CHAPTER 7
CONCLUSION AND SUGGESTIONS

7.1 Introduction

After completion of research on “The Role of Exim Bank of India in the Development of Foreign Trade”, the thesis is prepared. This thesis is prepared keeping in mind the statement of problem, objectives and hypothesis within the specified scope of study. Through the research following points are concluded.

7.2 Conclusion:

Organisational Structure

- The Exim Bank of India has an organisational structure maintaining the hierarchy from chairman to naive employee with all members some nominated form government of India, Reserve bank of India, State bank of India, different schedule banks of India and even members from academics and other institutions.
- As per chart 2.1 it is observed that the Exim bank of India maintains the order and portfolios of each member properly.
- Higher ranking person like chairman belongs to IAS cadre. This shows the strength of management of the bank. The details are discussed in thesis as per the table 2.1 in chapter 2
- EXIM bank of India found to have effective management system and organisation structure.

EXIM Policy

- The Exim policy of India is found improving and stringent steps are taken from government of India are observed during the study.
- As per table 1.2 it can be concluded that, especially after 1990 liberalisation policy the Export - Import in India is seen flourishing.
- Table 1.2 shows the consistent growth year by year, except in the year 2009-10 where there is seen a negative growth. Amendments in the Exim policy of
India shows improvement in Export and Imports of India making the GDP grow higher.

- Commodities act of Indian constitution made us self-sufficient in products like sugar, cotton, etc. and also export of these commodities helped India in increasing the foreign exchange reserve.
- Trade policy opening a 24 x 7 custom clearance, opened many new markets of foreign trade. The details are as shown in algorithm 3.1.
- Foreign Direct Investment (FDI) policy made India grow in defence, constructions, operations, and maintenance sector with 49% FDI allowed.
- FDI also benefited India in the medical sector improving the health sector growth further facilitating the modern medical equipments and therapy reaching the poor citizens of India.
- ‘Make in India’ facilitated investment, innovation, skill development, protected the Intellectual property and manufacturing infrastructure in many different fields.
- Foreign trade policy made Indian service providers earn more and more foreign exchange rewards as seen in table 5.10 in chapter 5.
- High rewards were observed under Merchandise Export from India Scheme (MEIS) for products with high domestic content and more value addition in India.
- For India participating in more global value chain, many lines of Capital goods sector and Consumer goods sector were introduced strengthening the make in India policy.

**Lending**

- It has been observed from tables 5.1 where around 19% average growth is indicated and 5.2 where more than 7% growth is shown from chapter 5. These loan and guarantee portfolio tables show that more than 50% of amount has been given as loan asset to promote the export in India under different lending schemes.
- It is also observed from table 6.1 in chapter 6 that about 50% respondents accepted capital and credit line to real estate and that about only 20% respondent accepted it for automobile sector. No one agreed for personnel
Loans has been given as overseas investment finance, term loan to exporters, working capital for exporters, import finance, export facilitation and other heads.

- We have seen as per the table 5.3 how performance of lending resulted in before and after tax of EXIM bank. As per the analysis it is seen that EXIM bank performed an average rise of around 14% before tax and average rise of 13% after tax. This rise in performance is steady and can be further enhanced.

**Foreign Trade**

- It has been observed from chart 4.1 that Exim Bank of India provides a range of export credit services like finance for export projects and consultancy services, capital equipment finance, export project cash flow deficit finance and guarantees.
- It has been seen that many turnkey projects contracts to Indian exporters are secured with the help of Exim bank of India.
- Exim bank of India runs a unique programme by the name ‘Buyer’s Credit’, through which Indian exporters are facilitated to extend their credit facility to overseas buyers for financing their imports from India.
- Exim bank of India extends Lines of Credit to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyer’s in those countries to import developmental and infrastructural projects, equipments, goods and services from India.
- As per table 6.1 about 50% respondent said that the Exim bank lending to corporate capital and credit line has been seen to be for the real estate whereas 20% respondent said automobile sector. They lack in personal level lending at both the areas i.e. corporate and credit lines.
- It is observed that Exim bank of India is also supporting globalization of enterprises based out of rural India. The programme seeks to address the needs of relatively disadvantaged sections of society while creating expanded opportunities for traditional crafts persons and artisans, and rural entrepreneurs of the country.
Diversified Market

- When lending restrictions are seen in table 6.2, they can be corporate capital and line of credit, Exim bank has internal and legal divisions of both corporate capital and line of credit. As per survey there were three sectors for the above structure viz Personal, Real Estate and Automobile. It has been seen from the respondents that only 10% privilege is given to automobile sector whereas 30% privilege is given for personal and real estate sector each. Automobile sector has fewer restrictions compared with the other two viz real estate and personal in all domain internal, legal, corporate capital and line of credit.

- On asking about Post-shipment Supplier’s Credit, 20% of respondents agreed. It can be interpreted in a way that, this can be extended to Indian exporter’s upto the extent of the deferred credit portion of the export contract, either in Indian rupees or in foreign currency.

- Foreign trade policy made Exim bank provides services to earn more and more foreign exchange rewards.

- High rewards were observed in table 5.4, under Merchandise Export from India Scheme (MEIS) for product with high domestic content and more value addition in India. About 23% average consistent rises in net profit has been observed.

- For India participating in more global value chain, many lines of Capital goods sector and Consumer goods sector were introduced strengthening the make in India policy. This is proved contribution of Exim bank as shown in table 5.5 in diversified markets and foreign trade. 3% rise is observed in the tune of billions of US dollars.

- From tables 6.6 and 6.7 it is cleared that about 70% respondents agreed that civil construction and design is taken care in Turnkey projects by Exim Bank of India providing a range of export credit services like finance for export projects and consultancy services, capital equipment finance, export project cash flow deficit finance and guarantees.

- Again from table 6.6 and 6.7, it is clear that about 50% respondents enlisted other works like erection, detailed design, supply of equipments, commissioning of plant, power transmission and distribution. The range of responses lie between 40% to 60%
• It has been observed an abnormal statistics as per the table 5.6 which shows electronics goods export and import performance. As per the table there has been a decline in export of electronics goods where as an average of 8% rise in import is observed. These figures shows electronics industries need to be furnished as per the world standard.

• As per table no 5.8 and table no 5.9 there has been a decline in pharma and petrochemical export where as an average of 11% rise is observed in chemical export basically Organic chemicals, Inorganic chemicals, Insecticides, Pesticides, Dyeing and Tanning chemicals.

• From table 6.7 we could conclude that consultancy and services also earns a big portion in the net profit of Exim bank. About 50% of respondents agreed for consultancy of Exim bank in the field of skills development, training, personal, training, project implementation, etc.

• CAD/CAM and other software solutions in the field of finance and accounting are also taken care and responded by the employees of Exim bank in the capacity of 50%.

• As per table 5.7 it is clear that around average of 18.5% rise is observed in service sector. This is one area where a handsome growth is observed. The overall service industries specially export oriented units are giving good results.

• Table 6.5 shows that, 100% of the respondents agreed to the civil construction projects. Construction Projects involve civil works, steel structural works, as well as associated supply of construction material and equipment for various infrastructure projects. In almost all the sectors of civil construction Exim bank helps to the tune of 90% to 100%. This can be interpreted as EXIM bank is ready to cooperate with all civil related projects.

• When asked about consultancy provision only 50% of respondents agreed. Exim bank is interested in large turnkey projects.

• It is sighted while research that the Exim bank of India plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian companies through its Marketing Advisory Services. This has been shown in table 6.6.
• It comes to know that artisans supported by the Exim bank of India displayed crafts including Madhubani Paintings, Papier Mache & other Kashmiri handicrafts & textiles, Jute Bags and Folders, Sanjhi Arts and Rajasthani miniature paintings at the Mela and earned several accolades and appreciation.

• It is seen that Exim bank of India’s Research & Analysis Group offers a range of research insights on aspects of international economics, trade and investment through qualitative and quantitative research techniques. The research work carried out in the Group under the broad classification of regional, sectoral and policy related studies are published in the form of Occasional Papers, Working Papers, Books, etc.

• It is also observed in chart 6.8 that, the Exim bank of India provides a wide range of information, advisory and support services, which complement its financing programmes. These services are provided on a fee basis to Indian companies and overseas entities. The scope of services includes market-related information, sector and feasibility studies, technology supplier identification, partner search, investment facilitation and development of joint ventures both in India and abroad.

• It is concluded that the Exim bank of India in association with the AfDB Group organised a series of seminars on business opportunities in AfDB funded projects at New Delhi, Hyderabad and Mumbai.

• In this thesis it is concluded that Exim bank of India also imparts training, conduct different workshops, seminars, etc. for promotion of Export and Import in India.

• This thesis throws light on the publication section of “Exim Bank of India” where different reports, white papers, research papers, annual reports, etc. are published.

• This thesis concludes that the Exim Bank plays a vital role in the Development of Foreign Trade in India.
7.3 Suggestions & Recommendations:

After concluding the main highlighting points about Exim bank of India, it is observed that there are some areas and domains where some policies and strategies are required to be amended and implemented for even better performance of the working of Exim bank of India which will help to increase the Import and Export of India. The suggestions are as follows.

- There are very few branches of Exim bank of India, making it difficult for many manufacturers, service providers, importers and exporters to avail the facilities provided by Exim bank of India. It will be better if number of branches of Exim bank of India is increased.

- It is observed that presently the Exim bank of India has its branches in ‘A’ class cities. It is recommended that if the branches of Exim bank of India also reach to ‘B’ class cities, there will be more transactions of production houses, service providers, importers and exporters at the bank increasing the imports and exports of India.

- It is also observed that small and medium scale units in India are giving really good quality output, but cannot reach the international market. Exim bank of India can behave as a catalyst in uplifting this sector, thereby increasing the imports and exports of India.

- As manufacturing / trading / services companies with a minimum export orientation of 10% of their annual turnover, or exports of Rs 5 crore per annum, are eligible to avail finance from Exim Bank. Exim Bank financing is available in Indian Rupees and in foreign currency. Small scale and small exporters are neglected by the EXIM bank.

- Even for research and development sector the condition of lending remains the same i.e. 10% of annual turnover or Rs 5 crore per annum.

- It has been observed that very few areas are being handled and looked by the Exim bank of India in terms of foreign trade like Turnkey projects in constructions, Transmission, manufacturing, services, etc. It is suggested that small scale sector, food sector, agricultural sector, retail sector, etc can be introduced and worked upon in the working of Exim bank of India.

- The responses forced to interpret in a way that supply of equipments, design and civil construction are given more importance as compared with
commissioning of plants or power transmission & distribution or even detailed engineering. One idea behind civil related work can be easy availability of expert services and large profit. There remain problems with EXIM bank in even in some components of turnkey projects.

- The Line of Credit recipient is fully responsible for repayment and servicing of the loan. This can be further furnished by increasing the security level of the recipient.
- Liability of the Borrower / Recipient of the Line of Credit, for repayment of principal instalments and payment of interest and other dues under the LOCs, to Exim Bank, is absolute and irrevocable, and is, in no way, linked to repayment/ payment by sub-borrowers or to the completion of the projects / contracts covered under the LOCs. Stringent method can be designed for Borrower / Recipient in this regard so that they prosper and earn more.
- Goods and services for minimum 85% value of the contracts covered under these LOCs must be sourced from India.
- It is suggested that advance payment of at least 10% of the value of the contract to be borne by the LOC recipient/foreign buyer.
- LOCs may finance upto 90% value of contract on FOB/CFR/CIF/CIP basis. This will boost the LOCs and banks funds flow shall be more secure.
- Legal and internal restrictions don’t allow benefits to more companies. These restrictions can be reduced for the growth of EXIM bank and even for the growth of export and import sector.
- This can be interpreted in a way that lending by Exim bank is limited to certain section of exports and at certain level.
- Pre-shipment inspection of equipment / goods should be mandatory.
- The Monitoring Mechanism is expected to ensure timely execution of the major projects covered under the LOC, as per the detailed project report and avoid / minimize cost over-runs. The utilisation and servicing of the LOCs are required to be monitored in addition to the project implementation status.
- Post-shipment Supplier’s Credit, can be extended to Indian exporter’s upto the extent of the deferred credit portion of the export contract, either in Rupees or in foreign currency. The post shipment credit facility needed to be enhanced.
• The Project Implementing authorities should be asked to provide bi-annual status reports.
• Quarterly progress reports should be submitted by the Indian contractor to Exim Bank on the status of the project.
• Regular review meetings should be conducted in India by Exim Bank with the Indian contractor for monitoring the project execution.
• In certain instances, Exim Bank may also undertake visits to manufacturing sites of the Indian contractors and the ports when the shipments are underway. In case of undue or protracted delay in project execution, a joint site visit may be undertaken by Exim Bank with the LOC-Recipient to ascertain the causes and initiate remedial action.
• India being an agricultural country, agricultural products are to be given utmost priority for export.
• Bio fuel and other energy sources can be key area for export.
• Fruits processing units for Banana Liquor is in demand at African countries. EXIM Bank can initiate in export of Banana and in setting up of such plants.
• Grass root level training and awareness programmes are to be initiated from EXIM bank to inculcate attitude of export and earning foreign currency for India.