Chapter II

Review of Literature and Research Methodology

2.1 Review of Literature

The present study is undertaken with different objectives related to various aspects of foreign exchange in Indian economy. There is great significance of foreign currency to develop Indian economy. A country can generate foreign exchange by exporting its goods & services to other countries. Therefore it is necessary to study the need of foreign exchange in developing Indian economy. Since Govt. of India has established the EXIM Bank for providing financial assistance to exporters and importers, and for functioning as the principal institution for co-ordinating the working of institutions engaged in financing export and imports of goods & services with a view to promote country’s international trade. It is a pleasant duty of the researcher to study the role of EXIM Bank in generating foreign exchange through export promotion.

It is a very important tool in the hands of researchers to take the review of literature to conduct any research. The past studies on the particular topic always provide vital information and give some clues to conduct further research studies. The past research work creates path for the future research work. It always provides some important data and guidelines to conduct further research. The conclusions and findings of the past research always help to the researcher to make certain generalizations.

The review of literature helps to find the gaps in the past research studies and to fill up those gaps in the present research study. So the review of literature cannot be avoided in conducting any research study. It is a platform, which provides stand to the researcher and guides for further research. It plays a role of pathfinder in the darkness for the researcher and helps to find out correct path to conduct research. So the following review of literature is taken which has given many guidelines for conducting present
research. It has also helped to proceed in the present research. The objectives of the Review of Literature are achieved through this Review of Literature.

2.1.1 Export finance management issues and principles:
To attain the objective of export promotion, the Reserve Bank of India has taken steps to ensure free flow of financial assistance to the exporters at the concessional interest rates against export orders during the pre-shipment and the post-shipment period. The commercial banks are provided the refinance facility by the RBI and EXIM Bank of India against the loans extended by them to the exporters. The commercial banks generally adopt a flexible approach for lending to exporters.

➢ Guidelines to the commercial banks for export financing:
  • The applications for export finance are to be disposed off immediately so that the exporters can get adequate amount of credit in time.
  • The banks should consider the export activity in totality and grant adequate amount of credit to the exporters both at the pre-shipment and the post-shipment stage. The Bank should consider grant of credit as a package deal in view of the linkages in the export transaction at the pre-shipment and the post-shipment stage.
  • While assessing the credit proposals from exporters, the banks should keep in mind their past performance and the future potential of their business activity. In the case of new exporters, their experience of conducting domestic business and other background factors must be taken into consideration to assess the integrity of the exporter-borrower.
  • The banks should ensure that the funds lent by them are used for the implementation of the export order in time. Therefore, they should keep a close watch on the end use of the funds lent by them. The RBI has allowed several relaxations of the credit norms relating to export. These relaxations are as follows.
a) While computing the overall working capital Gap/Maximum permissible Bank finance, banks can exclude expert receivables and of such computation process. As for as finance limit against the export orders are concerned, the same can be assessed and sanctioned separately, over and above the permissible bank finance.

b) In case of an exporter is not able to furnish additional contribution in respect of additional credit requirements for the new export order, the banks can waive such additional contribution required from exporters and sanction additional limits.

c) Banks should decide on their own the amount of holding of individual items of inventory and receivables the exporters should hold in relation of the amount of bank finance sanctioned to the exporter. The banks should take into consideration the production/processing cycle of the industry at the time of taking this decision.

d) The banks should grant additional credit facility to the exporters in respect of additional export orders/orders supported by confirmation.

e) Letter of credit even if the amount is exceeding the limits set by the 'M P B F'.

- Financial services
  Major domestic, foreign and international banks provide a wide range of services to their customers involved in import and export operations. These services fall in to four main categories:
  Financial services,
  Handling export documents,
  Non-financial services
  Foreign exchange operations, etc.
  Financing is the core service provided by the banking sector to exporters. It was strongly believed that the most effective incentive to exporters would be in the form of cheaper and more wide spread credit availability. Credit requirement of exporters are:-
Short-term credit
Medium-term funding

- **Guarantees to Bank**

Timely and adequate credit facilities at the pre-shipment as well as post-shipment stage, are essential for exporters to realize their full export potential. Therefore E C G C has designed a scheme of Guarantees to banks with a view to enhancing the credit worthiness of the exporters so that they would be able to secure better and larger facilities from their bankers. To meet the varying needs of exporters, the corporation has evolved the following types of Guarantees.

Packing Credit Guarantee,
Export production finance Guarantee,
Post-shipment export credit Guarantee,
Export finance Guarantee,
Export performance indemnity,
Export finance (overseas lending) Guarantee, etc.

- **Classification of export finance:**

Exporters can avail the facility of export finance against the export order at two different stages depending the stage of its execution. Accordingly, the export finance can be classified into two categories as follows.

Pre-shipment finance
Post-shipment finance

- **Pre-shipment finance**

Pre-shipment finance is the financial assistance extended to the exporters, before the shipment of export goods and the post-shipment finance is concerned with the financial assistance extended after the shipment of the export goods. Export finance both of pre-shipment and post-shipment in India is governed by the directives issued by the Reserve Bank of India and the rules framed by the Foreign Exchange Dealers Association of India. Pre-
shipment finance is a facility provides working capital finance to the exporter for the purpose of export. The basic purpose of granting this facility is to enable the eligible exporters to procure raw materials, supplies, process or manufacture or warehouse or ship the goods meant for export.

- **Post-shipment Finance**
  There is always a time gap between a shipment of goods and collection of export proceeds. This time gap is required to complete certain procedure for the realization of export payment. These procedures are,
  After the shipment, time is taken in process of preparing the set of documents
  Submitting them to the bank with the request for collection of export proceeds from the buyer.
  Forwarding the documents by the exporter's bank to the buyer's bank
  Finally remittance from the buyer's bank to the exporter's bank for giving credit to the exporter.

  The payment is received only after expiry of the period of credit. According to the guidelines framed by foreign Exchange Dealers Association of India, the normal transit time is 25 days in the process of collection of payment against letter of credit. Thus the money of the exporters is blocked for a minimum period of 25 days after the documents presented to the bank for collection of payment from the buyer. Besides, the exporter will also be under the burden of packing credit, which has to be repaid. The commercial banks provide the financial facilities to the exporters for bridging this gap. This form of finance is known as post-shipment finance or credit. To claim this facility, the exporter should approach to the bank for negotiation of his export documents. The negotiation of documents implies giving value as represented by export document to the exporter.

- **Pre-shipment credit in Indian Rupees**
  The purpose of the advance includes and purchase of Raw materials or purchase of finished goods, their manufacturing, processing, packing,
transporting, warehousing etc. for export. Once the goods are ready for exporting some banks convert the packing credit/pre-shipment finance into shipping loans. Shipping loans also form another type of packing credit. Packing credit may be taken as equivalent to 'cash credit' in domestic business except that cash credit facility is sanctioned as a continuous facility whereas packing credit advance is disbursed for a specific purpose to enable the exporter to meet a specific export obligation. Every pre-shipment advance is, therefore, considered as a separate loan account from a domestic advance or inter se.

- **Pre-shipment Credit in Foreign Currency : (PCFC)** With a view to providing pre-shipment credit to Indian exporters at internationally competitive rates of interest, RBI announced a scheme of providing Pre-shipment Credit in foreign currency by the banks in India in November 1993. The PCFC scheme is in addition to normal packing credit schemes in Indian Rupees presently available to Indian exporters. The exporters now will have two options for availing export finance :-
  1) To avail packing credit in Indian rupees and then avail post-shipment credit in rupees or under PCFC or by discounting/rediscounting of export bills abroad. Or
  2) To avail packing credit in foreign currency and discounting/rediscounting of export in foreign currency abroad. Exporters availing packing credit in foreign currency under this scheme are not eligible to avail post-shipment credit in Indian rupees or under PCFC.

- **Pre-Shipmenet Advance:**
  It can be given on production of sufficient evidence i.e. telex, fax, e-mail letter of credit or export order received by the exporter and lodged with the bank within reasonable time (as agreed by the bank) of the grant of such advance. Moreover, the telex, fax, e-mail messages should reveal
quantity and particulars of goods, value of order, date of shipment, delivery period, terms of payment and name of buyer.

- ECGC Guarantee:
  Most of the banks cover their packing credit advances under ‘Packing Credit Guarantee’ of ECGC. ECGC Issues packing credit guarantees on each exporter individually and also has the system of issuing a guarantee in favour of the bank on whole turnover basis. Premium on the guarantee is generally recovered from the exporter. The rates of premium on individual guarantees are higher in comparison to rates on ‘Whole Turnover Packing Credit Guarantee’ issued to banks.

- Relaxations granted in the area of export packing credit:
  Reserve Bank has announced a few operational aspects of export packing credit as under:
  1) The stipulation of repayment of packing credit with the export documents of the relative order has been withdrawn. Substitution of commodity of export may also be granted by the bank. In other words packing credit availed by an exporter can now be liquidated by export documents relating to any export done by that exporter.
  2) The existing packing credit may also be marked off with export proceeds of documents against which no packing credit has been drawn by the exporter.
  3) The relaxations as above are available both under packing credit availed in rupees or in foreign currency.
  4) The relaxation as above is, however, not extended to transactions of sister/associate/group concerns.

- Financing of Project Exports
  The financing of project exports is a crucial element due to the time lag between the actual movement of goods or execution of a project and the receipt of funds, revenues are earned after a considerable gestation period. Such contracts may be concluded by way of
suppliers credit the exporter extends the credit directly to the foreign buyer and has to arrange for finance from a commercial bank/Exim Bank. In a buyers credit the Exim Bank extends credit to the foreign buyer (either single or in participations with commercial bank) and the exporter receives payment from the financial institution on a non-recourse basis, after fulfillment of the commercial terms of the contract. Commercial banks in participation with Exim Bank also assist project exporters by sponsoring their applications to the working Group and providing necessary counselling regarding the terms of payment, exchange fluctuation, country risk etc. In order to enable the contractors to undertake projects abroad commercial banks/Exim bank provide bid bond/guarantee, performance guarantees and advance payment guarantees on behalf of their clients.

- **RBI norms for re-discounting export bills**

  Apart from the existing avenues for financing export at the post-shipment, the RBI has issued detailed operative guidelines for extending rediscounting of export bills abroad to authorized dealers. This facility is available in all convertible currencies. The scheme will cover bills upto 180 days from shipment, and authorized dealers can make arrangements with an external agency by way of line of credit or bankers acceptances. The rate of refinance will be linked to the six months LIBOR.

  Prior permission of the RBI will not be required as long as the spread for rediscounting does not exceed one percent over LIBOR with resource and 1.5 percent without recourse.

  Authorised dealers will also be permitted to utilize foreign exchange funds available in exchange earners foreign currency accounts and foreign banks, non-resident accounts (banks) scheme.
Banks are not eligible for refinance from the RBI against export bills discounted or re-discounted under this scheme.

- Miss Nayana Bhatia in her M.Phil. thesis submitted to University of Bombay in 1998 on "A study of export financing pattern of Exim Bank has played significant role in export financing since its inception. She has stated that Exim Bank provides many facilities to the exporters in terms of direct and indirect financial assistance. It also extends many non-financial facilities to the exporters for the purpose of export promotion. The non-funding assistance is provided in the form of export bids, export contract, projects export, product and services export, export credit and guarantees, forfaiting, etc. and finding assistance in the form of Loans to EOUs, Import financing, Technology upgradation fund, short-term finance, export marketing finance, overseas investment finance, Import loans, and finance for R & D.

The Exim Bank aims to promote India’s foreign trade. The logo has a two-way significance. The import arrow is thinner than the export arrow. It also reflects the aim of value addition to exports. The bank was established for providing financial assistance to exporters and importers, and for functioning as the principal institution for Co-ordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country’s trade.

She has identified that the bank has wide range of financing programme which facilitate exporters to obtain adequate funds for the export activities. But in most of the cases this funding assistance is indirect and it is through commercial banks, which is not known to the exporters. There are many funding programmes introduced by the bank but all of them are not executed and implemented effectively. One more important conclusion drawn by Miss. Nayana in her thesis is that the amount of funded assistance sanctioned by the bank under
various schemes for exporters is not fully disbursed in many cases. This proves that there is big gap between Financial assistance sanctioned and actual disbursement. It is necessary to find our reason for this by conducting further research.

- Mr. Satish Pava in his Ph.D. thesis submitted to North-Maharashtra University in 2000 on "Export financing agencies and their role in financing of agricultural products" has stated that the export financing agencies play important role in export of Agri-products. There are many agencies like ECGC, Exim Bank, commercial Banks, Private Banks and Co-operative Banks provide funding assistance to Agri-product exporters. But the rate of interest offered by these agencies on their loan is different and the documentation procedure is also different. The Co-operative and private Banks provide loans at the higher rate of interest than the commercial banks, Exim bank and ECGC etc. But the Agri-products exporters prefer to obtain Loans from them because their loan disbursement is very easy and fast than the other agencies. The formalities like documentation and evidences also very easy and than the other agencies, so the exporters always prefer to take loan from them than the other agencies.

Actually Exim Bank provides re-financing facilities to the commercial Banks for promoting export by extending maximum funding assistance to the exporters, but in case of Agri product-exporters this objective is not achieved by the Exim Bank. To achieve this objective Exim Bank should reach to these exporters and find out their need and difficulties. The bank should try to solve the difficulties of these exporters by simplying documentation procedure and speedy disbursements of the loans.

Another important difficulty is that these exporters are not aware of Exim Bank and its functions, this difficulty should be solved by the bank by conducting 'Awareness Programmes' for these exporters at rural areas. The bank should take care that these former exporters should
get adequate funding assistance at cheaper rate than the private and Co-operative banks with minimum and simple documentation procedure.

• Mr. Visraman, FCS, Deputy Director General of foreign trade, Hyderabad in his research article published in Chartered Secretary, on WTO & Exim policy of India, Jan. 2002 has stated that the multifarious WTO agreements arising from Uruguay Round of negotiation have a direct impact on the Export-Import policy of India. Some of these have a greater impact than others. In the context of the forthcoming Exim Policy to be announced on 31-3-2002 for the next five years, some of the important issues that need to be suitably addressed are discussed in this article. He has further stated that the Govt. of India will make provisions for the import-export transactions according to the WTO requirements. The WTO agreement helps to change the provisions already made in the Exim Policy of any country. The changes made in the Exim policy will definitely improve the rate of import and export of the country. Foreign trade is recognized the world over as one of the most significant determinants of economic development requires an increase in the stock of wealth producing resources of a country. If the country deficient in some of the resources, it has to import them to arrangement of the stock of its investment goods. Gradually, it has also to import consumer goods to satisfy the rising expectations of the people with the improvement in their economic conditions. These imports have to be paid for in foreign exchange. Among the sources for the inflow of foreign exchange available to a country; export proceeds, representing the owned funds, are the most important and stable sources of foreign exchange.

• Mr. Avinash Choudhary in his Ph.D. thesis titled ‘A study on export financing and commercial banks’ submitted to University of Mumbai in 1999 has stated that commercial banks play vital role in export financing. As the RBI has given guidelines to commercial banks time
to time for export financing the commercial banks try to fulfill the expectations of the exporters. The Exim Bank of India provides refinancing facilities to the commercial banks against the short-term and medium-term finance extended by the commercial banks to the exporters. He has identified that the commercial banks face lot of difficulties in order to provide term loans to the exporters. In some cases exporters are not able to make prompt repayment of the term loans given by the commercial banks due to delay in recovery of the payment from the importer (Buyer). There are many such kind of difficulties faced by the commercial banks and the exporters.

He has studied the role of commercial banks in export financing and identified the difficulties of the commercial banks and the exporters. One of the main conclusions of his study is that the commercial banks play vital role in export financing but they are concentrating on the Urban areas and neglecting rural areas where the farmers are expecting more financial assistance from the banks. The major finding of the study is that commercial banks play very important role in export financing but they are lacking in the rural areas.

- Harshavardhan Desale in his Ph.D. thesis titled "A critical study of India's foreign trade and its contribution to generate foreign exchange" submitted to Nagpur University in 1998, stated that the foreign trade of India has gone through lot of variation since 1948 due to socio-political changes in India. Every political party has different agenda for economic development of the country and foreign trade. The provisions made in the five year plans about foreign trade are not implemented effectively to achieve targeted economic growth as well as growth rate of foreign trade. The researcher has studied India's foreign trade for fifty years since independence. He has stated that foreign trade always helps to generate foreign exchange provided the balance of trade is positive. The balance of trade leads to balance of payment, if the balance of payment is positive it turns into foreign exchange earning. As the
margin of balance of payment is more positive, the foreign exchange earnings are higher.

The researcher has analysed the trend of India’s foreign trade since 50 years after the independence on various parameters. He has studied export and import of the country for last 50 years and identified the variation between them every year. The rate of import and export growth has analysed and compared to find out balance of trade whether it is positive or negative. His major finding is that every year the rate of import is more than the export, due to which India suffers trade deficit. Even if the growth rate of export increases every year but at the same time the growth rate of import is much higher than the export. So the balance of trade was never positive since independence of the country. The researcher has given major suggestion that the government should take serious action through Exim policy to increase the rate of export growth and decrease rate of import growth by proper implementation and administration of the provisions made in the Exim policy.

- Abhijit Karve in his M.Phil thesis titled "A study on sources of finance to the Grape Exporters with reference to Nashik district" submitted to University of Mumbai in 1997, stated that most of the grape exporters in Nashik district obtain funds from Co-operative Banks, Co-operative Pat-Sansthas and other banks under Business Loans scheme. This loan is very costly because the rate of interest is very high. Actually these grape growers are obtaining loans for export purpose but they are not aware that the commercial banks provide loan facility at the concessional rate to the exporters for export purpose. Most of the grape growers are un-aware of the facilities available for the purpose of export. So they follow traditional way of obtaining loans from co-operative Bank at higher rate which is easily available for them. Apart from co-operative bank they obtain loans from credit Co-operative societies and Pat-santhas. They don’t go to the commercial banks for
taking loans because they don’t want to go through tedious formalities like documentation, guarantees, and mortgage etc.

The researcher has given major suggestions to improve financial assistance given to such exporters. The commercial Bank should reach to each and every such exporter who is not aware of the financial assistance available for them at very economical rate of interest for the purpose of export. These bank should start awareness programmes for the grape growers to export their product. The researcher has studies about 200 grape grower/exporters to collect necessary data by conducting interviews and discussions with them.

- Patel Natwarlal Rambhai in his Ph.D. thesis submitted to Bombay University in 1989 on 'Indian Currency Part I & II', stated that the Govt. of India is suffering scarcity of foreign currency due to the higher rate of import than the export. Whatever foreign currency is earned through export is utilized for financing import but it is not sufficient. This result in increasing balance of payments every year, the Indian currency is becoming weaker and weaker in terms of other leading foreign currencies in the international market. The exchange rate of these leading foreign currencies is always increasing in terms of Indian rupee. Further he has stated that this is happening because of India’s poor performance in the foreign trade. This induced India to borrow foreign currency from IMF, World Bank and other international financial institutions.

- Gautam Murthy in his Ph.D. thesis submitted to Bombay University in 1993 on 'Trade and Export Instability in the Asian Economies with special reference to India’, has quoted that Indian economy is suffering trade deficit which results in to negative balance of payments. He has observed that India’s foreign trade is suffering from instability since independence. The export instability has
resulted into India's poor performance in the international trade. He has identified main reason of India's poor performance in export on the basis of instability of Indian economy. The Indian economy is based on agriculture sector, whose production depends upon monsoon. If the monsoon is favourable, the rate of agriculture production is high and vice-versa. This results into instability of Indian economy which affects India's foreign trade performance. The other reason for India's foreign trade and export instability found by him is very important and interesting to understand. He says that India's geographical area is bigger than the other developing countries in that region. The foreign trade performance of a country depends upon its size and geographical area. It proves that bigger the geographical of a country, the export performance is lower. There are some other important reasons for India's foreign trade and export instability, those are over population, political instability and orientation, variety of religions, diversity in culture, economic transition and 150 year British rule.

- Acharya Kamalakanta in her M.Phil. thesis submitted to University of Pune in 1991 on 'Study of India's trade pattern with the East European Countries', stated that India's trade performance with east European countries is declining continuously since independence. The reason is demand for Indian product in the domestic market is increasing every year and the production is not sufficient to meet that demand. India's trade pattern with the East European countries is changing continuously because of changing demand for various commodities. Further she has stated that the East European market is a high potential market for India's export but this potential is not fully utilized. This results into loss of market share in the East European region. India should export agriculture product to meet the demand of East European countries to hold this potential market.
• Dilip Kadam in his M.Phil. thesis submitted to University of Pune in 1989 on “Balance of Payments – A critical study”, stated that India is suffering negative balance of payments since independence. The reason for this is that the rate of import is always higher than the export. Even though the rate of India’s export is increasing every year, the rate of import is increasing faster than that of export. This results into continuous trade deficit in foreign trade. The Govt. of India has to borrow foreign exchange to meet this trade deficit every year. The foreign currency loans are piling up year by year which is not a sign of healthy economic condition of a country. He has suggested that Govt. of India should earn foreign exchange through export than borrowing it from IMF, World Bank and other international financial institutions. Apart from this, the govt. should decrease the rate of import and increase the rate of export to overcome this situation. It is shameful to borrow foreign exchange from World Bank rather than generating it through export.

• S.Rajaraman Published an Article in the journal issued by Indian institute of foreign trade on India’s foreign trade performance in the recent past in 1998 stated that India has tremendous potential in exports. He has taken a review of India’s export during last decade and identified very important issue that the rate of export is not taking over the rate of imports. This is because of liberalisation of Indian Economy in the year 1991. The liberalisation has opened the Indian economy to enter foreign corporate in industrial sector. The foreign firms always import raw material from their country to produce finished product, this is become main reason of increasing rate of import.

• S.V.Prasad in his research article published in ‘India Today’ on India’s corporate development has stated that the economic development of any country depends on the development in the foreign trade. The indication of sound economic condition always
reflects on the basis of contribution of exports in the national income of the country. It is strongly stated that the study on economic development always facilitate any country in planning of economic policy. If the share of foreign trade in the economic development of the country is identifiable as a major part, the economic condition of that country is treated very healthy. The industrial development always insures sound economic health of the country. India has made satisfactory progress in the industrial sector. The industries are divided into private sector and public sector to maintain economic balance and to ensure economic condition of Indian people. If the economy is not divided into these two sectors, the higher income group becomes richer and richer and the lower income group becomes poor and poor. To maintain a balance between diverse income group people the government of any country must have to divide industrial sector into private and public sector.

- M.K. Jain in his article on Current Trends in Indian Economy published in Chartered Secretary, Jan. 2000 stated that a share of any country in the international trade is an indication of economic development of that country. It is identified that the balance between export and import can be maintained by the country only on the basis of economic conditions. If the economy is underdeveloped like India proves that it has potential to increase share in the foreign trade but in actual practice it is not possible. The study on foreign trade indicates that the share of underdeveloped countries in the international trade is always minor and the developed countries enjoy major share in the foreign trade. This is because the developed countries are having potential to maintain the rate of export always higher than the rate of import. But the underdeveloped countries cannot maintain high rate of export than the import, the reason for this is that the economy is developing which needs capital goods, technology and equipments of high quality for industrial growth. So the import of these goods and services is always higher than the export of developing country. The share of any country in the
international trade is always detected by the economic condition of that country. The developing countries always depend on developed countries for their economic development. They import capital goods, technology, food grains, oil and services from developed countries and export some goods and services which are surplus in the domestic market. It is observed that the rate of export is always lower than the import because these countries are not economically self-sufficient, they need to import more and export less due to economic constraints.

- Sachin Deshpande in his thesis submitted to Bombay University on 'Export potential of Indian Agriculture Sector', has stated that the agriculture sector is having full of potential but this potential is not utilized properly. He has identified the contribution of agriculture sector in Indian economy is tremendous but at the same time the export performance is not satisfactory. The Govt. of India and export promotion agencies are lacking on their part to provide and promote export facilities and services to the Indian farmers / exporters. Even if the export promotion scheme are introduced by Govt. of India but they are not implemented effectively. There are number of financial institutions and agencies are engaged in the export promotion activities. These agencies are not known to the farmers / exporters because most of the farmers are illiterate or unaware of importance of export. These export promotion agencies need to be conscious to extend counseling facilities at the door step of Indian farmers / exporters. It is the duty of Govt. of India and export promotion agencies to promote and encourage Indian farmers to export their product to boost Indian economy by giving valuable contribution in the form of exports. We know that the contribution of agriculture sector in Indian economy is very vital and at the same time it has tremendous potential to export agriculture product and earn foreign exchange to enhance economic development of the country.
S.P.Raj in his research article published in Business Standard dated 24th Aug. 2000 on 'India's export performance after independence' has stated that India's performance in export immediately after the independence was satisfactory compared to last one decade. The reason behind is that the rate of import has increased very faster rate than the rate of exports. As various economic reforms are implemented by Govt. of India, the rate of import of capital goods has increased. The economic development of the country depends on the development of agriculture, industrial, and service sectors. The Indian economy is based on agriculture sector and depends on the agricultural production every year. As the economic development depends on the development of agriculture sector, industrial sector, and service sector, at the same time the development of foreign trade is necessary for the development of economic condition of any country.

The report on commercial intelligence & statistics, published by the Directorate General of Commercial Intelligence & Statistics in the month of May 2001. This Directorate is a primary Govt. agency for the collection, compilation, publication and distribution of the information related to foreign, inland & ancillary trade statistics, and various types of commercial data. The Directorate brings out a number of publications, particularly on trade statistics, which are utilize in framing economic policies, formulating trade agreements with foreign countries and monitoring this agreements. The information relating to the India's foreign trade during last decade in the form of statistics is obtained from this report. Further, detailed information about India's export-import, foreign exchange and economy is collected from this report. In addition to this the report on study conducted on 'India's foreign trade promotion efforts during last decade' is referred to obtain detail information about foreign trade promotion activities undertaken by Govt. of India and EXIM Bank.
Uma Kapila in her book on 'Indian economy since independence', published by Academic Foundation in the fiscal year 2002-03 is referred to take review of India's foreign trade during last decade. The author in her book writes about India's foreign trade policy and economic development. The detailed review of India's foreign trade has been taken and supported with statistical data since independence. It also highlights the India's foreign trade performance during the period. This book takes a review of latest developments that are taken place in the Indian economy from time to time. The salient features of EXIM policy 1997-2002 declared by Govt. of India are given to study the role of government in export promotion. It has also discussed the liberalisation and changing pattern of foreign direct investments in Indian economy.

A.N.Agarwal in his book on 'Indian economy', published by Vishwa Prakashan, New Delhi in the year 2002. It gives guidelines about balance of payment and its problems and policies. The trends and problems of India's foreign are also discussed in length with special reference to direction of trade, trends in imports & exports, and import substitution. The trends in India's foreign trade are given with the help of statistical information about total export, total import and trade deficit for every year since independence. The commodity wise composition of India's export and import is also given in detail to find out most favourable commodities and services. It has given guidelines for export expansion as per the needs and requirements of the Indian economy realized by Govt. of India. These guidelines are also useful to the Indian manufacturers, exporters, and export agents to plan for their export expansion.

R.L.Varshney & B.Bhattacharya in their book on 'International marketing management', and published by Sultan Chand & Company, New Delhi in the year 1999. The authors have stated in their book that the management of modern business requires an appreciation of
multi-disciplinary concepts and in-depth knowledge of specific analytical tools, geared to the solution of real life problems. This book gives the information about India's foreign trade in detail with statistical and theoretical data. It has discuss various aspects of foreign trade like identification of foreign markets, product planning for exports, pricing for export, export finance, overseas market research, project & consultancy exports and new techniques in international marketing etc. It has also taken an overview of various aspects such as recent trends in India's foreign trade, India's foreign trade policy, export assistance & institutional infrastructure for export promotion in India.

- T.A.S.Balagopal in his book on 'Export Marketing', published by Himalaya Publishing House, New Delhi in the year 1998. It gives guidelines about export marketing management. It discusses various points which are necessary to considered in export marketing process. All important process involved in export marketing are discussed in detail such as product selection and planning, export costing & pricing, export financing, Export procedures & documentation, getting export orders, processing of export orders & documentation of export orders. This book gives an insight of the real practical procedures for export marketing.

How to export, a hand book published by ACMA (Automotive Components Manufacturers Association of India), New Delhi in the year 2000. This book takes a brief preview of procedure involved in export transactions. It has explain various aspects related to export activities such as accessing trade information, appointment of export agent, registration with export promotion council, registration with sales tax authority, product & process quality certification, Pre-shipment & post-shipment finance, EXIM Bank finance, credit insurance, Letter of credit, documentation for export, foreign exchange facilities to exporters, Fiscal and incentives available from government etc.
• Exporters manual & documentation, a master guide to the Indian exporters published by Nabhi Prakashan, New Delhi in the year 1999-2000 is a outstanding material for exporters, researchers and scholars in their concerned areas. It gives complete information about export business to the exporters. The information regarding export correspondence, internet, E-mail & FDI, business negotiations, buying agents, pricing, participation in trade fairs / exhibitions, finance, documentary credit, ECGC, documentation on foreign exchange formalities, facilities & incentives, Excise, shipping, custom clearance, export promotions schemes, EPCG, 100 per cent EOU / FTZs / EPZs / EHTPs / STPs , export trading houses, project & services exports, subsidies & financial assistance, income & sales tax, exemptions & other incentives.

• New import-export policy, a New Import – Export Policy Hand Book of Procedures (vol-1) 1997-2002 , published by Nabhi Prakashan, New Delhi is a real guide to the exporters and researchers regarding EXIM policy and procedures in foreign trade. It has given detailed information about EXIM policy , 1997-2002 declared by Govt. of India and procedures for import & export transactions prescribed in the EXIM policy. The following points are explained in detailed in connection with EXIM policy and procedures.

➢ EXIM policy with classificatory references & cross references based relating procedures and relevant notifications & circulars
➢ Hand Book of Procedures (vol-1) with explanatory references cross references based on relevant public notices & circulars.
➢ Text of relevant notifications, public notices, circulars & classifications required in day to day use and not available in the policy.

Other relevant information on import - export procedures & export incentives etc.
Report on Currency and Finance 1999-2000, published by RBI, Mumbai gives lot of statistical and theoretical information related to foreign trade of India. It is a research document prepared by economists of Reserve Bank of India. This document is prepared with the theme namely, the structural transformation of the Indian economy. It has given theoretical and statistical information about foreign trade of India. The important aspect of like development in India’s trade policy, structural changes required in India’s foreign trade policy

➤ Developments in India’s Trade Policy.
➤ Structural change in foreign trade.
➤ Structural change in exports & imports.
➤ Recent developments in India’s foreign trade.
➤ Foreign exchange management.
2.2 RESEARCH METHODOLOGY

This research work is mainly based on secondary data, however primary data is used as a supportive data. This data is collected by conducting interview / discussion and through questionnaire. The separate questionnaires are prepared for exporters and importers. These questionnaires were finalized by conducting pilot study.

The non-probability sampling method (convenience sampling) was used to collect primary data. The list of exporters and importers was obtained from MCCI and MCCI & A to identify the respondents. The respondents were mainly selected from Mumbai, Pune and Nashik for the purpose of convenience. There are 80 exporters and 40 importers from whom the sample is collected through questionnaires. They were the main respondents to collect primary data. The difficulties faced by the exporters and the commercial banks were identified by conducting interviews / discussions with their officials.

The information collected from various sources definitely adds value to any research study. The relevant information helps to conduct research and achieve the objectives of the study. This information is useful in understanding concepts and analytical issues related to the study in better ways. The review of literature is unavoidable while conducting any kind of research study. The research means a journey from known to unknown. The available information is always utilize to conduct research because available information is a very powerful tool to achieve the objectives of the study. No research is possible without information because the information is the mother of research. This is accepted by all the researchers and scholars all over the world. The world is created by unknown divine power and this power is created by energy. But it is interesting to understand that the source of energy is nothing but information. There are two types of sources of literature which are used to undertake this research study, first is published literature and second is unpublished literature. The published literature referred in the form of Reference Books, Annual Reports, Journals, Magazines,
Websites & Periodicals and unpublished literature in the form of Articles, Notes, Data Collected through Interviews & Discussions and Research Study Reports.

In order to study the problem "Role of EXIM Bank of India in generating foreign exchange through export promotion", the following research methodology is adopted. The study is mainly focusing on the role of EXIM Bank of India and its contribution to generate foreign exchange through export promotion during last ten years. It also studies the role of Govt. of India and other agencies involved in export promotion.

The study is based on both primary and secondary data, however the secondary data plays major role to achieve aims and objectives of the study. The primary and secondary data are used in appropriate proportion. Both the data are having vital significance in the research study. The primary data is first hand information which is generated from primary sources and secondary data is second hand information which is generated from secondary sources.

**Primary Data:**

There are many sources of primary data which are used to generate first hand information. This data is collected by conducting interviews of exporters and export agencies which are actively engaged in export business. The questionnaire is specially prepared to conduct interviews of the exporters and the export agencies. Many factors are considered for formulating this questionnaire. It is formulated in such a way that the relevant information would be collected. It took about six months to formulate this questionnaire. Adequate care is taken to formulate the questionnaire for collecting adequate information to achieve said aims and objectives.

The questionnaire which was prepared for conducting the interviews of exporters, circulated among ninety exporters and export agencies. It is found that they are not interested to respond. Then it was necessary to
find out the reasons for the same. The first reason was that they were not interested in such kind of activity because they had no enough time to go through the questionnaire. The second reason was that they were reluctant to disclose business information. They were not ready to share their business secrets. The result was that they couldn’t returned the questionnaire on time. This was the major problem faced by the researcher while collecting primary data. In order to overcome this problem, effective solution is found that to convert this questionnaire into schedule. It means the same questionnaire is used to collect the necessary information by conducting interviews. The interviews of exporter and export agencies are conducted by using the same questionnaire as a schedule. The response given by the exporters and export agencies are recorded on the same questionnaire.

Some other primary data is collected from the executive officers of the EXIM Bank of India with the help of formal discussions. This information is basically related to the EXIM Bank of India and relating to business operations.

This collected information is analyzed, and presented in a tabular format. While processing and interpreting this information the said aims and objectives are used as a guideline to attain the objectives.

**Secondary Data:**

In order to collect secondary data various sources are used. This data plays major role in this research study. This data is basically related to the role of EXIM Bank in generating foreign exchange through export promotion during last ten years. The data relating to the export and import is collected through Annual Reports of EXIM Bank of India (1990-91 to 1999-2000), Other Journals, Magazines, Research Articles, Research Projects and reference books are also used for collecting information. The major information is collected from Annual Report of EXIM Bank of India. It become possible to find out the composition of India’s foreign trade with the help of collected data. It also helped to study the direction of India’s foreign trade and cumulative figures of
import and export. The growth rate of import and export is found in percentage every year during last ten years. The rate of contribution of each commodity to annual total export and import is worked out with the help of this data.


The information on changes in the exchange rate between rupee and other currencies like US Dollar, Swiss Franc, Pound Sterling, Deutsch Mark, Japanese Yen and French Franc during 1997-1999 is collected from Journal of Foreign Exchange and International Finance.


The information about sources of India’s foreign exchange is extracted from Economic Times, New Delhi dated 24th November 1999 based on RBI data. The exchange rate of Indian rupee for the period 1990-1999 in comparison with US Dollar, Swiss Franc, Pound Sterling, Deutsch
Mark, Japanese Yen and French Franc at the end of the period and period average is extracted from the annual RBI report published at Mumbai in 2000.

The information on financial assistance extended by EXIM Bank during 1990-2000 is collected from Annual Reports of EXIM Bank, 1999-2000. The other information related to EXIM Bank is collected from the website of EXIM Bank.

The information related to Exim policy of India is collected from the book published by Nabhi Prakashan, New Delhi on new Exim policy 1997-2002. The data related to foreign exchange management act, export promotion, export assistance and India's foreign trade is collected from various reference books, websites, journals, magazines, annual reports, periodicals, newspapers and research articles, etc.

Finally, this large data is processed, analysed, tabulated and interpreted in a systematic manner to present effectively. This data is used to come to the conclusion on the basis of observations and to make suggestions.

2.2.1 Statement of the Problem

In this competitive world of globalisation and liberalisation it has become necessary to produce quality products at economical price to enter in the world market. If Indian industries can manufacture quality product at competitive price and make it available to the global customers, their product will be respected in the international market. At the same time this will help to increase the rate of exports and to earn foreign exchange. The aim of the Indian industries should be global market oriented than the conservative domestic market oriented. The Indian industries should be encouraged and promoted to export their product in the foreign markets to fetch more and more foreign currency to strengthen Indian economic condition. If the Govt. of India and EXIM bank become successful in solving the problems of Indian manufacturers / exporters, the objective of
strengthen Indian economy by earning sufficient foreign currency through export can be easily served.

In order to grab the world market and to boost the India's export, it is very necessary to the Indian manufacturers to manufacture goods and services of international quality at very competitive price.

As the buzz word of international trade is "highly competitive quality product at highly competitive price", Indian exporters must take it serious to remain competitive in the global market.

The Indian manufacturers are no where at the global scenario because of highly conservative/protective economy in the past which has resulted into high manufacturing cost & poor quality of product. Indian manufacturers are not quick respondent to the technological changes so they are failed compete with the global competitors in the international market. They are found very poor in utilizing all the resources at optimum to minimize the cost of production. For the survival of Indian industries, we must find the reason of failure and solution to overcome problems.

But most of the Indian industries are not doing well in the global market due to high manufacturing cost and poor quality of their product. We must find out reason for, the same and the ways to overcome these problems very seriously.

With this background, the major problem in this study which has been identified is that India is facing scarcity of foreign currency. This is due to higher rate of import against lower rate of export. There is big gap between exports and imports, this results in to trade deficit which is met by taking loans and advances from world bank and other international finance institutions. It is shameful to have foreign currency loans and advances to meet balance of payment to overcome trade deficit. Instead of taking foreign loans and advances why we can't increase our export rate and earn more foreign exchange.
So we must try to improve rate of exports than the import. In fact Indian imports is increasing at the higher rate than the export. The foreign currency which is earn from exports is not sufficient to make payment for imports. So we can say that even if rate of export is increasing every year but the rate of import is increasing much more faster than export. This is big problem due to which negative foreign trade deficit take place. This is happening because our manufactures and exporters are not encouraged to export their products. The Indian manufactures have tremendous scope and potential to export their product in the international market.

The Govt. of India and EXIM Bank are always taking lot of efforts to encourage Indian manufactures to export their product by providing various facilities, but it is found that inspite of these efforts their response is found poor. They have major problem of producing/manufacturing high quality product at lower price which can compete in the international market. They are suffering from poor economic condition due to which they can’t afford very high technology required to produce/manufacture high quality product at lower price.

The rate of exports can be accelerated by productive knowledge and financial support to the various manufactures. Actually it is high time to improve the export by changing export promotion policies. The Govt. should take corrective actions/measures to boost exports by making necessary provisions in the export promotion policy. It is necessary to provide information and to create awareness among the Indian manufactures about exports. They should know the role of Govt. of India and EXIM Bank in export promotion. There is need of financial assistance and consultancy services to the Indian exporters. There should be an association of potential exporters at national level to promote export activities. The Govt. should provide counseling and consultancy services regarding export procedure and documentation to the potential exporters.
2.2.2 Objectives Of The Study

1) To study the operations and functions of the Exim Bank of India.

2) To find out difficulties of the exporters and export financing agencies.

3) To study the provision made by the Govt. of India in Exim policy for export promotion.

4) To analyse the export financing facilities and procedures.

5) To study the export promotion facilities provided by Govt. of India.

6) To find out the contribution of EXIM Bank of India in export promotion.

2.2.3 Hypothesis

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate object of testing hypotheses. Decision-makers often face situations wherein they are interested in testing hypotheses on the basis of available information and then take decisions on the basis of such testing.

Ordinarily, when one talks about hypothesis, one simply means a mere assumption or some supposition to be proved or disproved. But for a researcher hypothesis is a formal question that he intends to resolve. Thus a hypothesis may be defined as a proposition or a set of propositions set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as provisional conjecture to guide some investigation or accepted as highly probable in the light of established facts. Quite often a research hypothesis is a predictive statement, capable of being tested by scientific methods, that relates an independent variable to some dependent variable.
Hypothesis of this study is formulated as below,

- Increasing growth rate of import over export leads to increasing trade deficit.

I] Hypothesis testing of Correlation Coefficients

<table>
<thead>
<tr>
<th>Year</th>
<th>Import (Rs. Billion)</th>
<th>Export (Rs. Billion)</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>223.64</td>
<td>203.02</td>
<td>0.99604577</td>
</tr>
<tr>
<td>1989-90</td>
<td>283.89</td>
<td>276.81</td>
<td>0.99622504</td>
</tr>
<tr>
<td>1990-91</td>
<td>432.00</td>
<td>325.60</td>
<td>0.99602176</td>
</tr>
<tr>
<td>1991-92</td>
<td>478.50</td>
<td>440.40</td>
<td>0.99650371</td>
</tr>
<tr>
<td>1992-93</td>
<td>633.50</td>
<td>536.90</td>
<td>0.99639715</td>
</tr>
<tr>
<td>1993-94</td>
<td>728.30</td>
<td>697.50</td>
<td>0.99633226</td>
</tr>
<tr>
<td>1994-95</td>
<td>899.70</td>
<td>826.70</td>
<td>0.99765315</td>
</tr>
<tr>
<td>1995-96</td>
<td>1226.80</td>
<td>1063.40</td>
<td>0.9990142</td>
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<tr>
<td>1996-97</td>
<td>1389.10</td>
<td>1158.02</td>
<td>0.99973825</td>
</tr>
<tr>
<td>1997-98</td>
<td>1541.80</td>
<td>1262.80</td>
<td>0.9999171</td>
</tr>
<tr>
<td>1998-99</td>
<td>1761.00</td>
<td>1416.00</td>
<td>0.99999999</td>
</tr>
</tbody>
</table>

On the basis of above table it is clearly observed that the relationship between import and export figures for the given eleven years definitely exists. The trend of import and export shows continuous growth during eleven years. But the growth rate of import is faster than the growth rate of export which results into growing rate of trade deficit. The correlation coefficients between import and export figures for the given period are positive and their value is very close to 1 or almost 1. This correlation between import and export figures proves that hypothesis is true and should be accepted. The criteria for hypothesis rejection or acceptance is based on
correlation coefficient value. When the correlation coefficient value is zero or less than zero or negative, it indicates that the hypothesis is rejected and when the correlation coefficient value is one or close to one or positive, it indicates that hypothesis is accepted.
Hypothesis Testing with the help of graph and table

Graph
Trend of trade deficit

Table
Trend of Trade Deficit

<table>
<thead>
<tr>
<th>Year</th>
<th>Import (Rs. Billion)</th>
<th>Export (Rs. Billion)</th>
<th>Trade deficit (Rs. Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>223.64</td>
<td>203.02</td>
<td>20.62</td>
</tr>
<tr>
<td>1989-90</td>
<td>283.89</td>
<td>276.81</td>
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</tr>
<tr>
<td>1990-91</td>
<td>432</td>
<td>325.6</td>
<td>106.40</td>
</tr>
<tr>
<td>1991-92</td>
<td>478.5</td>
<td>440.4</td>
<td>38.10</td>
</tr>
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<td>1992-93</td>
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<td>96.60</td>
</tr>
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<td>1993-94</td>
<td>728.3</td>
<td>697.5</td>
<td>30.80</td>
</tr>
<tr>
<td>1994-95</td>
<td>899.7</td>
<td>826.7</td>
<td>73.00</td>
</tr>
<tr>
<td>1995-96</td>
<td>1226.8</td>
<td>1063.4</td>
<td>163.40</td>
</tr>
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<td>1996-97</td>
<td>1389.1</td>
<td>1158.02</td>
<td>231.08</td>
</tr>
<tr>
<td>1997-98</td>
<td>1541.8</td>
<td>1262.8</td>
<td>279.00</td>
</tr>
<tr>
<td>1998-99</td>
<td>1761</td>
<td>1416</td>
<td>345.00</td>
</tr>
</tbody>
</table>

• Analysis of hypothesis testing on the basis of above graph and table.

Above graph and table clearly show the relationship between export and import, and how that relation affects the trade deficit. The trend of import and export is shown with blue and green lines respectively in the graph. The difference between import and export which is known as trade deficit is shown with red line. The trend of trade deficit is clearly shown with red which indicates growing rate of trade deficit. This increasing trade deficit reduces the foreign exchange earning capacity of the country. So we must take care that the rate of export should increase over import to reduce trade deficit. The increasing gap between import and export creates increasing trade deficit. The figures given in the above table regarding import export and trade deficit are also giving the same indication about the trend of trade deficit. The figures given in the above table proves and supports. The comment made on the basis of above graph.

Both graph and table support and prove the hypothesis of the present research study. So the hypothesis is accepted.
2.2.4 Interpretation of Data

Interpretation refers to the task of drawing inferences from the collected facts after an analytical and/or experimental study. In fact, it is a search for broader meaning of research finding. The task of interpretation has two major aspects viz. (i) the effort to establish continuity in research through linking the results of a given study with those of another, and (ii) the establishment of some explanatory concepts. "In one sense, interpretation is concerned with relationship within the collected data, partially overlapping analysis. Interpretation also extends beyond the data of the study to include the results of other research, theory and hypotheses." Thus, interpretation is the device through which the factors that seem to explain what has been observed by researcher in the course of the study can be better understood and it also provides a theoretical conception which can serve as a guide for further researches.

- Need for Interpretation

Interpretation is essential for the simple reason that the usefulness and utility of research findings lie in proper interpretation. It is being considered a basic component of research process because of the following reasons:

(i) It is through interpretation that the researcher can well understand the abstract principle that works beneath his findings. Through this he can link up his findings with those of other studies having the same abstract principle, and thereby can predict about the concrete world of events. Fresh inquiries can test these predictions later on. This way the continuity in research can be maintained.

(ii) Interpretation leads to the establishment of explanatory concepts that can serve as a guide for future research studies; it opens new avenues of intellectual adventure and stimulates the quest for more knowledge.
Researcher can better appreciate only through interpretation why his findings are what they are and can make others to understand the real significance of his research findings.

**Table - 1**

**Comparison of Export and Import Trend**

<table>
<thead>
<tr>
<th>Year</th>
<th>Import (Rs. In billion)</th>
<th>Growth Rate (%)</th>
<th>Export (Rs. In billion)</th>
<th>Growth Rate (%)</th>
<th>Trade deficit (Rs. In billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>223.64</td>
<td>--</td>
<td>203.02</td>
<td>--</td>
<td>20.62</td>
</tr>
<tr>
<td>1989-90</td>
<td>283.89</td>
<td>26.94</td>
<td>276.81</td>
<td>36.34</td>
<td>07.08</td>
</tr>
<tr>
<td>1990-91</td>
<td>432.00</td>
<td>93.16</td>
<td>325.60</td>
<td>60.37</td>
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<td>1991-92</td>
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<td>440.40</td>
<td>116.92</td>
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</tr>
<tr>
<td>1992-93</td>
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<td>536.90</td>
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<td>96.60</td>
</tr>
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<td>1993-94</td>
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<td>225.65</td>
<td>697.50</td>
<td>143.56</td>
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</tr>
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</tr>
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<td>1998-99</td>
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<td>687.42</td>
<td>1416.00</td>
<td>597.46</td>
<td>345.00</td>
</tr>
</tbody>
</table>


(Growth Rate is calculated on the basis of 1988-89 as a base year)
### Table II

**Comparison of Export and Import Trend**

<table>
<thead>
<tr>
<th>Year</th>
<th>Import (Rs. In billion)</th>
<th>Growth Rate (%)</th>
<th>Export (Rs. In billion)</th>
<th>Growth Rate(%)</th>
<th>Trade deficit (Rs. In billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>223.64</td>
<td>--</td>
<td>203.02</td>
<td>--</td>
<td>20.62</td>
</tr>
<tr>
<td>1989-90</td>
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<td>276.81</td>
<td>36.34</td>
<td>07.08</td>
</tr>
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<td>325.60</td>
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<td>1063.40</td>
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<td>14.21</td>
<td>1416.00</td>
<td>12.13</td>
<td>345.00</td>
</tr>
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</table>


(Growth Rate is calculated over previous year)
### Table III

**Trend of Trade Deficit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade deficit (Rs. In billion)</th>
<th>Growth Rate (%) (base year 1988-89)</th>
<th>Growth Rate (%) (Based on previous year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>20.62</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1989-90</td>
<td>07.08</td>
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<td>-65.66</td>
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<td>1990-91</td>
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<td>41.41</td>
</tr>
<tr>
<td>1997-98</td>
<td>279.00</td>
<td>1253.05</td>
<td>20.73</td>
</tr>
<tr>
<td>1998-99</td>
<td>345.00</td>
<td>1573.13</td>
<td>23.65</td>
</tr>
</tbody>
</table>

**Source:** Annual Reports of Exim Bank of India

from 1988-89 to 1998-99
Table - IV

Financial Assistance extended by Exim Bank

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Assistance (Rs. in Million)</th>
<th>Growth Rate (%) Over Previous year</th>
<th>Growth Rate(%) (Base year 1990-91)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>52681.9</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1991-92</td>
<td>89005.8</td>
<td>68.94</td>
<td>68.94</td>
</tr>
<tr>
<td>1992-93</td>
<td>105528.6</td>
<td>18.56</td>
<td>100.31</td>
</tr>
<tr>
<td>1993-94</td>
<td>169304.4</td>
<td>60.43</td>
<td>221.37</td>
</tr>
<tr>
<td>1994-95</td>
<td>123109.9</td>
<td>-27.28</td>
<td>133.68</td>
</tr>
<tr>
<td>1995-96</td>
<td>70737.7</td>
<td>-42.54</td>
<td>34.27</td>
</tr>
<tr>
<td>1996-97</td>
<td>75997.2</td>
<td>7.35</td>
<td>44.25</td>
</tr>
<tr>
<td>1997-98</td>
<td>81745.2</td>
<td>7.56</td>
<td>55.16</td>
</tr>
<tr>
<td>1998-99</td>
<td>62199.9</td>
<td>-23.91</td>
<td>18.06</td>
</tr>
<tr>
<td>1999-2000</td>
<td>75808.9</td>
<td>21.87</td>
<td>43.89</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Exim Bank of India from 1990-91 to 1999-2000
2.2.5 Interpretation of Data and Economic Analysis

The growth rate of export and import is increasing every year, from 1988-89 to 1998-99 which is shown in table-I. But it is found that the growth rate of import is higher than the export, due to which the rate of trade deficit is increasing every year during the period. The reason for higher growth rate of import is globalisation. Due to globalisation and free trade policy of government India, most of the MNC's entered in Indian market. These MNC's import raw material from their country on very large scale which results into higher growth rate of import than the export. Table-I shows growth rate in export and import calculated by taking year 1988-89 as base year. The trade deficit shown on the last column medicates increasing trend.

Similarly Table-II shows comparison between export and import during 1988-89 1998-98. The growth rate is calculated on the basis of previous year for every year. It is indicated in this table that the growth rate of import is higher than the export, due to which trade deficit is constantly increasing during the period.

In case of import, the growth rate was declined in the year 1991-92, 1993-94, 1996-97 and 1997-98, the reason for this decline are like drastic change in economic policy in the year 1991-92 and economic recession all over the world during 1996-97 to 1997-98. In all other years the growth rate of import and export is in decreasing continuously in minor variation. During the year 1990-91 the growth rate of very high compare to previous year. The growth rate rate of export in the 1994-95 is more than double in the year 1994-95 compare to previous year.

Table-III shows that the trade deficit is constantly increasing during 1988-89 and 1998-99 except in the year 1989-90. The trade deficit is declined by 65.66% in the year 1989-90, 64.19% in the year 1991-92 and 68.11% in the year 1993-94 over previous year which is good sign for India's foreign trade.
Table-IV shows the financial assistance extended by EXIM Bank during 1990-91 and 1999-2000. The growth rate of financial assistance extended by EXIM Bank during 1992-93, 1993-94 and 1994-95 is very high because there was additional demand for the financial assistance from the exporters. The financial assistance extended by the bank is lowest in the year 1998-99 and highest in the year 1993-94. The reason for the highest financial assistance in the year 1993-94 is economic inflation all over the world, so there was high demand for the funds.

In the year 1998-99 the demand for funds was low because of world-wide economic recession.
2.2.6 Chapter Scheme

This research study is divided into eight chapters.

The first chapter is introductory. It explains the importance of foreign trade in developing economy like India and describes the role of EXIM Bank of India in generating foreign exchange through the export promotion during last decade.

The second chapter deals with the review of literature and research methodology adopted for the study. It also includes details about statement of problem, hypothesis, testing of hypothesis, interpretation of data and economic analysis, and chapter scheme etc.

It takes a review of India's Foreign Trade since independence in the third chapter. It gives us an idea regarding the fluctuation in the foreign trade and ultimately in balance of payment.

Exim Policy of the Govt. of India has been discussed in the fourth chapter. It deals with the various provisions made in the exim policy by the government to promote India's export and import.

The fifth chapter analyses the various export financing facilities and procedures provided to the Indian exporters to enhance and promote India's performance in Foreign trade.

The sixth chapter discusses various schemes introduced by government of India for export promotion and the institutions established for the same. It also studies the role of Govt. of India in export promotion and efforts taken to enhance performance in the international trade.

The seventh chapter deals with the export financing procedures and practices followed by Exim Bank, Govt. of India and other financial institutions to promote India's export. It studies the role of EXIM Bank in export promotion during last ten years.
The eighth chapter derives the conclusions from the processed data available and gives suggestions on the basis of conclusions to the Exim Bank and the Govt. of India to improve the rate of export and the efforts to be taken to achieve positive balance of trade.
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