratio that indicates the efficiency and profitability of a company's capital investments. It is a measure of business performance. The amount of capital employed is calculated by subtracting current liabilities from total assets. It is a measure of pre- tax earnings belonging to all sources of finance and represents total financing.

Table5.8 Return on Capital Employed

Year	PBT (`.Millions)	Capital Employed (`.Millions)	Ratio %
1990-91	461.7	17998	2.57%
1991-92	562	21206.4	2.65%
1992-93	498.8	21735.4	2.29%
1993-94	606.8	23475.2	2.58%
1994-95	811.6	28730.6	2.82%
1995-96	1140.7	31582.3	3.61%
1996-97	1569.1	40143	3.91%
1997-98	2034.7	42331.3	4.81%
1998-99	2418.8	47699.9	5.07%
1999-00	2297.5	56609.1	4.06%
2000-01	2071.9	59575	3.48%
2001-02	2237.1	71977.8	3.11%
2002-03	2708.6	110434.4	2.45%
2003-04	3063.3	140926.8	2.17%
2004-05	3160.6	167483	1.89%
2005-06	3788	188472.5	2.01%
2006-07	2932.4	245684.9	1.19%
2007-08	5362.5	349573.7	1.53%
2008-09	6897.6	411083.3	1.68%
2009-10	7753.2	450801.7	1.72%
2010-11	8705.4	524636.9	1.66%
2011-12	10169.3	606995.3	1.68%

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12

The table 5.8 elicits the ratio between the profits before tax to Capital Employed of Exim bank of India. It also further state about the profitability of the Exim Bank of India. It has been recorded a lower return of 1.19 % during the year 2006 – 07 in the second decade of financial sector reform when compared with the first decade of the reform it has been recorded a higher return of 5.07% during the year 1998 – 99.

5.2.4 INTEREST SPREAD

Interest Spread is the difference between the interest income earned and interest expended. It explains the spread of the interest income over the interest expenditure. The spread between the interest income and interest income is useful for Banks and Development Financial Institutions.

Table5.9 Interest spread of Exim Bank of India (`.Millions)			
Year (1)	Interest Income (2)	Interest Paid (3)	Spread (4)=(2)-(3)
1991-92	1792.2	1132.2	660.0
1992-93	1871.6	1275.1	596.5
1993-94	2170.9	1459.4	711.5
1994-95	2557.5	1691.4	866.1
1995-96	3294.0	2132.3	1161.7
1996-97	4266.9	2620.6	1646.3
1997-98	4864.3	2809.4	2054.9
1998-99	5378.1	2901.1	2477.0
1999-00	6044.6	3644.9	2399.7
2000-01	6764.4	4519.8	2244.6
2001-02	6034.0	4257.1	1776.9
2002-03	6953.1	4903.1	2050.0
2003-04	8663.1	6207.0	2456.1
2004-05	10281.7	7384.4	2897.3
2005-06	13595.4	10252.5	3342.9
2006-07	18452.3	15119.8	3332.5
2007-08	24367.5	20040.0	4327.5
2008-09	31299.8	24138.3	7161.5
2009-10	28589.9	20713.2	7876.7
2010-11	33209.6	23247.4	9962.2
2011 -12	42062.0	29370.8	12691.2

Source: Compiled from various annual reports of Exim Bank of India1991 -92 to 2011 -12

The table 5.9 reveals the interest spread of the Exim Bank of India. It also further states there is an increasing trend in the both the decades of the financial sector reform period. During the second decade of the reform period the Exim bank records a highest spread is `.12691.2 crores in the year 2011–12 as compared with the first decade of the reform period lowest spread is `. 596.5 in 1992–93.

5.3 ACTIVITY RATIO

Management of financial institution is generally evaluated in terms of capital adequacy, asset quality, earnings and profitability, liquidity and risk sensitivity ratings. In addition, performance evaluation includes compliance with set norms, ability to plan and react to changing circumstances, technical competence, leadership and administrative ability of the bank. Sound management is one of the most important factors behind financial institutions‘performance. Indicators of quality of management, however, are primarily applicable to individual institutions, and cannot be easily aggregated across the sector. Management efficacy of a bank could be measured by parameter like: (i) Compensation per employee, (ii) business per employee, (iii) Profit per employee etc.

Table: 5.10 Activity Ratios of Exim Bank of India				
Year	**Compensation per employee Rs Millon**	**Business per employee Rs Millon**	**PBT per employee Rs. Millon**	**PAT per employee Rs.Millon**
1991-92	149.24	122618.94	4257.58	4257.58
1992-93	171.43	146380.16	3958.73	3958.73
1993-94	194.26	179228.69	4973.77	4973.77
1994-95	219.67	226273.77	6652.46	6652.46
1995-96	309.49	224316.79	8326.28	8326.28
1996-97	220.13	236123.49	10530.87	10530.87
1997-98	246.36	255817.22	13474.83	13474.83
1998-99	261.73	263911.11	14930.86	10260.49
1999-00	363.33	356393.33	15316.67	11103.33
2000-01	476.62	384731.82	13453.90	10107.14
2001-02	330.67	418824.54	13724.54	10601.23
2002-03	403.59	525418.56	16219.16	12464.07
2003-04	360.00	567155.26	16122.63	12142.11
2004-05	490.16	694883.42	16376.17	13419.17
2005-06	571.50	879697.00	18940.00	13600.50
2006-07	586.32	1079579.72	13832.08	9480.19
2007-08	453.15	1296284.23	24155.41	15088.29
2008-09	530.17	1472296.98	29731.03	20719.40
2009-10	767.67	1682609.05	33418.97	22216.38
2010-11	1089.75	1871174.59	35677.87	23995.90
2011 -12	938.34	2130064.43	40194.86	26798.81

Source: Compiled from various Annual Reports of Exim Bank of India1991 -92 to 2011 -12.

The table 5.10 shows the activity ratio of Exim Bank of India. It also depicts the various activities such as compensation per employee, business per employee, profit before tax per employee, profit after tax per employee. It states during the second decade of the reform period compensation per employee is highest during 2010-11 is Rs.1089.75 business per employee is highest during 2011-12 is Rs.2130064.43 Million, profit before tax is highest in 2011 -12, is Rs. 40194.86 Million, profit after tax is highest in 2011-12, is Rs. 26798.81 Million when compared with the first decade of the reform period compensation per employee is lowest during 1991-92 is Rs. 149.24 Million, business per employee is lowest during 1991-92 is Rs. 122618.94 Million, profit before tax is highest in 1991-92, is 4257.58 Million, profit after tax is highest in 1991-92, is Rs. 4257.58 Million.

5.4 CAMEL RATINGS OF EXIM BANK OF INDIA

"CAMEL" as acronym CAMEL refers to the five components of a bank's financial condition Viz., Capital adequacy, Asset quality, Management, Earnings, and Liquidity characters of a commercial bank. CAMEL is basically a ratio-based model for evaluating the performance of the banks periodically. Various ratios forming this model have been explained individually and collectively.

C- CAPITAL ADEQUACY Capital base of financial institutions facilitates depositors in forming their risk perception about the institutions. The most widely used indicator of capital adequacy is capital to risk-weighted assets ratio (CRWA). According to Bank Supervision Regulation Committee (The Basle Committee) of Bank for International Settlements, a minimum 9 percent CRWA is required. Capital adequacy determines how well financial institutions can cope with shocks to their balance sheets. Thus, it is useful to track capital-adequacy ratios that take into account the most important financial risks—foreign exchange, credit, and interest rate risks—by assigning risk weightings to the institution‘s assets.

A – ASSET QUALITY Asset quality determines the healthiness of financial institutions against loss of value in the assets. The weakening value of assets, being prime source of banking problems, directly pour into other areas, as losses are eventually written-off against capital, which ultimately expose the earning capacity of the institution. The asset quality is gauged in relation to the level and severity of non-performing assets, adequacy of provisions, recoveries, distribution of assets etc. Popular indicators include nonperforming loans to advances, loan default to total advances, and recoveries to loan default ratios.

M – MANAGEMENT EFFICACY Management of financial institution is generally evaluated in terms of capital adequacy, asset quality, earnings and profitability, liquidity and risk sensitivity ratings. In addition, performance evaluation includes compliance with set norms, ability to plan and react to changing circumstances, technical competence, leadership and administrative ability of the bank. Sound management is one of the most important factors behind financial institutions‘ performance. Indicators of quality of management, however, are primarily applicable to individual institutions, and cannot be easily aggregated across the sector.

E –EARNING ABILITY Earnings and profitability, the prime source of increase in capital base, is related with regards to interest rate policies and adequacy of provisioning. Further, it also helps to support present and future operations of the institutions. The single best measure used to earning is the Return on Assets (ROA), which is net income after taxes to total asset ratio. Good earnings and profitability of banks reflects the ability to support present and future operations. Specifically, this determines the capacity to absorb losses, finance its expansion, pay dividends to its shareholders, and build up an adequate level of capital.

L – LIQUIDITY An adequate liquidity position refers to a situation, where institution can obtain sufficient funds, either by increasing liabilities or by converting its assets quickly at a reasonable cost. It is, therefore, generally assessed in terms of overall assets and liability management, as mismatching gives rise to liquidity risk. The term liquidity is used in various ways, all relating to availability of, access to, or convertibility into cash. An institution is said to have liquidity if it can easily meet its needs for cash either because it has cash on hand or can otherwise raise or borrow cash.

RATIO TAKEN FOR THE STUDY

C Capital Adequacy ratio

A Non-performing assets (NPAs)

M Business per employee, Profit per employee, Return on equity, Return on advances

E Interest Income ratio, Net Interest Margin ratio, Return on Assets ratio

L Current Ratio

CAPITAL ADEQUACY OF EXIM BANK OF INDIA

Maintaining adequate capital fund is the mandatory norms for all the Finacial institutions. It helps to impose confidence in the minds of stake holders. The capital adequacy affects the financial position of the finacial institutions. The international banking regulators, BCBS (Basel Committee for Banking Supervision) have stipulated a minimum Capital Adequacy Ratio (CAR) of 8 percent. In India, the minimum CAR is stipulated as 9 percent by the Reserve Bank of India. To assess the capital adequacy of the Exim bank parameter under CAMEL framework Capital Adequacy Ratio has been used in this Chapter.

ASSET QUALITY OF EXIM BANK OF INDIA

Asset quality of commercial banks helps to diagnose the efficacy viability of the assets held by the banks. It could be measured by the ratio of non-performing assets (NPAs) in the total advances of Exim Bank of India.

MANAGEMENT EFFICACY OF EXIM BANK OF INDIA

Management efficacy of a bank could be measured by parameter like: (i) business per employee, (ii) Profit per employee (iii) RoE (iv) Return on advances. The management efficacy of the Exim Bank of India has been derived with the help of these ratios

EARNING ABILITY OF EXIM BANK OF INDIA

To survive in the competitive financial environments, banks have to generate adequate earnings to meet out all the non operating expense and to maintain adequate spread by avoiding burden. Earning ability of Exim Bank could be ascertained by computing the various ratios like Net Interest Margin ratio, Operating Profit ratio, Return on Assets.

LIQUIDITY OF EXIM BANK OF INDIA

An adequate liquidity position refers to a situation, where institution can obtain sufficient funds, either by increasing liabilities or by converting its assets quickly at a reasonable cost. The liquidity of the Exim Bank is measured by Liquidity Ratio.

5.4.1 OVERALL CAMEL RATINGS OF EXIM BANK OF INDIA

The performance of Exim Bank's overall assessment has been diagnosed by evaluating the various parameters of the CAMEL rating mechanism.

Table 5.11 Overall Camel Ratings of Exim Bank of India

YEAR	CAPITAL ADEQUACY (%)	ASSET QUALITY	MANAGE -MENT EFFICACY	EARNING ABILITY	LIQUIDITY	MEAN	RANK	STANDARD DEVIATION	GRADE
1999- 00	24.4	0.0733	15.3	133.82	0.87	34.89	7	50.30	M
2000 - 01	23.8	0.0720	13.5	163.40	0.82	40.31	8	62.17	M
2001 - 02	33.1	0.0788	14.0	412.94	0.59	92.14	12	160.08	P
2002 - 03	26.9	0.0613	16.3	524.25	1.44	113.79	13	205.47	P
2003 - 04	23.5	0.0119	17.0	191.45	2.23	46.83	9	72.84	M
2004 - 05	21.6	0.0081	16.4	203.85	2.11	48.79	10	77.97	M
2005 - 06	18.4	0.0057	19.2	308.20	0.82	69.32	11	119.72	M
2006 - 07	16.4	0.0048	19.0	2.52	0.83	7.75	1	8.20	E
2007 - 08	15.1	0.0028	24.6	2.77	2.31	8.95	2	9.43	G
2008 - 09	16.8	0.0022	26.9	13.38	2.12	9.68	3	10.47	G
2009 - 10	18.9	0.0019	33.3	13.38	2.59	13.63	6	12.02	G
2010 - 11	17.0	0.0020	36.5	6.25	2.48	12.44	4	13.36	G
2011 - 12	16.4	0.0028	40.7	6.51	1.95	13.11	5	14.91	G

SOURCE: Compiled from Various annual reports of Exim Bank of India.

The table 5.11 states the camel ratings of Exim Bank of India. It has been observed that under the CAMEL rating of Exim Bank of India, based on overall ranking score (Mean = 7.75; Std. Dev. = 8.20)the researcher classified score into 4 grade namely, Excellent (E), Good (G), Moderate(M), and Poor (P). Performance of the bank is indicated by the grade in the above table. It exhibits excellent during 2006 – 07, good during 2007 – 08 to 2011 – 12 in the second decade of the reform period as compared with first decade of the reform period.

5.5 ALTMAN'S MULTIPLE DISCRIMINATE ANALYSIS OF EXIM BANK

The Multiple Discriminate Analysis (MDA) is a multivariate techniques used by altman to predict corporate failure. Under this technique, a single discriminant score, called Z, is calculated for each year by using five financial ratios variable as follows

Z = 0.012X1 + 0.014X2 + 0.33X3 + 0.006X4 + 0.999X5

Where,

X1 = Working Capital / Total Assets (a measure of liquidity)

X2 = Retained Earnings/Total Assets (a measure of reinvested earnings and past profitability)

X3 = EBIT / Total Assets (a measure of profitability)[1]

X4 = 1 (a measure of financial structure or leverage)

X5 = Loans and Advance /Total Assets (a measure of asset efficiency)

[1] Exim Bank of India is wholly owned institution of government of India there is no market price per share, hence it was assumed as 1 for financial structure or leverage in lieu of market price.

Table: 5.12 Altman's Multiple Discriminate Analysis of Exim Bank

YEAR	LIQUIDITY	REINVESTED EARNINGS	PROFIT-ABILITY	ASSET EFFICIENCY	Z SCORE
1991-92	0.02434	0.018512	0.022519	0.711643	1.71
1992-93	0.00508	0.013903	0.018307	0.701731	1.70
1993-94	-0.00762	0.015962	0.020749	0.724506	1.72
1994-95	-0.07636	0.017892	0.022285	0.715479	1.71
1995-96	-0.04492	0.023467	0.028457	0.733218	1.73
1996-97	-0.00106	0.025431	0.031692	0.697879	1.69
1997-98	-0.03590	0.031604	0.039579	0.744682	1.74
1998-99	-0.02005	0.022839	0.042520	0.750143	1.75
1999-00	-0.01663	0.018063	0.032581	0.721295	1.72
2000-01	-0.02437	0.014688	0.027904	0.760382	1.76
2001-02	-0.04992	0.015753	0.026943	0.822287	1.82
2002-03	0.05022	0.012743	0.021932	0.710676	1.71
2003-04	0.11836	0.011425	0.019697	0.693057	1.69
2004-05	0.10628	0.010020	0.017118	0..726467	1.72
2005-06	-0.01144	0.008564	0.018742	0.897785	1.90
2006-07	-0.00721	0.004003	0.011141	0.893530	1.89
2007-08	0.08567	0.006255	0.014324	0.791350	1.79
2008-09	0.08177	0.008223	0.015539	0.795187	1.80
2009-10	0.07202	0.007729	0.016400	0.832224	1.83
2010-11	0.06665	0.007308	0.015885	0.839871	1.84
2011-12	0.04829	0.007422	0.015957	0.853267	1.85

SOURCE: Compiled from Various annual reports of Exim Bank of India.

The table 5.12 depicts that the Exim Bank's Z score. It has been noticed through Altman's Multiple Discriminate Analysis of EXIM Bank's Z score for the second decade of the financial sector reform was above 1.81 which was satisfactory, an indication for better solvency position when compared with that of first decade of the financial sector reform were below 1.81 was a sign of financial unsoundness of the EXIM Bank of India.

To conclude, financial statements are indicators of two significant factors such as profitability and financial soundness. Analysis and interpretation of financial statement therefore refers to such a treatment of information contained in the financial reports so as to afford full diagnosis of the profitability and financial soundness of the financial institutions. The financial efficacy of EXIM Bank of India has been measured in terms of liquidity, profitability, solvency, activity, CAMEL metrics and Altman's multiple discriminate analysis.

It is clear from the analysis of financial ratios of the Export Import Bank of India, the liquidity position during the period of study is good. The solvency position of EXIM exhibits a declining trend during the entire period of the study. The CAMEL metrics reveals the financial soundness of EXIM Bank is better during the study period.

CHAPTER VI

EXIM BANK AND ECONOMIC GROWTH

6.1 SCHEMEWISE ASSISTANCE AND GDP

6.2 SCHEMEWISE ASSISTANCE AND EXPORT

6.3 SCHEMEWISE ASSISTANCE AND IMPORT

6.4 SCHEMEWISE ASSISTANCE AND BALANCE OF PAYMENT

6.5 SCHEMEWISE ASSISTANCE AND BALANCE OF TRADE

6.6 SCHEMEWISE ASSISTANCE AND TOTAL CREDIT EXPOSURE

CHAPTER VI

EXIM BANK AND ECONOMIC GROWTH

International trade plays a major role in deciding the economic and financial strength of a country. Countries can exploit their natural resources and gain competitive advantage through trade. They can export anything they have in surplus and at the same time the import what they lack. International trade enables a country to obtain the benefits of specialization. It result in an increase in the rate of economic growth of both the countries involved in trade as both can use the resources more productively.

In some countries a majority of people have enough money to meet their needs, comforts and even luxuries, while in others major part of the population is unable to meet even its basic needs such as food. Based on the average income levels of various economies, the World Bank classifies countries into groups such as low income economies, lower middle-income economies, upper middle – income economies, and high – income economies.

Economic growth represents the expansion of a country's potential GDP or national output. It is measured in terms of increase in the Gross Domestic Product (GDP) or Gross National Product (GNP) where as economic development represents the change in the real living conditions of people in the country. Economic growth can be measured as an increase in the economy's output.

There is lot of misconception about the role of Development Finance Institutions (DFIs) not only in India but also across the globe, especially in the post reform period. In fact, there is a feeling among the public that in the post reform period, regulators and policymakers are not encouraging the role of financial institutions as developmental agents and have oriented their policies towards a market led economy by sacrificing the developmental role, whereas, the fact is that policymakers and regulators in India continue to have a firm belief that the role of finance is to encourage development and that the financial institutions must promote this basic role. The objective of developmental finance, thus, continues to remain the same and only the outer cover in the form of the institutional structure needs to undergo a change from time to time[1]. Though there is little doubt that DFIs, in general and Exim Bank, in particular, have made immense contribution in the economic growth of the country, especially in the post-reform period , they have lost their relevance due to certain structural changes that have taken place in the banking and financial system in the country

An attempt has been made in this chapter to analyse the contribution of the EXIM Bank of India towards the economic growth. In order to assess the economic growth the macro economic variables like GDP, Export, Import, Balance of Payment, Balance of Trade, Total Credit Exposure as given in table 6.1 are compared with the various schemes of assistance such as Technology Up gradation Fund, Export Oriented Units, Project Exports, Overseas Investment Finance, Working capital Finance, Production & Equipment finance, Bulk Import Finance.

TABLE: 6.1 MACROECONOMIC VARIABLES

YEAR	GDP	EXPORT	IMPORT	BOP	BOT	TOTAL Cr. EXPOSURE
1991-92	613528	44041.8	47840.8	-2237	-3799	12418
1992-93	703723	53688.3	63374.5	-12764	-9686.3	13484
1993-94	817961	69748.9	73177.4	-3636	-3428.5	16307
1994-95	955386	82673.4	89970.7	-10583	-7297.3	20876
1995-96	1118586	106352	122678	-19645	-16326	18432
1996-97	1301788	118817	138920	-16281	-20103	21044
1997-98	1447613	130101	154176	-20883	-24076	25783
1998-99	1668739	139752	178332	-16789	-38580	28812
1999-00	1847273	159095	215529	-20331	-56433	29564
2000-01	1991982	201356	228307	-11598	-26950	27625
2001-02	2167745	209018	245200	16426	-36182	26110
2002-03	2338200	255137	297206	30660	-42069	23750
2003-04	2622216	293367	359108	63983	-65741	20553
2004-05	2971464	375340	501065	-12174	-125725	21976
2005-06	3390503	456418	660409	-43737	-203991	24175
2006-07	3953276	571779	838048	-44383	-266269	31237
2007-08	4582086	655864	1005159	-63479	-349296	41296
2008-09	5303567	840755	1374436	-127631	-533681	73772
2009-10	6108903	845534	1363736	-179700	-518202	76011
2010-11	7266967	1142922	1683467	-219700	-540545	83123
2011-12	8353495	1459281	2345973	-376000	-886692	97150

Source: www.rbi.org.in

Multiple linear regression model has been fitted in to assess the contributions of Exim Bank toward the economic growth of India.

The Multiple regression analysis may be presented mathematically as

$Y = a + b_1 X_1 + b_2 X_2 + U$

Where,

y = Gross Domestic Product (GDP)

a ,b1,b2= Constant

x1 = Financial assistance to Technology Up gradation Fund

x2 = Financial assistance to Export Oriented Units

and U = Error term

6.1 SCHEMEWISE ASSISTANCE AND GDP

GDP refer to economic activity is ultimately aimed at providing the desired and necessary goods and services to the population. The GDP is the most comprehensive measure of the value of economic activity in an economy. It is the measure of the market value of all goods & services produced by factors – labour and property – located within the boundaries of a country, during a specific period of time; in general, annually. There are two variants of GDP – nominal and real. Nominal GDP, when adjusted for Price changes (i.e. inflation) gives the real GDP. Estimates of GDP are considered as the best indicators of the economic performance of a country, both in the short run and the long run. **Hence, the macroeconomic variable GDP has been used to assess the contributions of EXIM Bank towards the economic growth of India.**

Ho_1: There is no significant contribution to India's Gross Domestic Product By various schemes of Assistance extended by the Exim Bank.

TABLE: 6.2.1 CORRELATION BETWEEN EXIM BANK'S SCHEMEWISE ASSISTANCE AND GDP

	GDP	EOU	PEF	WC	TUF	OIF	BIF	FFI	Proj.Ex
GDP	1.000								
EOU	.783**	1.000							
PEF	.561*	.659**	1.000						
WC	.717**	.690**	0.392	1.000					
TUF	.903**	.780**	.519*	.686**	1.000				
OIF	.817**	.759**	.510*	.636**	.829**	1.000			
BIF	.847**	.634**	0.329	.661**	.882**	.811**	1.000		
FFI	.745**	.653**	.525*	.623**	.687**	.623**	.543*	1.000	
Proj.Ex	.832**	.643**	0.394	.685**	.837**	.705**	.828**	.783**	1.000

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The above table 6.2.1 reveals the correlation between GDP and the varios schemes of assistance extended by the exim Bank of India. It can also be noted that technology upgradation fund shows a high positive correlation of 0.903 significant at 1% level.

TABLE: 6.2.2 REGRESSION COEFFICIENT BETWEEN EXIM BANK'S SCHEME-WISE ASSISTANCE AND GDP

Explanatory Variable	GDP
Constant	11.794 (26.35)*
Technology Upgradation Fund	0.233 (4.38)*
Export Oriented Units	0.255 (2.60)*
R^2	0.868
F – Value	55.86*

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

t value is indicated within parenthesis
* Significant at 1% Level.

The regression coefficient of exim bank under various schemes of assistance and its impact on GDP has been shown in table 6.1.2. Rs. 1Crore increase in the Technology upgradation Fund (TUF) has a positive impact on GDP at Rs. 0.23Crores. Rs. 1Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on GDP at Rs. 0.25 Crore. R^2 explains 86.8 % of variations in the Gross Domestic Product explained by the explanatory variables (i.e Schemes of Financial Assistance) like Technology upgradation Fund (TUF), Export Oriented Units (EOUs).

6.2 SCHEMEWISE ASSISTANCE AND EXPORT

Exports of goods and services represent one of the most important sources of foreign exchange income that ease the pressure on the balance of payments and create employment opportunities. An export led growth strategy aims to provide producers with incentives to export their goods through various economic and governmental policies. It also aims to increase the capability of producing goods and services that are able to compete in the world market, to use advanced technology, and to provide foreign exchange needed to import capital goods. Exports can increase intra-industry trade, help the country to integrate in the world economy and reduce the impact of external shocks on the domestic economy. Experiences of Asian and Latin American economies provide good examples of the importance of the export sector to economic growth and development, which led economists to stress the vital role of exports as the engine of economic growth. Hence the researcher has made an attempt to assess the efficacy of the Exim Bank through exports as a variable contribute towards economic growth.

Ho_2: There is no significant contribution to India's Export under various schemes of assistance extended by the Exim Bank.

TABLE: 6.3.1 CORRELATION BETWEEN EXIM BANK'S SCHEMEWISE ASSISTANCE AND EXPORT

	Exports	EOU	PEF	WC	TUF	OIF	BIF	FFI	Proj.Ex
Exports	1.000								
EOU	.848**	1.000							
PEF	.566**	.659**	1.000						
WC	.724**	.690**	0.392	1.000					
TUF	.925**	.780**	.519*	.686**	1.000				
OIF	.831**	.759**	.510*	.636**	.829**	1.000			
BIF	.861**	.634**	0.329	.661**	.882**	.811**	1.000		
FFI	.779**	.653**	.525*	.623**	.687**	.623**	.543*	1.000	
Proj.Ex	.860**	.643**	0.394	.685**	.837**	.705**	.828**	.783**	1.000

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The above table 6.3.1 reveals the correlation between GDP and the various schemes of assistance extended by the exim Bank of India. It can also be noted that technology upgradation fund shows a high positive correlation of 0.925 significant at 1% level.

TABLE: 6.3.2 REGRESSION COEFFICIENT BETWEEN EXIM BANK'S VARIOUS SCHEMEWISE ASSISTANCE AND EXPORT

Explanatory Variable	EXPORT
Constant	8.547 (17.892)*
Technology Upgradation Fund	0.209 (2.663)*
Export Oriented Units	0.308 (2.988)*
Project Exports	0.118 (2.352)**
R^2	0.923
F – Value	63.625*

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

t value is indicated within parenthesis
* Significant at 1% Level.
** Significant at 5 % Level.

The regression coefficient of exim bank under various schemes of assistance and its impact on Export has been shown in the table 6.3.2. Rs. 1Crore increase in the Technology upgradation Fund (TUF) has a positive impact on Export at Rs.0.2 Crore. The Rs. 1 Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on Export at Rs.0.3 Crore. The Rs. 1Crore increase in financial assistance to Project exports has a positive impact on export to the extent of Rs.0.11Crore. R^2 explains 92.3% of variations in the export explained by the explanatory variables (i.e Schemes of Financial Assistance) like Technology upgradation Fund (TUF), Export Oriented Units (EOUs) and Project Exports.

5.3 SCHEMEWISE ASSISTANCE AND IMPORT

Import refers the goods and services produced by the foreign sector and purchased by the domestic economy. In other words, imports are goods purchased from other countries. For example, the United States, buys a lot of the stuff produced within the boundaries of other countries, including bananas, coffee, cars, chocolate, computers, and, well, a lot of other products. Imports, together with exports, are the essence of foreign trade--goods and services that are traded among the citizens of different nations.

Ho3: There is no significant contribution to India's Import Under various schemes of assistance extended by the Exim bank.

TABLE: 6.4.1 CORRELATION BETWEEN EXIM BANK'S SCHEMEWISE ASSISTANCE AND IMPORT

	Imports	EOU	PEF	WC	TUF	OIF	BIF	FFI	Proj.Ex
Imports	1.000								
EOU	.845**	1.000							
PEF	.550*	.659**	1.000						
WC	.726**	.690**	0.392	1.000					
TUF	.925**	.780**	.519*	.686**	1.000				
OIF	.848**	.759**	.510*	.636**	.829**	1.000			
BIF	.873**	.634**	0.329	.661**	.882**	.811**	1.000		
FFI	.766**	.653**	.525*	.623**	.687**	.623**	.543*	1.000	
Proj.Ex	.860**	.643**	0.394	.685**	.837**	.705**	.828**	.783**	1.000

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The above table 6.4.1 reveals the correlation between GDP and the various schemes of assistance extended by the exim Bank of India. It can also be noted that technology upgradation fund shows a high positive correlation of 0.925 significant at 1% level.

TABLE: 6.4.2

REGRESSION COEFFICIENT BETWEEN EXIM BANK'S SCHEME – WISE ASSISTANCE AND IMPORT

Explanatory Variable	IMPORT
Constant	8.340 (15.238)*
Technology Upgradation Fund	0.243 (2.705)*
Export Oriented Units	0.338 (2.856)*
R^2	0.921
F – Value	61.834*

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

t value is indicated within parenthesis
* Significant at 1% Level.

The regression coefficient of exim bank under various schemes of assistance and its impact on import table has been stated 6.4.2. Rs. 1Crore increase in the technology upgradation fund (TUF) has a positive impact on Import at Rs. 0.24 Crore. The Rs. 1Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on import at Rs. 0.33 Crore. R^2 explains 92.1 % of variations in the import explained by the explanatory variables (i.e Schemes of Financial Assistance) like Technology up gradation Fund (TUF), Export Oriented Units (EOUs).

6.4 SCHEME – WISE ASSISTANCE AND BALANCE OF PAYMENTS

The Balance of payment is a record of the value of all transactions between residents of a country with outsiders. Balance of payment is the systematic summary of the economic transactions of the residents of a country with the rest of the world during a specific period of time period, normally a year. Balance of payment is of great significance as it reflects the economic policies of the country and the exchange rate of its currency. Therefore, an attempt has been made to analyse the operating efficacy of the Exim Bank to the economic variable Balance of Payment.

Ho4: There is no significant contribution to India's Balance of Payment under various schemes of assistance extended by the Exim Bank.

TABLE: 6.5.1 CORRELATION BETWEEN EXIM BANK'S SCHEMEWISE ASSISTANCE AND BALANCE OF PAYMENT

	BOP	EOU	PEF	WC	TUF	OIF	BIF	FFI	Proj.Ex
BOP	1.000								
EOU	.690**	1.000							
PEF	.484*	.659**	1.000						
WC	0.415	.690**	0.392	1.000					
TUF	.793**	.780**	.519*	.686**	1.000				
OIF	.767**	.759**	.510*	.636**	.829**	1.000			
BIF	.715**	.634**	0.329	.661**	.882**	.811**	1.000		
FFI	.688**	.653**	.525*	.623**	.687**	.623**	.543*	1.000	
Proj.Ex	.729**	.643**	0.394	.685**	.837**	.705**	.828**	.783**	1.000

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in
**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The above table 6.5.1 reveals the correlation between GDP and the various schemes of assistance extended by the exim Bank of India. It can also be noted that overseas Investment finance shows a high positive correlation of 0.793 significant at 1% level.

TABLE: 6.5.2 REGRESSION COEFFICIENT EXIM BANK'S SCHEME – WISE ASSISTANCE AND BALANCE OF PAYMENTS

Explanatory Variable	BALANCE OF PAYMENT
Constant	7.761 (15.515)*
Technology Upgradation Fund	0.485 (5.529)*
R^2	0.629
F – Value	30.569*

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

t value is indicated within parenthesis
* Significant at 1% Level.

The regression coefficient of exim bank under various schemes of assistance and its impact on Balance of Payments has been shown in the table 6.5.2. Rs. 1Crore increase in the technology upgradation fund (TUF) has a positive impact on Balance of Payments at Rs. 0.48Crore. R^2 explains 62.9 % of variations in the Balance of Payments explained by the explanatory variables (i.e Schemes of Financial Assistance) like Technology up gradation Fund (TUF).

6.5 SCHEME – WISE ASSISTANCE AND BALANCE OF TRADE

The difference between the value of goods and services exported out of a country and the value of goods and services imported into the country. The balance of trade is the official term for net exports that makes up the balance of payments. The balance of trade can be a "favorable" surplus (exports exceed imports) or an "unfavorable" deficit (imports exceed exports). The official balance of trade is separated into the balance of merchandise trade for tangible goods and the balance of services. A balance of trade surplus is most favorable to domestic producers responsible for the exports. However, this is also likely to be unfavorable to domestic consumers of the exports who pay higher prices. Alternatively, a balance of trade deficit is most unfavorable to domestic producers in competition with the imports, but it can also be favorable to domestic consumers of the exports who pay lower prices. Hence, to check there is a significant contribution to India's Balance of Trade by various schemes of financial assistance extended by the Exim bank.

$Ho_{5:}$ There is no significant contribution to India's Balance of Trade under various schemes of assistance extended by the Exim Bank.

TABLE: 6.6.1 CORRELATION BETWEEN EXIM BANK'S SCHEMEWISE ASSISTANCE AND BALANCE OF TRADE

	BOT	EOU	PEF	WC	TUF	OIF	BIF	FFI	Proj.Ex
BOT	1.000								
EOU	.843**	1.000							
PEF	.545*	.659**	1.000						
WC	.735**	.690**	0.392	1.000					
TUF	.884**	.780**	.519*	.686**	1.000				
OIF	.882**	.759**	.510*	.636**	.829**	1.000			
BIF	.854**	.634**	0.329	.661**	.882**	.811**	1.000		
FFI	.735**	.653**	.525*	.623**	.687**	.623**	.543*	1.000	
Proj.Ex	.825**	.643**	0.394	.685**	.837**	.705**	.828**	.783**	1.000

Source: Computed from data of various annual reports of exim Bank & www.rbi.org.in

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The above table 6.6.1 reveals the correlation between GDP and the various schemes of assistance extended by the exim Bank of India. It can also be noted that technology upgradation fund shows a high positive correlation of 0.793 significant at 1% level.

TABLE: 6.6.2 REGRESSION COEFFICIENT EXIM BANK'S SCHEME – WISE ASSISTANCE AND BALANCE OF TRADE

Explanatory Variable	BALANCE OF TRADE
Constant	7.167 (16.145)*
Technology Upgradation Fund	0.408 (2.929)*
OIF	0.331 (2.870)*
R^2	0.852
F – Value	49.071*

Source: Computed from of data various annual reports of exim Bank & www.rbi.org.in

t value is indicated within parenthesis
* Significant at 1% Level.

The regression coefficient of exim bank under various schemes of assistance and its impact on Balance of Trade has been exhibited in table 6.6.2. Rs. 1Crore increase in the technology upgradation fund (TUF) has a positive impact on Balance of Trade at Rs.0.4 Crore. The Rs. 1Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on Balance of Trade at Rs. 0.33 Crore. R^2 explains 85.2% of variations in the Balance of Trade explained by the explanatory variables (i.e Schemes of Financial Assistance) like Technology up gradation Fund (TUF), Export Oriented Units (EOUs).

5.6 SCHEME – WISE ASSISTANCE AND TOTAL CREDIT EXPOSURE

The total amount of credit extended to a borrower by a lender. The magnitude of credit exposure indicates the extent to which the lender is exposed to the risk of loss in the event of the borrower's default. Credit exposure can be minimized through purchasing credit default swaps or other types of financial instruments. Banks are required to fix limits on their exposure as a prudential measure aimed at better risk management and avoidance of concentration of credit risks as also to observe certain statutory and regulatory exposure limits in respect advances against some securities.

Ho_6: There is no significant contribution to India's total credit exposure under various schemes of assistance extended by the Exim Bank.

TABLE: 6.7.1 CORRELATION BETWEEN EXIM BANK'S SCHEMEWISE ASSISTANCE AND TOTAL CREDIT EXPOSURE

	CR.EXP	EOU	PEF	WC	TUF	OIF	BIF	FFI	Proj.Ex
CR.EXP	1.000								
EOU	.708**	1.000							
PEF	0.426	.659**	1.000						
WC	.453*	.690**	0.392	1.000					
TUF	.789**	.780**	.519*	.686**	1.000				
OIF	.743**	.759**	.510*	.636**	.829**	1.000			
BIF	.771**	.634**	0.329	.661**	.882**	.811**	1.000		
FFI	.513*	.653**	.525*	.623**	.687**	.623**	.543*	1.000	
Proj.Ex	.620**	.643**	0.394	.685**	.837**	.705**	.828**	.783**	1.000

Source: Computed from dataof various annual reports of exim Bank & www.rbi.org.in

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The above table 6.7.1 reveals the correlation between GDP and the various schemes of assistance extended by the exim Bank of India. It can also be noted that technology upgradation fund shows a high positive correlation of 0.789 significant at 1% level.

TABLE: 6.7.2 REGRESSION COEFFICIENT EXIM BANK'S SCHEME – WISE ASSISTANCE AND TOTAL CREDIT EXPOSURE

Explanatory Variable	CREDIT EXPOSURE
Constant	9.076 (37.509)*
Technology Upgradation Fund	.231 (5.444)*
R^2	0.622
F – Value	29.638*

Source: Computed from data various annual reports of exim Bank & www.rbi.org.in

t value is indicated within parenthesis
* Significant at 1% Level.

The regression coefficient of exim bank under various schemes of assistance and its impact on total credit exposure has been states in table 6.7.2. Rs. 1 Crore increase in the technology upgradation fund (TUF) has a positive impact on total credit exposure at Rs.0.23 Crore. R^2 explains 62.2% of variations in the total credit exposure explained by the explanatory variables (i.e. Schemes of Assistance) like Technology up gradation Fund (TUF).

Thus, this chapter describes the multiple regression coefficients between the various schemes of assistance and the select macroeconomic variables intents the subsistence of Exim bank toward the economic growth. It vividly shows that, the operational efficacy of EXIM Bank has its relevance on macro economic variables. Hence the null hypotheses have been rejected. It also reveals that there is a significant contribution by Exim bank towards the economic growth under the various schemes of assistance during the period of the study.

CHAPTER VII

SUMMARY OF FINDINGS, SUGGESTION AND CONCLUSIONS

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EXIM Bank is operating varied lending and service programs. These programs are tailored to meet the needs of different customer groups, viz. Programs for the Indian Exporter, Programs for the Commercial Bank and Programs for the overseas entities. A brief account of the efficacy of EXIM Bank made in important programs are as under.

1. The Approvals, Disbursement, Loan assets and repayment of Exim Bank of India. It has been noticed that there is an increasing trend in approval, disbursement, loan assets and repayments. The linear and compound growth of approval, disbursement, loan assets and Repayment from 1992-93 to 2011-12.The linear growth rate is 21.73% for approvals, 21.31%for disbursement, 18.14% for loan assets and 1.20% for repayment. Subsequently the compounded annual growth rate over the same period of time is 24.31% for approvals, 23.76%for disbursement, 19.89% for loan assets and 1.21% for repayments.
2. The paired t-test for financial assistance to Lines of Credit (LOC) by EXIM Bank of India depicts the t value -9.236 is significant at 1% level, therefore the null hypothesis is rejected. So, a significant difference persists among the second and first decade of the reform periods for the financial assistance extended by the EXIM Bank to Lines of Credit (LOC).
3. The paired t-test for financial assistance to Export Oriented Unit (EOUs) by EXIM Bank of India shows the t value -5.391 is significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference exists among the second and

first decade of the reform period for the financial assistance extended by the EXIM Bank to Export Oriented Units (EOUs).

4. The paired t-test for financial assistance to Production Equipment Financeby EXIM Bank of India depicts the t value -2.421 is significant at 5% level; hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Production Equipment Finance (PEF).
5. The paired t-test for financial assistance to Working capital terms loan by EXIM Bank of India shows the t value -3.354 is significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference exists among the second and first decade of the reform period for the financial assistance extended by the EXIM Bank to Working capital terms loan.
6. The paired t-test for financial assistance to Technology Up-gradation Fund by EXIM Bank of India shows t value -8.269 is significant at 1% level; hence the null hypothesis is rejected. Therefore, a significant difference has been there among the second and the first decade of the reform period for the financial assistance extended by the EXIM Bank to Technology up-gradation Fund.
7. The paired t-test for financial assistance to Overseas Investment Finance by EXIM Bank of India exhibits the t value -5.992 is significant at 1% level; hence the null hypothesis is rejected. Therefore, a significant difference exists among the second and the first decade of the reform period for the financial assistance extended by the EXIM Bank to Overseas Investment Finance.

8. The t value -4.770 is significant at 1% level, hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and the first decade of the reform period for the financial assistance extended by the EXIM Bank to Bulk Import Finance.
9. The t value -6.018 is significant at 1% level; hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and the first decade of the reform period for the financial assistance extended by the EXIM Bank to Import Finance
10. Project exports offered by EXIM Bank plays a significant role in securing export contracts for 1146 project export contracts which were under execution in 84 countries by 226 Indian companies involving a value of Rs. 31915Crs during 2011-2012 as against 84 project export contract which were executed in 7 countries involving a value of Rs. 1090 Crores. The t value -8.435 is significant at 1% level; hence the null hypothesis is rejected. Therefore, a significant difference persists among the second and the first decade of the reform period for the financial assistance extended by the EXIM Bank to Project Export Finance.
11. The result of one way ANOVA for the various schemes of financial assistance of Exim Bank of India depicts the F value is 8.217and the corresponding p-value is given as <0.000. Therefore the null hypothesis is rejected and concludes that the average schemes provided by the EXIM Bank of India are not the same in all the years of the First Decade.
12. The result of one way ANOVA for the various schemes of financial assistance of Exim Bank of India exhibits, the F value is 7.537 and the corresponding p-value is

given as <0.000. Hence the null hypothesis is rejected. The average financial assistance between and within years to various schemes provided by the EXIM Bank of India is not the same for all the years of the second decade.

13. The result of one way ANOVA for the various schemes of financial assistance of Exim Bank of India shows the F value is 5.112 and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance between the various Schemes provided by the EXIM Bank of India is not the same for all the schemes of the first decade.
14. The result of one way ANOVA for the various schemes of financial assistance of Exim Bank of India depicts the F value is 2.848 and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance under various schemes provided by the EXIM Bank of India is not the same in all the schemes of the second decade.
15. The result of one way ANOVA for the various schemes of financial assistance of Exim Bank of India. Exhibits the F value is 5.112 and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance over the period under various Schemes provided by the EXIM Bank of India is not the same in all the years over the period of the study.
16. The result of one way ANOVA for the various schemes of financial assistance of Exim Bank of India shows the F value is 9.404 and the corresponding p-value is given as <0.000. Hence the null hypothesis is rejected. The average financial assistance over the period under various schemes provided by the EXIM Bank of India is not the same in all the schemes over the period of the study.

The assistance provided towards the various schemes of assistance was in an increasing trend during both the decade of the reform period. Among the schemes Project Export Finance has been identified as a major contributor towards the business of the Export Import Bank. In case of the overall financial assistance under the various schemes extended by the Export Import Bank of India is in an increasing trend. The Gap between the sanction and disbursement of financial assistance by the Exim Bank is also gradually declining during the period of study. To conclude, the analysis of the operating efficacy of Export Import Bank of India exhibits a better lending performance during study period.

Financial Efficacy

Financial efficacy analysis is the process of identifying the financial strengths and weaknesses of the EXIM Bank by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the EXIM Bank's financial position and performance.

1. The Current ratio of the EXIM Bank of India depicts the financial soundness of EXIM Bank was high during the second decade of the reform period. In 2009-10 was 2.59 as compared with that of the first decade of the reform period which was very low in 1994 -95 was 0.52.
2. The Debt Equity Ratio of Exim Bank of India reveals during the second decade of the reform period which is very high in 2007-08 as 9.79, when compared to the first decade of the financial sector reform period, the debt equity ratio was low in

1997-98 as 2.45, which establishes the financial instability in the long run because of its huge borrowing in both the decade of the reform Exim Bank.

3. The Fixed Assets Ratio of Exim Bank of India indicates during the first and the second decade of the reform period. It is less than one, and explains the Exim Bank has not raised long term funds to meet its fixed asset requirements.
4. The Proprietary Ratio of Exim Bank of India elicits very high proprietary ratio which states the greater soundness of the Exim Bank of India during the first and the second decade of the reform period.
5. The Capital to Total Assets of Exim bank of India explains low ratio of 2.94% during the year 2007-08 in the second decade of reform when compared to the first decade as it records a high ratio of 12.47% in 1995-96.
6. The ratio between the profit before tax and capital of Exim bank of India, recorded that a higher profitability of 49.27% during the year 2008-09 in the second decade of financial sector reform when compared with the first decade of the reform it has been recorded a lower profitability of 14.86% during the year 1992-93.
7. The profits before tax to net worth of Exim bank of India stated higher profitability of 17.66% during the year 2008-09 in the second decade of financial sector reform when compared with the first decade of the reform, it has been recorded a lower profitability of 9.13% during the year 1992-93.
8. The ratio between the profits before tax to Capital Employed of Exim Bank of India, recorded a lower return of 1.19% during the year 2006-07 in the second

decade of financial sector reform when compared with the first decade of the reform it has been recorded a higher return of 5.07% during the year 1998-99.

9. The Interest Spread of the Exim Bank of India, states there is an increasing trend in the both the decades of the financial sector reform period. During the second decade of the reform period the exim bank records a highest spread is ` 12691.2 crores in the year 2011-12 as compared with the first decade of the reform period lowest spread is ` 596.5 in 1992-93.
10. The Activity Ratio of Exim Bank of India depicts the various activities such as Compensation per Employee, Business per Employee, Profit Before Tax per Employee, Profit After Tax per Employee. It states during the second decade of the reform period Compensation per Employee is highest during 2010-11 is Rs.1089.75 Business per Employee is highest during 2011-12 is Rs.2130064.43, Profit Before Tax is highest in 2011-12, is Rs. 40194.86, Profit After Tax is highest in 2011-12, is Rs.26798.81 when compared with the first decade of the reform period Compensation per Employee is lowest during 1991-92is Rs. 149.24, Business per Employee is lowest during 1991-92 is Rs.122618.94, Profit Before Tax is the highest in 1991-92, is Rs.4257.58, Profit After Tax is highest in 1991-92, is Rs. 4257.58.
11. It has been observed that under the CAMEL rating of Exim Bank of India, based on overall ranking score (Mean = 7.75; Std. Dev. = 8.20)the researcher classified score into 4 grade namely, Excellent (E), Good (G), Moderate(M), and Poor (P). Performance of the bank is indicated by the grade in the above table. It exhibits

excellent during 2006-07, good during 2007-08 to 2011-12 in the second decade of the reform period as compared with first decade of the reform period.

12. It was noticed through Altman's Multiple Discriminate Analysis of EXIM Bank's Z score for the second decade of the financial sector reform was above 1.81 which was satisfactory, an indication for better solvency position when compared with that of first decade of the financial sector reform were below 1.81 was a sign of financial unsoundness of the EXIM Bank of India.

Exim Bank and Economic Growth

1. The analysis of regression co-efficient of Exim Bank's under various schemes of assistance and GDP exhibits Rs1Crore increase in the Technology Up-gradation Fund (TUF) has a positive impact on GDP at Rs. 0.23Crore. Rs. 1 Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on GDP at Rs. 0.25Crore.
2. The analysis of regression co-efficient of Exim Bank's under various schemes of assistance and Export shows the Rs.1Crore increase in the Technology Up gradation Fund (TUF) has a positive impact on Export at Rs. 0.209 Crore. The Rs.1Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on Export at Rs. 0.308Crore. The Rs.1Crore increase in financial assistance to Project exports has a positive impact on export to the extent of Rs 0.118Crore.
3. The analysis of regression co-efficient of Exim Bank's under various schemes of assistance and import exhibits the Rs.1Crore increase in the Technology Up-gradation Fund (TUF) has a positive impact on Import at Rs. 0.243 Crore.

The Rs.1Crore increase in financial assistance to Export Oriented Units (EOUs) has a positive impact on import at Rs. 0.338Crore.

4. The analysis of regression co-efficient of Exim Bank under various schemes of assistance and Balance of Payments exhibits the Rs.1Crore increase in the technology Up gradation fund (TUF) has a positive impact on Balance of Payments at Rs. 0.485Crore.
5. The analysis of regression co-efficient of Exim Bank's under various schemes of assistance and Balance of Trade elicit, the Rs.1Crore increase in the technology Up-gradation fund (TUF) has a positive impact on Balance of Trade at 0.408 Crore. The Rs.1Crore increase in financial assistance to overseas investment finance (OIF) has a positive impact on Balance of Trade at Rs.0.331Crore.
6. The analysis of regression co-efficient of exim banks under various schemes of assistance and total credit exposure exhibits, the Rs.1Crore increase in the technology Up-gradation fund (TUF) has a positive impact on total credit exposure at Rs.0.231Crore.

The impact of Exim Bank's contribution towards the economic growth under the scheme-wise assistance extended during the period of the study, a multiple regression model has been fitted. The result of the multiple regression coefficient proved the existence of the Exim Bank has been contributed towards the economic growth under various scheme – wise assistance during the study period. Hence, the operational efficacy of EXIM Bank has its relevance on macro economic variables, which explains the Exim Bank has significant contribution towards the economic growth of India through its assistance under various schemes.

Suggestions

1. The EXIM Bank has to be made as an institution to provide assistance for medium scale and small scale industries.
2. The EXIM Bank has to participate directly with all exporters rather than refinancing through commercial banks.
3. The EXIM Bank should plan to have annual target for each of the schemes so as to improve its competitiveness in increasing India's exports considerably.
4. The Exim Bank should organise exporter's meet once in year to know their requirements of the exporters to enhance global competitiveness.
5. Exim Bank can set up escort cell to address the grievances of the exporters.
6. Being a developmental bank Exim Bank can take initiatives to create awareness at grass root level.
7. The Exim Bank should put in place Export Marketing Services (EMS) Programme, to assist in the creation and enhancement of export capabilities of Indian companies.
8. The Exim Bank can also assist in identification of opportunities for setting up plants or projects or for acquisition of companies overseas under Export Marketing Services (EMS) Programme.
9. Exim Bank can supplements its financing programmes with a wide range of valuadded information, advisory and support services, which enable exporters to evaluate international risks, to exploit global opportunities for export and to improve export competitiveness

CONCLUSION

The past three decades of existence, provide a strong foundation to EXIM Bank from where it will continue to catalyse India's international trade and investment. The Bank is committed to go beyond traditional financing and facilitate exports of a variety of products and services which have the potential to go overseas, by creating a niche for them in the international market. From this study it is inferred that EXIM Bank consistently performing well since the decade of reform period i.e. 2001-02 onwards. The liquidity & profitability position of the bank are also consistently good. The select macroeconomic variables are significantly associated with Exim Bank's assistance under the various schemes in contributing towards India's foreign trade which in turn enhances the economic growth of India.

SCOPE FOR FURTHER RESEARCH

1. A study can be conducted to ascertain the quality of services offered by the EXIM Bank of India through a structured interview schedule.
2. A comparative study on the EXIM Banks in Asian Continent.
3. A study can be made in relation to the EXIM Bank's contribution towards India's foreign trade.
4. A comparison on trade finance between commercial banks and EXIM Bank of India.

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